



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Directors consider that its ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The principal activity of the Company is investment holding. Its subsidiaries, jointly controlled entities and associates are principally engaged in construction and contracting, renovation and fitting out, manufacturing and sales of cement, property development, property investment and investment holding.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("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 1 January 2005 except for HKAS 40 "Investment Property" and HK(SIC)-Int 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which the Group has elected for early application for the year ended 31 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 recognised income and expense. In particular, the presentation of minority interests and share of tax of associates and jointly controlled entities has been changed. In addition, the loans with agreements to refinance on a long term basis completed after the balance sheet date and before the financial statements authorised for issue have been classified as current liabilities. The changes in presentation have been applied retrospectively.

The application 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/or prior accounting years are prepared and presented.

The Group has early applied HKAS 19 (Amendment) "Actuarial Gains and Losses, Group Plans and Disclosures" in the preparation of the consolidated financial statements for the year ended 31 March 2006. Following the adoption of HKAS 19 (Amendment), actuarial gains and losses generated during the year have been recognised in the statement of recognised income and expense. In prior years, actuarial gains and losses which exceeded 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets were amortised over the expected remaining service period of the participating employees. The Group is required to apply HKAS 19 (Amendment) retrospectively. Accordingly, comparative figures have been restated (see note 2A for the financial impact).



2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES - continued

Business Combinations

In the current year, the Group has applied the transitional provisions of HKFRS 3 "Business Combinations" to goodwill acquired in business combinations for which the agreement date was before 1 January 2005. The principal effects of the application of transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and goodwill arising on acquisitions after 1 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 continues to be held in reserves and will be transferred to the retained profits of the Group at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. Goodwill arising on acquisition after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

In the current year, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at the closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rates at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 April 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made.

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 an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately as profit or loss in the year in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and negative goodwill arising on acquisitions after 1 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 all negative goodwill on 1 April 2005 (of which HK\$2.7 million was previously recorded in interests in jointly controlled entities, HK\$88.1 million and HK\$41.9 million were previously recorded by jointly controlled entities and associates respectively and HK\$0.5 million was previously presented as a deduction from assets), with a corresponding increase to the Group's retained profits.

Share-based Payment

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005. Comparative figures have been restated (see note 2A for the financial impact).





2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES - continued

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 April 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for the current and prior accounting periods. 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 classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24") "Accounting for Investment in Securities". 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" were carried at cost less impairment losses (if any) while "other investments" were measured at fair value, with unrealised gains or losses included as profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group classifies and measures its investments in debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "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 the income statement and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its investments in debt and equity securities in accordance with the requirements of HKAS 39. The carrying amount of investment in securities at 1 April 2005 has been designated as financial assets at fair value through profit or loss. There was no material effect on the Group's retained profits.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. An adjustment to the previous carrying amounts of assets of HK\$3.0 million and liability of HK\$0.8 million on 1 April 2005 has been made to the Group's retained profits.





2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES - continued

Financial Instruments - continued

Investment in convertible redeemable participating junior preference shares

In prior year, investment in convertible redeemable participating junior preference shares issued by an associate was included in interests in associates and stated at cost less impairment.

From 1 April 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Group has, from 1 April 2005 onwards, deemed such derivatives as held for trading. On 1 April 2005, the Group classified and measured the conversion options embedded in the convertible redeemable participating junior preference shares as separable derivative financial instruments in accordance with the requirements of HKAS 39. The fair value of the conversion options on initial recognition of HK\$48.4 million has been reclassified from convertible redeemable participating junior preference shares and the conversion options were subsequently measured at cost less impairment as the conversion options are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured. The loan portion of the convertible redeemable participating junior preference shares was stated at amortised cost using the effective interest method, less any impairment loss.

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 either the cost model or the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The Group has resolved to state the buildings at cost and amortised over the lease term on a straight-line basis and reversed the amount held in the properties revaluation reserve and corresponding deferred taxation accordingly. This change in accounting policy has been applied retrospectively (see note 2A for the financial impact).





2A SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(i) The effects of the changes in accounting policies on the results for the year ended 31 March 2006 are as follows:

	Effects of adopting HKAS 19					Total HK\$ million
	HKAS 1 HK\$ million	HKAS 17 HK\$ million	(Amendment) HK\$ million	HKFRS 2 HK\$ million	HKFRS 3 HK\$ million	
(Decrease) increase in profit for the year:						
Staff costs	—	—	—	(1.8)	—	(1.8)
Depreciation and amortisation expenses	—	(0.8)	—	—	—	(0.8)
Subcontracting, external labour costs and other expenses	—	—	—	—	(0.1)	(0.1)
Share of results of jointly controlled entities	(4.1)	—	—	—	(0.1)	(4.2)
Share of results of associates	(82.8)	—	—	—	—	(82.8)
Profit before taxation	(86.9)	(0.8)	—	(1.8)	(0.2)	(89.7)
Taxation	86.9	—	—	—	—	86.9
Profit for the year	—	(0.8)	—	(1.8)	(0.2)	(2.8)
Attributable to:						
Equity holders of the Company	—	(0.8)	—	(1.8)	(0.2)	(2.8)
Minority interests	—	—	—	—	—	—
	—	(0.8)	—	(1.8)	(0.2)	(2.8)

(ii) The effects of the changes in accounting policies on the results for the year ended 31 March 2005 are as follows:

	Effects of adopting HKAS 19				Total HK\$ million
	HKAS 1 HK\$ million	HKAS 17 HK\$ million	(Amendment) HK\$ million	HKFRS 2 HK\$ million	
Increase (decrease) in profit for the year:					
Staff costs	—	—	2.2	(1.0)	1.2
Depreciation and amortisation expenses	—	0.6	—	—	0.6
Revaluation increase on land and buildings	—	(3.0)	—	—	(3.0)
Share of results of jointly controlled entities	(2.6)	—	—	—	(2.6)
Share of results of associates	(31.9)	—	—	—	(31.9)
Profit before taxation	(34.5)	(2.4)	2.2	(1.0)	(35.7)
Taxation	34.5	—	—	—	34.5
Profit for the year	—	(2.4)	2.2	(1.0)	(1.2)
Attributable to:					
Equity holders of the Company	—	(2.4)	2.4	(1.0)	(1.0)
Minority interests	—	—	(0.2)	—	(0.2)
	—	(2.4)	2.2	(1.0)	(1.2)





2A SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES - continued

(iii) The cumulative effects of the changes in the accounting policies on the consolidated balance sheet as at 31 March 2005 and 1 April 2005 are summarised below:

Consolidated balance sheet items

	As at 31 March 2005 (originally stated) HK\$ million	HKAS 1 Adjustments HK\$ million	HKAS 17 Adjustments HK\$ million	HKAS 19 (Amendment) Adjustments HK\$ million	HKFRS 2 Adjustments HK\$ million	As at 31 March 2005 (restated) HK\$ million	HKAS 39 Adjustments HK\$ million	HKFRS 3 Adjustments HK\$ million	As at 1 April 2005 (restated) HK\$ million
Property, plant and equipment	71.6	—	(46.2)	—	—	25.4	—	—	25.4
Prepaid lease payments	—	—	17.8	—	—	17.8	—	—	17.8
Negative goodwill	(0.5)	—	—	—	—	(0.5)	—	0.5	—
Interests in jointly controlled entities	636.6	—	—	—	—	636.6	—	90.8	727.4
Amounts due from jointly controlled entities	293.6	—	—	—	—	293.6	(0.2)	—	293.4
Interests in associates	1,713.8	—	—	—	—	1,713.8	(243.6)	41.9	1,512.1
Convertible redeemable participating junior preference shares	—	—	—	—	—	—	192.4	—	192.4
Investments in securities	12.4	—	—	—	—	12.4	(12.4)	—	—
Financial assets at fair value through profit or loss	—	—	—	—	—	—	12.4	—	12.4
Defined benefit assets	9.3	—	—	9.5	—	18.8	—	—	18.8
Derivative financial instruments	—	—	—	—	—	—	48.4	—	48.4
Creditors and accrued charges	(540.2)	—	—	—	—	(540.2)	0.8	—	(539.4)
Bank borrowings — current	(55.8)	(198.0)	—	—	—	(253.8)	—	—	(253.8)
Bank borrowings — non-current	(1,198.0)	198.0	—	—	—	(1,000.0)	—	—	(1,000.0)
Deferred tax (liabilities) assets	(3.6)	—	4.4	—	—	0.8	—	—	0.8
Total effects on assets and liabilities	939.2	—	(24.0)	9.5	—	924.7	(2.2)	133.2	1,055.7
Properties revaluation reserve	21.1	—	(21.1)	—	—	—	—	—	—
Negative goodwill	0.5	—	—	—	—	0.5	—	(0.5)	—
Retained profits	673.9	—	(2.9)	(18.7)	(1.1)	651.2	(2.2)	133.7	782.7
Share option reserve	—	—	—	—	1.1	1.1	—	—	1.1
Actuarial gain and loss	—	—	—	28.4	—	28.4	—	—	28.4
Minority interests	—	29.3	—	(0.2)	—	29.1	—	—	29.1
Total effects on equity	695.5	29.3	(24.0)	9.5	—	710.3	(2.2)	133.2	841.3
Minority interests	29.3	(29.3)	—	—	—	—	—	—	—





2A SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES - continued

(iv) The financial effects of the application of the new HKFRSs to the Group's equity on 1 April 2004 are summarised below:

	As originally stated HK\$ million	Adjustments HK\$ million	As restated HK\$ million
Properties revaluation reserve	18.7	(18.7)	—
Retained profits	345.3	(21.2)	324.1
Share option reserve — recognition of equity-settled share-based payment expense	—	0.1	0.1
Minority interests	—	28.6	28.6
Total effects on equity	364.0	(11.2)	352.8

2B POTENTIAL IMPACT ARISING ON THE NEW OR REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not applied early the following new or revised standards, amendments and interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations which have not been applied early by the Group. Except for the impact of HKAS 39 & HKFRS 4 (Amendments) "Financial guarantee contracts", which requires recognition of financial guarantee at fair value on initial recognition, the Group anticipates that the applications of these new or revised standards, amendments and interpretations would not have significant impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 21 (Amendment)	Net investment in a foreign operation ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease ²
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment ³
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴
HK(IFRIC) — INT 8	Scope of HKFRS 2 ⁵
HK(IFRIC) — INT 9	Reassessment of embedded derivatives ⁶

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2006.

³ Effective for annual periods beginning on or after 1 December 2005.

⁴ Effective for annual periods beginning on or after 1 March 2006.

⁵ Effective for annual periods beginning on or after 1 May 2006.

⁶ Effective for annual periods beginning on or after 1 June 2006.





3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under 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 Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or made up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-company transactions and balances within the Group have been 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.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 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 or jointly controlled entity at the date of acquisition.

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

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet. Capitalised goodwill arising on an acquisition of a jointly controlled entity (which is accounted for using the equity method) is included in the cost of the investment of the relevant jointly controlled entity.





3. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill - continued

Goodwill arising on acquisitions on or after 1 January 2005 - continued

For the purposes of impairment testing, goodwill arising from an acquisition of a subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

For goodwill arising on acquisition of a jointly controlled entity, the goodwill included in the carrying amount of interests in a jointly controlled entity is not separately tested for impairment. Instead, the entire carrying amount of the interests in a jointly controlled entity is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the jointly controlled entity with its carrying amount. Any impairment loss identified is recognised and is allocated first to goodwill.

On subsequent disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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 acquisition")

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 1 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 above, all negative goodwill as at 1 April 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.





3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 the carrying amount will be recovered principally through a sale transaction and not 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' (or disposal groups') previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.





3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Others

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.

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised 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.

Dividend income from investments is recognised when the Group's right to receive the relevant payment has been established.

Investment properties

Investment property including land under operating lease arrangements, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included as profit or loss for the period in which they arise.

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 as profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation, amortisation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

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.

Club memberships

On initial recognition, club memberships are included at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).





3. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Prepaid lease payments on land use rights

Prepaid lease payments on land use rights are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments on land use rights are amortised on a straight-line basis over the shorter of the relevant land use right or the operation period of the relevant company.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises property interest in leasehold land and development costs including attributable borrowing costs and charges capitalised during the development period that have been incurred in bringing the properties held for sale to their present location and condition. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing, selling and distribution.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under debtors, deposits and prepayments.

Borrowing costs

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

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.





3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of assets excluding goodwill and intangible assets with indefinite useful life

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. Impairment losses are recognised in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as profit or loss.

Impairment of intangible assets with indefinite useful life

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. 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.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes consolidated income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from 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 tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.





3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited as profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

Where the Group is the lessee, rental expense under operating leases is charged as profit or loss on a straight-line basis over the relevant lease term. 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.

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 as 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 as profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the 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 as profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 April 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

As mentioned in note 2, goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 April 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.





3. SIGNIFICANT ACCOUNTING POLICIES - continued

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense as they fall due.

For the defined benefit retirement plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses arising from the defined benefit retirement plan are recognised in full in the year in which they occur in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group 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 and 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 as profit or loss.

Financial assets

The Group's financial assets are classified into 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 has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. 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.





3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

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 debtors, amounts due from jointly controlled entities, associates and related companies, convertible redeemable participating junior preference shares, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised as 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.

Embedded derivatives and derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to determine reliably the fair value of an embedded derivative on the basis that the embedded derivative is based on unquoted equity instrument, the fair value of the embedded derivative is the difference between the fair value of the hybrid instrument and the fair value of the host contract determined as at the date of initial recognition.

Derivatives (including embedded derivatives which are separated from non-derivatives host contracts) that do not qualify for hedge accounting are deemed as financial assets/ financial liabilities held for trading and are measured at fair value except for derivative instruments which are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured and such derivative instruments are stated at cost less impairment, if applicable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits with maturity of three months or less.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group 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 for specific financial liabilities and equity instruments are set out below.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest 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.





3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity - continued

Other financial liabilities

Other financial liabilities including creditors, amounts due to jointly controlled entities, associates and related companies are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the Group has made the following judgements that have significant effect on the amounts recognised in the financial statements.

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Income taxes

As at 31 March 2006 and 2005, a deferred tax asset of HK\$1.4 million and HK\$2.0 million respectively in relation to unused tax losses has been recognised as set out in note 32. No deferred tax asset has been recognised in respect of tax losses of HK\$260.8 million and HK\$204.5 million as at 31 March 2006 and 2005 respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal or further recognition takes place.

Depreciation

The Group's carrying values of property, plant and equipment as at 31 March 2006 were approximately HK\$28.5 million (2005: HK\$25.4 million). The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value. The estimated useful life of the property, plant and equipment reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Fair value estimation

The fair value of financial assets at fair value through profit or loss is estimated by reference to the prices recently paid for similar assets or on the basis of valuations carried out by independent valuers. Such valuation was based on assumptions which are subject to uncertainty.





5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at fair value through profit or loss, borrowings, debtors, amounts due from jointly controlled entities, bank balances, deposits and cash and creditors. 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 Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) *Market risk*

(i) **Foreign currency risk**

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Group does not expect any significant exposure to foreign exchange fluctuations.

(ii) **Cash flow interest rate risk**

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Group's cash flow interest rate risk relates primarily to the Group's borrowing obligations at floating rate. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in interest rates. The Group currently does not have interest rate hedging policy.

(iii) **Equity price risk**

The Group is exposed to equity security price risk through its investment in financial assets at fair value through profit or loss. The Group manages its equity security price risk by closely monitoring the performance of the investee companies.

(b) *Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations 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 credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

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

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings assigned by international credit-rating agencies.

With respect to credit risk arising from amounts due from jointly controlled entities, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good reputation and the Group does not expect to incur a significant loss for uncollected amounts due from these jointly controlled entities.



5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. As at 31 March 2006, the Group's net current liabilities were HK\$708.2 million. In the opinion of the Directors of the Company, most of the borrowings that mature within one year can be renewed on the strength of the Group's earnings and asset base and the Group expects to have adequate sources of funding to finance its operations.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management reporting purposes, the Group is currently organised into four operating divisions — construction and building maintenance, cement operations, property development and property investment and others. These divisions are the basis on which the Group reports its primary segment information.

The Group was involved in the trading of building materials and sale of construction materials, which were discontinued in 2004/2005 (note 11).

Turnover represents the revenue arising on construction contracts and building maintenance, amounts received and receivable for goods sold by the Group to third party customers, less returns and allowances, revenue from property development projects, and rental and leasing income for the year.

Segment information about these businesses is presented below:

2006

	Continuing operations				Discontinued operations				Eliminations	Consolidated
	Construction and building maintenance	Cement operations	Property development	Property investment and others	Total	Sale of construction materials	Trading of building materials	Total		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
TURNOVER										
External sales	1,364.1	23.0	—	13.1	1,400.2	—	3.7	3.7	—	1,403.9
Inter-segment sales	0.6	—	—	22.6	23.2	—	—	—	(23.2)	—
Group turnover	1,364.7	23.0	—	35.7	1,423.4	—	3.7	3.7	(23.2)	1,403.9
Share of jointly controlled entities	97.9	885.6*	—	5.7	989.2	2.7	—	2.7	—	991.9
Total	1,462.6	908.6	—	41.4	2,412.6	2.7	3.7	6.4	(23.2)	2,395.8

Inter-segment sales are charged at mutually agreed prices.

* This includes the Group's effective share of turnover of jointly controlled entities in respect of the cement operations in Chongqing (HK\$307.2 million), Guizhou (HK\$402.3 million), Nanjing (HK\$12.6 million) and that of Lafarge Shui On Cement Limited ("LSOC") (HK\$130.6 million). For details of LSOC, please refer to note 38.



6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2006

	Continuing operations				Discontinued operations			Consolidated HK\$ million	
	Construction and building maintenance HK\$ million	Cement operations HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Total	Sale of construction materials HK\$ million	Trading of building materials HK\$ million		Total HK\$ million
RESULTS									
Segment results	54.6	(50.5)	(0.1)	111.7	115.7	(9.3)	3.6	(5.7)	110.0
Interest income	—	—	—	—	29.3	—	—	0.1	29.4
Interest income from preference shares	—	—	20.1	—	20.1	—	—	—	20.1
Finance costs	—	—	—	—	(93.5)	—	—	(0.2)	(93.7)
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries	—	(26.2)	—	—	(26.2)	—	—	—	(26.2)
Impairment loss recognised in respect of interests in jointly controlled entities	(2.1)	(71.6)	—	—	(73.7)	—	—	—	(73.7)
Change in fair value of net assets contributed to a jointly controlled entity	—	38.7	—	—	38.7	—	—	—	38.7
Loss on deemed disposal of an associate	—	—	(10.3)	—	(10.3)	—	—	—	(10.3)
Share of results of jointly controlled entities									
Cement operations in									
— Chongqing	—	(93.2)	—	—	(93.2)	—	—	—	(93.2)
— Guizhou	—	33.5	—	—	33.5	—	—	—	33.5
— Nanjing	—	(8.0)	—	—	(8.0)	—	—	—	(8.0)
— LSOC	—	(17.6)	—	—	(17.6)	—	—	—	(17.6)
Venture capital investments	—	—	—	193.5	193.5	—	—	—	193.5
Distressed asset development	—	—	—	55.0	55.0	—	—	—	55.0
Others	(9.3)	0.3	—	—	(9.0)	0.6	—	0.6	(8.4)
					154.2			0.6	154.8
Share of results of associates									
— Property development in the PRC	—	—	209.9	—	209.9	—	—	—	209.9
Profit (loss) before taxation					364.2			(5.2)	359.0
Taxation					(7.6)			—	(7.6)
Profit (loss) for the year					356.6			(5.2)	351.4



6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2006

Balance Sheet

	Continuing operations				Discontinued operations			Consolidated HK\$ million
	Construction and building maintenance HK\$ million	Cement operations HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million	Eliminations HK\$ million	
ASSETS								
Segment assets	419.1	306.2	9.2	320.3	35.8	12.0	—	1,102.6
Amounts due from jointly controlled entities/associates	51.3	342.6	15.0	98.0	—	—	—	506.9
Interests in jointly controlled entities/associates	16.5	1,859.9	1,643.6	396.0	—	—	—	3,916.0
Convertible redeemable participating junior preference shares	—	—	300.0	—	—	—	—	300.0
Derivative financial instruments	—	—	89.8	—	—	—	—	89.8
Inter-segment receivables	907.0	124.7	—	4,120.4	—	7.8	(5,159.9)	—
Unallocated assets								67.2
Consolidated total assets								<u>5,982.5</u>
LIABILITIES								
Segment liabilities	621.5	17.5	—	25.7	0.4	1.8	—	666.9
Amounts due to jointly controlled entities/associates	0.8	71.1	—	3.6	—	—	—	75.5
Inter-segment payables	152.8	2,301.6	1,867.1	624.3	88.5	125.6	(5,159.9)	—
Unallocated liabilities								<u>2,819.0</u>
Consolidated total liabilities								<u>3,561.4</u>

Other Information

	Continuing operations				Discontinued operations		Consolidated HK\$ million
	Construction and building maintenance HK\$ million	Cement operations HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million	
Capital expenditure	3.4	95.5	—	0.9	7.0	—	106.8
Depreciation and amortisation expenses	1.4	7.5	—	0.8	—	—	9.7
Share-based payment expense	—	—	—	1.8	—	—	1.8
Decrease in fair value of investment properties	—	0.3	—	—	—	—	0.3
Impairment of goodwill	—	26.2	—	—	—	—	26.2
Loss on disposal of property, plant and equipment	—	—	—	0.6	—	—	0.6
Impairment loss on property, plant and equipment	—	0.9	—	—	—	—	0.9
Impairment loss on other receivables	—	9.6	—	—	—	—	9.6



6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2005 (restated)

	Continuing operations				Discontinued operations			Eliminations HK\$ million	Consolidated HK\$ million	
	Construction and building maintenance HK\$ million	Cement operations HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Total	Sale of construction materials HK\$ million	Trading of building materials HK\$ million			Total HK\$ million
TURNOVER										
External sales	1,855.2	9.1	1.6	17.0	1,882.9	224.6	124.9	349.5	—	2,232.4
Inter-segment sales	1.6	—	—	0.4	2.0	18.8	—	18.8	(20.8)	—
Group turnover	1,856.8	9.1	1.6	17.4	1,884.9	243.4	124.9	368.3	(20.8)	2,232.4
Share of jointly controlled entities	40.3	768.2*	—	15.3	823.8	32.2	—	32.2	—	856.0
Total	1,897.1	777.3	1.6	32.7	2,708.7	275.6	124.9	400.5	(20.8)	3,088.4

Inter-segment sales are charged at mutually agreed prices.

* This includes the Group's effective share of turnover of jointly controlled entities in respect of the cement operations in Chongqing (HK\$375.4 million), Guizhou (HK\$292.9 million) and Nanjing (HK\$62.3 million).

RESULTS

Segment results	10.1	(26.9)	(0.3)	(24.8)	(41.9)	(59.6)	(18.5)	(78.1)	(120.0)
Interest income	—	—	—	—	6.9	—	—	1.0	7.9
Interest income from preference shares	—	—	14.0	—	14.0	—	—	—	14.0
Finance costs	—	—	—	—	(15.2)	—	—	(1.2)	(16.4)
Gain on disposal of subsidiaries	—	—	345.7	—	345.7	25.9	—	25.9	371.6
Share of results of jointly controlled entities									
Cement operations in									
— Chongqing	—	(17.4)	—	—	(17.4)	—	—	—	(17.4)
— Guizhou	—	16.1	—	—	16.1	—	—	—	16.1
— Nanjing	—	(43.1)	—	—	(43.1)	—	—	—	(43.1)
Venture capital investments	—	—	—	221.4	221.4	—	—	—	221.4
Others	(6.1)	(0.1)	—	—	(6.2)	(7.2)	—	(7.2)	(13.4)
					170.8			(7.2)	163.6
Share of results of associates									
— Property development in the PRC	—	—	65.1	—	65.1	—	—	—	65.1
Profit (loss) before taxation					545.4			(59.6)	485.8
Taxation					(1.2)			—	(1.2)
Profit (loss) for the year					544.2			(59.6)	484.6



6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2005 (restated)

Balance Sheet

	Continuing operations				Discontinued operations			Consolidated HK\$ million
	Construction and building maintenance HK\$ million	Cement operations HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million	Eliminations HK\$ million	
ASSETS								
Segment assets	456.9	232.6	1.0	70.0	40.1	23.6	—	824.2
Amounts due from jointly controlled entities	38.0	355.6	293.6	98.2	0.2	—	—	785.6
Interests in jointly controlled entities/associates	31.8	673.3	1,420.2	225.1	—	—	—	2,350.4
Inter-segment receivables	783.6	134.5	—	2,575.1	—	7.8	(3,501.0)	—
Unallocated assets								26.9
Consolidated total assets								<u>3,987.1</u>
LIABILITIES								
Segment liabilities	671.7	31.0	—	26.0	2.1	3.9	—	734.7
Amounts due to jointly controlled entities	6.4	13.0	—	4.7	—	—	—	24.1
Inter-segment payables	162.9	1,350.9	1,255.9	511.9	89.3	130.1	(3,501.0)	—
Unallocated liabilities								1,256.0
Consolidated total liabilities								<u>2,014.8</u>

Other Information

	Continuing operations				Discontinued operations			Consolidated HK\$ million
	Construction and building maintenance HK\$ million	Cement operations HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million		
Capital expenditure	1.1	0.8	—	1.2	3.9	0.4	7.4	
Depreciation and amortisation expenses	0.2	11.2	—	1.6	18.6	2.5	34.1	
Release of negative goodwill	—	(0.2)	—	—	—	—	(0.2)	
Other non-cash expenses	1.3	7.6	—	7.3	—	—	16.2	

Geographical segments

The Group's operations are located in Hong Kong and other regions in the PRC.

An analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods/services, is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK\$ million	2005 HK\$ million (restated)	2006 HK\$ million	2005 HK\$ million (restated)	2006 HK\$ million	2005 HK\$ million (restated)
Hong Kong	1,372.4	1,877.3	3.7	219.2	1,376.1	2,096.5
Other regions in the PRC	27.8	5.6	—	130.3	27.8	135.9
	<u>1,400.2</u>	<u>1,882.9</u>	<u>3.7</u>	<u>349.5</u>	<u>1,403.9</u>	<u>2,232.4</u>



6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Geographical segments - continued

The following is an analysis of the carrying amount of segment assets and total assets, and additions to investment properties, property, plant and equipment and site establishment expenditure analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Carrying amount of total assets		Additions to investment properties, property, plant and equipment and site establishment expenditure	
	2006	2005	2006	2005	2006	2005
	HK\$ million	HK\$ million (restated)	HK\$ million	HK\$ million (restated)	HK\$ million	HK\$ million (restated)
Hong Kong	964.7	779.2	1,184.8	970.7	4.3	7.4
Other regions in the PRC	203.7	63.8	4,797.7	3,016.4	102.5	—
	1,168.4	843.0	5,982.5	3,987.1	106.8	7.4

7. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$ million	HK\$ million (restated)	HK\$ million	HK\$ million (restated)	HK\$ million	HK\$ million (restated)
Included in other income are as follows:						
Interest income	29.3	6.9	0.1	1.0	29.4	7.9
Interest income from convertible redeemable participating junior preference shares	20.1	14.0	—	—	20.1	14.0
Dividends from investments in securities						
— listed	0.6	0.5	—	—	0.6	0.5
— unlisted	—	1.1	—	—	—	1.1
	—	1.1	—	—	—	1.1

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$ million	HK\$ million (restated)	HK\$ million	HK\$ million (restated)	HK\$ million	HK\$ million (restated)
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	88.8	15.2	0.2	1.2	89.0	16.4
Other borrowing costs	4.7	—	—	—	4.7	—
	93.5	15.2	0.2	1.2	93.7	16.4





9. TAXATION

	Continuing operations	
	2006 HK\$ million	2005 HK\$ million (restated)
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	7.8	3.5
Income tax of other regions in the PRC	—	0.3
	<u>7.8</u>	<u>3.8</u>
Deferred taxation	(0.2)	(2.6)
	<u>7.6</u>	<u>1.2</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profits for the year.

Profits tax outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Details of the deferred taxation are set out in note 32.

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

	2006 HK\$ million	2005 HK\$ million (restated)
Profit before taxation		
Continuing operations	364.2	545.4
Discontinued operations	(5.2)	(59.6)
	<u>359.0</u>	<u>485.8</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2005: 17.5%)	62.8	85.0
Effect of share of results of jointly controlled entities	(27.0)	(28.6)
Effect of share of results of associates	(36.7)	(11.4)
Effect of different tax rates on operations in other jurisdictions	(0.3)	(1.0)
Tax effect of expenses not deductible for tax purposes	39.2	3.2
Tax effect of income not taxable for tax purposes	(39.4)	(70.7)
Tax effect on tax losses not recognised	11.4	28.4
Tax effect on utilisation of tax losses previously not recognised	(1.6)	(3.8)
Others	(0.8)	0.1
	<u>7.6</u>	<u>1.2</u>
Tax charge for the year		





10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors

The emoluments paid or payable to each of the twelve (2005: eleven) Directors were as follows:

Name of Director	Notes	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance related incentive payments HK\$'000	Retirement benefit scheme contributions HK\$'000	2006 Total HK\$'000	2005 Total HK\$'000
Lo Hong Sui, Vincent		10	—	—	—	10	10
Wong Ying Wai, Wilfred		10	—	—	—	10	496
Choi Yuk Keung, Lawrence		10	3,242	1,263	302	4,817	5,484
Wong Yuet Leung, Frankie		10	3,745	1,500	320	5,575	2,961
Wong Fook Lam, Raymond		10	2,102	400	177	2,689	3,057
Lowe Hoh Wai Wan, Vivien		10	1,742	350	149	2,251	2,147
Wong Hak Wood, Louis	(a)	10	—	—	—	10	10
Enright, Michael John	(a)	200	—	—	—	200	200
Griffiths, Anthony	(b)	200	—	—	—	200	200
Cheung Kin Tung, Marvin	(b) & (c)	52	—	—	—	52	144
Cheng Mo Chi, Moses	(b)	200	—	—	—	200	100
Chan, K. C.	(b) & (d)	148	—	—	—	148	—
Total		870	10,831	3,513	948	16,162	14,809

Notes:

- (a) Non-executive directors.
- (b) Independent non-executive directors.
- (c) Mr. Cheung Kin Tung, Marvin resigned as independent non-executive director on 4 July 2005.
- (d) Professor Chan, K. C. was appointed as independent non-executive director on 4 July 2005.

Of the five individuals with the highest emoluments in the Group, four (2005: three) are executive directors of the Company whose emoluments are set out above. The emolument of the remaining one (2005: two) individual was as follows:

	2006 HK\$ million	2005 HK\$ million
Salaries, performance related incentive payments and allowances	2.4	4.5
Retirement benefits cost	0.1	0.4
	2.5	4.9

The emoluments of the highest paid employees were within the following bands:

Emolument bands	2006 Number of employees	2005 Number of employees
HK\$2,000,001 — HK\$2,500,000	—	1
HK\$2,500,001 — HK\$3,000,000	1	1
	1	2





11. DISCONTINUED OPERATIONS

The Group had ceased its construction materials and materials trading operations in Hong Kong and the Pearl River Delta during the financial year 2004/2005. The loss for the year from the discontinued operations is analysed as follows:

	2006 HK\$ million	2005 HK\$ million (restated)
Loss of discontinued operations for the year	(5.2)	(85.5)
Gain on disposal of discontinued operations	—	25.9
	(5.2)	(59.6)

The results of the discontinued operations which have been included in the consolidated financial statements were as follows:

	2006 HK\$ million	2005 HK\$ million
Turnover		
— External sales	3.7	349.5
— Inter-segment sales	—	18.8
Other income	0.5	9.5
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale	—	(8.0)
Raw materials and consumables used	—	(218.7)
Staff costs	—	(51.7)
Depreciation and amortisation expenses	—	(21.1)
Subcontracting, external labour costs and other expenses	(9.8)	(155.4)
Finance costs	(0.2)	(1.2)
Share of results of jointly controlled entities	0.6	(7.2)
Loss before taxation	(5.2)	(85.5)
Taxation	—	—
Loss after taxation	(5.2)	(85.5)

During the year ended 31 March 2006, the discontinued operations had HK\$19.4 million net operating cash inflows (2005: HK\$66.9 million net operating cash outflows), received nil (2005: HK\$26.0 million) in respect of investing activities, and paid HK\$25.3 million (2005: received HK\$33.9 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of the discontinued operations as at 31 March 2006 are HK\$55.6 million (2005: HK\$71.7 million) and HK\$216.3 million (2005: HK\$225.4 million) respectively.





12. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK\$ million	2005 HK\$ million (restated)	2006 HK\$ million	2005 HK\$ million (restated)	2006 HK\$ million	2005 HK\$ million (restated)
Profit for the year has been arrived at after charging (crediting):						
Depreciation and amortisation:						
Prepaid lease payments	0.8	0.3	—	—	0.8	0.3
Property, plant and equipment	8.9	12.7	—	16.6	8.9	29.3
Site establishment expenditure	—	—	—	4.5	—	4.5
	9.7	13.0	—	21.1	9.7	34.1
Auditors' remuneration	3.8	2.0	—	0.2	3.8	2.2
Operating lease payments in respect of rented premises	5.8	8.5	—	16.6	5.8	25.1
Loss on disposal of property, plant and equipment	0.6	0.5	—	0.8	0.6	1.3
Impairment loss on property, plant and equipment (included in subcontracting, external labour costs and other expenses)	0.5	7.6	—	—	0.5	7.6
Impairment loss on other receivables (included in subcontracting, external labour costs and other expenses)	7.0	—	2.6	—	9.6	—
Staff costs (including directors' emoluments):						
Salaries and allowances	232.1	234.5	—	49.8	232.1	284.3
Retirement benefits cost	6.4	9.2	—	1.9	6.4	11.1
Share-based payment expense	1.8	1.0	—	—	1.8	1.0
	240.3	244.7	—	51.7	240.3	296.4
Release of negative goodwill (included in subcontracting, external labour costs and other expenses)	—	(0.2)	—	—	—	(0.2)
Gross rental revenue from an investment property and car park spaces	(1.9)	(5.4)	—	—	(1.9)	(5.4)
Less: Direct expenses from investment properties that generated rental income	0.4	1.8	—	—	0.4	1.8
Net rental income	(1.5)	(3.6)	—	—	(1.5)	(3.6)
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	4.1	2.6	—	—	4.1	2.6
Share of tax of associates (included in share of results of associates)	82.8	31.9	—	—	82.8	31.9





13. DIVIDENDS

	2006 HK\$ million	2005 HK\$ million
Dividends, paid		
Final dividend in respect of year 2004/2005: HK\$0.30 per share (2003/2004: HK\$0.275)	80.8	73.7
Interim dividend in respect of year 2005/2006: HK\$0.12 per share (2004/2005: HK\$0.30)	32.9	80.8
	113.7	154.5
Proposed final dividend in respect of year 2005/2006 at HK\$0.25 per share (2004/2005: HK\$0.30 per share)	69.1	80.8

The final dividend in respect of 2005/2006 of HK\$0.25 per share has been proposed by the Directors and is subject to approval by shareholders at the annual general meeting.

14. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006 HK\$ million	2005 HK\$ million (restated)
Earnings:		
Earnings for the purposes of basic earnings per share	314.8	481.9
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible redeemable participating junior preference shares	(20.1)	(8.7)
Adjustment to the share of results of an associate based on dilution of its earnings per share	(101.0)	(27.6)
Earnings for the purposes of diluted earnings per share	193.7	445.6
Number of shares:		
	Million	Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	271.3	268.5
Effect of dilutive potential ordinary shares:		
Share options	7.7	6.6
Weighted average number of ordinary shares for the purposes of diluted earnings per share	279.0	275.1





14. EARNINGS PER SHARE - continued

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Earnings figures are calculated as follows:

	2006 HK\$ million	2005 HK\$ million (restated)
Profit for the year attributable to equity holders of the Company	314.8	481.9
Less: Loss for the year from discontinued operations	(5.2)	(59.6)
Earnings for the purposes of basic earnings per share from continuing operations	320.0	541.5
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible redeemable participating junior preference shares	(20.1)	(8.7)
Adjustment to the share of results of an associate based on dilution of its earnings per share	(101.0)	(27.6)
Earnings for the purposes of diluted earnings per share from continuing operations	198.9	505.2

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

For the year ended 31 March 2006, the basic loss per share for the discontinued operations is HK\$0.02 per share (2005: HK\$0.22 per share) and the diluted loss per share for the discontinued operations is HK\$0.02 per share (2005: HK\$0.22 per share), based on the loss for the year from the discontinued operations of HK\$5.2 million (2005: HK\$59.6 million) and the denominators detailed above for both basic and diluted earnings per share.

Impact of changes in accounting policies

Changes in Group's accounting policies during the year are described in details in note 2. To the extent that changes have had an impact on results reported for 2005 and 2006, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

From continuing and discontinued operations

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 HK cents	2005 HK cents	2006 HK cents	2005 HK cents
Figures before changes in accounting policies	117	180	70	163
Effect on changes in accounting policies	(1)	(1)	(1)	(1)
Figures after changes in accounting policies	116	179	69	162





14. EARNINGS PER SHARE - continued

From continuing operations

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 HK cents	2005 HK cents	2006 HK cents	2005 HK cents
Figures before changes in accounting policies	119	202	72	185
Effect on changes in accounting policies	(1)	(1)	(1)	(1)
Figures after changes in accounting policies	118	201	71	184

15. INVESTMENT PROPERTIES

	2006 HK\$ million	2005 HK\$ million
AT FAIR VALUE		
At the beginning of the year	—	140.0
Acquisition of subsidiaries	58.8	—
Disposal	—	(140.0)
Decrease in fair value recognised	(0.3)	—
At the end of the year	58.5	—

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of the investment properties as at 31 March 2006 represents properties situated in the PRC under medium-term leases.

The fair value has been arrived at based on a valuation carried out by Chongqing Tong Cheng Real Estate Appraisal Co., Ltd, an independent valuer not connected with the Group. The valuation was arrived at by reference to recent market prices for similar properties.





16. PROPERTY, PLANT AND EQUIPMENT

	Properties in Kong Kong held under medium- term leases HK\$ million	Properties in other regions of the PRC held under medium- term leases HK\$ million	Plant and machinery HK\$ million	Motor vehicles HK\$ million	Equipment, furniture and other assets HK\$ million	Total HK\$ million
AT COST						
At 1 April 2004						
— as originally stated	50.0	5.9	329.5	36.6	50.2	472.2
— effect of changes in accounting policies (note 2)	(37.8)	—	—	—	—	(37.8)
— as restated	12.2	5.9	329.5	36.6	50.2	434.4
Additions	—	—	3.3	2.0	1.5	6.8
Disposals	—	(0.6)	(128.2)	(8.8)	(14.7)	(152.3)
Disposal of subsidiaries	—	—	(118.1)	(13.3)	(7.9)	(139.3)
At 31 March 2005 as restated	12.2	5.3	86.5	16.5	29.1	149.6
Exchange adjustments	—	0.1	0.1	—	0.1	0.3
Additions	—	—	8.4	1.1	4.4	13.9
Acquisition of subsidiaries (note)	—	2.2	28.5	1.9	1.5	34.1
Disposals	—	—	(35.6)	(4.8)	(1.1)	(41.5)
Reclassified to non-current assets held for sale	—	—	(31.7)	—	—	(31.7)
At 31 March 2006	12.2	7.6	56.2	14.7	34.0	124.7
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2004						
— as originally stated	—	2.4	230.0	28.5	43.1	304.0
— effect of changes in accounting policies (note 2)	2.8	—	—	—	—	2.8
— as restated	2.8	2.4	230.0	28.5	43.1	306.8
Charge for the year	0.3	0.3	22.1	2.3	4.3	29.3
Impairment loss recognised in consolidated income statement	—	—	6.6	0.9	0.1	7.6
Eliminated on disposals	—	(0.3)	(121.3)	(8.0)	(13.5)	(143.1)
Eliminated on disposal of subsidiaries	—	—	(58.6)	(11.5)	(6.3)	(76.4)
At 31 March 2005 as restated	3.1	2.4	78.8	12.2	27.7	124.2
Exchange adjustments	—	—	0.1	—	—	0.1
Charge for the year	0.3	0.5	5.1	1.4	1.6	8.9
Impairment loss recognised in consolidated income statement	—	—	0.5	—	—	0.5
Eliminated on disposals	—	—	(34.4)	(2.3)	(0.8)	(37.5)
At 31 March 2006	3.4	2.9	50.1	11.3	28.5	96.2
CARRYING VALUES						
At 31 March 2006	8.8	4.7	6.1	3.4	5.5	28.5
At 31 March 2005						
— as restated	9.1	2.9	7.7	4.3	1.4	25.4

Note:

As mentioned in note 37(a), property, plant and equipment with fair value of HK\$1,655.3 million was acquired through the acquisition of subsidiaries. Out of the balance, HK\$1,621.2 million was contributed to a jointly controlled entity as mentioned in note 38 and the remaining HK\$34.1 million has been retained by the Group.





16. 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 properties in Hong Kong and other regions of the PRC held under medium-term leases	2.5%
Plant and machinery	10 — 25%
Motor vehicles, equipment, furniture and other assets	20 — 33%

In addition, following the adoption of HKAS 16 "Property, Plant and Equipment", which is effective for the current accounting period, the Group has reviewed the residual values used for the purposes of depreciation calculations in the light of the amended definition of residual value in the standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. In line with the new requirements, these residual values will be reviewed at each financial year end and if expectations differ from previous estimates, the change shall be accounted for as a change in accounting estimate in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

17. PREPAID LEASE PAYMENTS

	2006 HK\$ million	2005 HK\$ million (restated)
Leasehold land under medium-term lease:		
In Hong Kong	17.4	17.8
Outside Hong Kong	37.7	—
	55.1	17.8
Analysed for reporting purposes as:		
Non-current	53.9	17.4
Current	1.2	0.4
	55.1	17.8

Amortisation of prepaid lease payments amounting to HK\$0.8 million (2005: HK\$0.3 million) was charged to the consolidated income statement.





18. NEGATIVE GOODWILL

	HK\$ million
GROSS AMOUNT	
At 1 April 2004 and 31 March 2005	(0.8)
RELEASED TO INCOME	
At 1 April 2004	0.2
Released during the year	0.1
At 31 March 2005	0.3
CARRYING AMOUNT	
At 31 March 2005	(0.5)
Derecognised upon application of HKFRS 3	0.5
At 1 April 2005 and 31 March 2006	—

In prior years, the negative goodwill was released to income on a straight-line basis over 6 years, the remaining weighted average life of the depreciable assets acquired. As explained in note 2, all negative goodwill arising on acquisitions prior to 1 April 2005 was derecognised as a result of the application of HKFRS 3.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006 HK\$ million	2005 HK\$ million (restated)
Cost of unlisted investments in jointly controlled entities, net of impairment	1,967.4	540.7
Share of post-acquisition profits and reserves	183.2	98.6
Goodwill (note (a))	121.8	—
Negative goodwill (note (b))	—	(2.7)
	2,272.4	636.6

Notes:

- (a) The goodwill was arising on the contribution to a jointly controlled entity, LSOC, during the year (see note 38). The recoverable amounts of the cash-generating units ("CGUs") attributable to LSOC in cement operations are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.





19. INTERESTS IN JOINTLY CONTROLLED ENTITIES - continued

Notes: - continued

- (b) In prior years, negative goodwill was released to income on a straight-line basis of 30 years, representing the remaining weighted average useful life of the depreciable assets acquired. Upon the application of HKFRS 3 (see note 2), all negative goodwill was derecognised on 1 April 2005. The movement of negative goodwill is set out below.

	HK\$ million
COST	
At 1 April 2004 and 31 March 2005	(3.0)
RELEASED TO INCOME	
At 1 April 2004	0.2
Released during the year	0.1
At 31 March 2005	0.3
CARRYING AMOUNT	
At 31 March 2005	(2.7)
Derecognised upon application of HKFRS 3	2.7
At 1 April 2005	—

Particulars of the principal jointly controlled entities are set out in note 45.

The summarised financial information in respect of the Group's jointly controlled entities for the years ended 31 December 2005 and 31 December 2004 is as follows:

	2005 HK\$ million	2004 HK\$ million
Current assets	1,531.4	789.5
Non-current assets	3,196.3	1,839.1
Current liabilities	(1,653.3)	(964.4)
Non-current liabilities	(539.5)	(939.3)
Minority interests	(389.9)	(85.6)
Income	1,429.0	1,217.8
Expenses	(1,279.8)	(1,054.2)





19. INTERESTS IN JOINTLY CONTROLLED ENTITIES - continued

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in the manufacture and sale of cement in Chongqing, Guizhou, Nanjing and LSOC based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the years ended 31 December 2005 and 31 December 2004, is as follows:

	2005 HK\$ million	2004 HK\$ million
<i>Results for the year ended 31 December</i>		
Turnover	1,442.7	1,400.7
Loss before taxation	(200.4)	(3.5)
Loss before taxation attributable to the Group	(81.2)	(41.8)
	2005 HK\$ million	2004 HK\$ million
<i>Financial positions as at 31 December</i>		
Non-current assets	5,926.6	2,747.2
Current assets	2,388.1	902.7
Current liabilities	(2,940.8)	(1,369.9)
Non-current liabilities	(1.9)	(1,541.0)
Minority interests	—	(171.1)
Net assets	5,372.0	567.9
Net assets attributable to the Group	1,865.0	412.8

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in venture capital investments, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the years ended 31 December 2005 and 31 December 2004, is as follows:

	2005 HK\$ million	2004 HK\$ million
<i>Results for the year ended 31 December</i>		
Turnover	8.8	15.3
Profit before taxation	273.4	337.0
Profit before taxation attributable to the Group	193.5	221.4





19. INTERESTS IN JOINTLY CONTROLLED ENTITIES - continued

	2005 HK\$ million	2004 HK\$ million
<i>Financial positions as at 31 December</i>		
Non-current assets	636.4	308.7
Current assets	19.4	104.1
Current liabilities	(69.0)	(8.2)
Non-current liabilities	(100.0)	(100.0)
Minority interests	(70.0)	—
Net assets	416.8	304.6
Net assets attributable to the Group	288.4	208.9

The Group has discontinued recognition of its share of loss of a jointly controlled entity. The amounts of unrecognised share of losses of the jointly controlled entity, both for the year and cumulatively, are as follows:

	2006 HK\$ million	2005 HK\$ million
Unrecognised share of losses of the jointly controlled entity for the year	5.6	—
Accumulated unrecognised share of losses of the jointly controlled entity	5.6	—

20. INTERESTS IN ASSOCIATES

	2006 HK\$ million	2005 HK\$ million (restated)
Interests in associates		
Cost of unlisted investments in associates	1,405.1	1,405.1
Share of post-acquisition profits and reserves (note (a))	238.5	65.1
Convertible redeemable participating junior preference shares	—	243.6
	1,643.6	1,713.8
Convertible redeemable participating junior preference shares ("Junior Preference Shares") (note (b))	300.0	—
Derivative financial instruments (note (c))	89.8	—
	2,033.4	1,713.8
Classified as:		
Interests in associates	1,643.6	1,713.8
Junior Preference Shares (note (b))	300.0	—
Derivative financial instruments (note (c))	89.8	—
	2,033.4	1,713.8





20. INTERESTS IN ASSOCIATES - continued

Notes:

- (a) Included in share of results of associates is discount on acquisition of Shui On Land Limited ("SOL") of HK\$87.7 million (2005: nil). The discount on acquisition is due to the allotment of 8,800,000 ordinary shares to the Group by SOL in satisfaction of the Group's entitlement to receive performance-based consideration during the year.
- (b) The loan portion of Junior Preference Shares was stated at amortised cost and the effective interest rate for the loan portion was estimated to be approximately 12% per annum. At 31 March 2006, the carrying amount approximates to the fair value.
- (c) The conversion options of Junior Preference Shares and the early redemption option were recorded as derivative financial instruments in the balance sheet. The Group engaged independent valuers to assess the fair value of the conversion options and the early redemption option. The valuers concluded that the fair value of the early redemption option, which was valued based on Dividend Adjusted Black-Scholes Option Pricing Model, was negligible and the fair value of the conversion options relied extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which could be quantified or ascertained. Accordingly, the fair value of the conversion options is considered to be not reliably measurable and is stated at cost less impairment.

The principal terms of the Junior Preference Shares issued by SOL include the following:

Conversion

(i) Mandatory conversion:

SOL may, having given notice to the Group pursuant to the provisions of SOL's Articles of Association, require that all of the Junior Preference Shares be converted into ordinary shares, provided that (a) the conversion date shall be at least 18 months after 31 May 2004; and (b) the conversion shall be effective only upon, but not before, the date on which the securities of SOL are first listed on a stock exchange in connection with the Qualifying IPO (as defined in SOL's Articles of Association), or such earlier date as may be approved by the holders then outstanding, whereupon all the Junior Preference Shares shall automatically be converted without any further act by SOL or the members of SOL into such number of fully paid ordinary shares as determined in accordance with the then effective conversion rate.

(ii) Optional conversion:

(a) at the option of the Group, at any time after the date of their allotment and without the payment of any additional consideration thereof, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid; and

(b) at the option of SOL pursuant to the Sale and Purchase Agreement and the Subscription and Shareholders' Agreement both dated 18 February 2004 (the "Agreements"), at any time after the date falling 60 days from the date of issue of a capital call by SOL, if the Group shall continue to be in default of its obligation to subscribe for further Junior Preference Shares under such capital call and the Junior Preference Shares to be subscribed by the Group shall not have been subscribed by other members of SOL, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid.

(iii) Conversion price:

The Junior Preference Shares are convertible into ordinary shares at an initial conversion price of US\$1.07. The conversion price is subject to adjustments in accordance with SOL's Articles of Association.





20. INTERESTS IN ASSOCIATES - continued

Redemption

- (i) the Group may, at any time prior to 31 May 2009, by notice in writing require SOL to redeem all or some of its shares, in multiples of not less than 100,000 shares, on 31 May 2010;
- (ii) if an Event of Default (as defined in the Agreements) has been declared in accordance with the Agreements, the holders of at least 70% of the then outstanding Junior Preference Shares may, by a written notice, require SOL to redeem all or part of their shares within 6 months from the date of the written notice; and
- (iii) subject to points (i) and (ii) above for redemption and the mandatory conversion, SOL shall redeem all of the then outstanding Junior Preference Shares on 31 May 2011.

The redemption price payable by SOL shall be a sum equal to any arrears or accruals of cash dividends payable in respect of the Junior Preference Shares calculated up to the relevant redemption date, plus the issue price paid on the preference shares, plus a premium equal to the amount derived by dividing the Equity Participation (as defined in SOL's Articles of Association) by the total number of preference shares issued up to the relevant redemption date.

Dividend

The Junior Preference Shares confer on the Group the entitlement to a fixed cumulative preferential cash dividend at the rate of 7% per annum of the issue price commencing from the date of issue of the Junior Preference Shares, payable semi-annually and in priority to the dividend in respect of the ordinary shares.

Particulars of the principal associate are set out in note 44.

A summary of the financial information of the Group's associates is as follows:

Results for the year ended 31 December

	2005 HK\$ million	2004 HK\$ million
Turnover	978.7	980.1
Profit for the year	317.0	215.9
Profit for the year attributable to the Group	122.2	65.1

Financial positions as at 31 December

	2005 HK\$ million	2004 HK\$ million
Total assets	20,374.2	11,557.3
Total liabilities	(13,873.8)	(6,735.5)
Net assets	6,500.4	4,821.8
Net assets attributable to the Group (note)	1,643.6	1,470.2





20. INTERESTS IN ASSOCIATES - continued

The above information is derived from the audited financial statements of SOL for the year ended 31 December 2005 which have been prepared using International Financial Reporting Standards issued by the International Accounting Standards Board.

Note: Adjustments to the audited financial statements of SOL have been made in order to conform to the Group's accounting policies.

SOL had the following significant contingent liabilities at 31 December 2005:

- (i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than approximately HK\$311.5 million (equivalent to RMB324 million) would be granted by SOL to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2005, no amount has been drawn down under this arrangement.
- (ii) Shanghai Rui Hong Xin Cheng Co., Ltd., a subsidiary of SOL, has given guarantees amounting to approximately HK\$15.8 million (equivalent to RMB16.4 million) to banks in respect of mortgage facilities granted to the buyers of its residential properties.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS IN SECURITIES

	2006 HK\$ million	2005 HK\$ million
Investments in securities		
Equity securities (at fair value):		
Listed — Hong Kong	—	12.4
Unlisted	223.4	—
	223.4	12.4
Classified as:		
Investments in securities	—	12.4
Financial assets at fair value through profit or loss	223.4	—
	223.4	12.4

Investments in equity securities offer the Group the opportunity for return through dividend income and fair value gains. The fair value of listed securities is based on bid prices quoted in relevant exchange markets. The fair values of the unlisted securities at 31 March 2006 have been arrived at by reference to the prices recently paid for similar assets or on the basis of valuations carried out by American Appraisal China Limited, independent qualified professional valuers not connected with the Group. On the assumption that no major change in existing economic business environments in which the appraised investments operate, the valuation was arrived at market approach by applying of different value measures or market multiple of the comparable companies, with adjustments made to reflect condition of the appraised investments relative to market comparable.

Fair value changes on financial assets at fair value through profit or loss amounting to HK\$139.2 million were credited to the consolidated income statement for the year ended 31 March 2006.





22. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES

	2006	2005
	HK\$ million	HK\$ million
Amounts due from jointly controlled entities:		
Non-current (note (a))	—	293.6
Current (note (b))	506.6	491.9
	506.6	785.5
Amounts due to jointly controlled entities:		
Current (note (c))	75.3	24.1

Notes:

- (a) The non-current portion as at 31 March 2005 was unsecured and interest-free. The Group will not demand repayment of the non-current portion within the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.
- (b) The current portion is unsecured and repayable within one year. Out of the total balance, a total of HK\$122.4 million (2005: HK\$206.2 million) bears interest at prevailing market rates. The remaining balance is interest-free.
- (c) The current portion is unsecured, interest-free and repayable on demand.

The Directors consider that the fair values of amounts due from (to) jointly controlled entities at 31 March 2006 approximate to the corresponding carrying amounts.





23. INVENTORIES AND CONTRACTS IN PROGRESS

	2006 HK\$ million	2005 HK\$ million
Inventories		
Raw materials	5.3	1.8
Work-in-progress	5.5	0.9
Finished goods	3.2	6.8
Spare parts	3.2	4.0
	17.2	13.5
	2006 HK\$ million	2005 HK\$ million
Contracts in progress		
Costs incurred to date	3,201.7	4,360.3
Recognised profits less recognised losses	96.1	64.2
	3,297.8	4,424.5
Less: Progress billings	(3,354.0)	(4,545.1)
	(56.2)	(120.6)
Represented by:		
Amounts due from customers for contract work	71.5	73.9
Amounts due to customers for contract work	(127.7)	(194.5)
	(56.2)	(120.6)





24. OTHER FINANCIAL ASSETS

Debtors, deposits and prepayments

The Group maintains a defined credit policy. The general credit term ranges from 30 to 90 days.

Included in debtors, deposits and prepayments are debtors with an aged analysis at the balance sheet date as follows:

	2006 HK\$ million	2005 HK\$ million
Debtors aged analysis:		
Within 90 days	143.2	174.8
91 days to 180 days	1.9	8.2
181 days to 360 days	0.6	9.0
Over 360 days	10.1	11.3
	155.8	203.3
Retentions receivable	102.0	100.4
Prepayments, deposits and other receivables	216.3	262.4
	474.1	566.1
Retentions receivable is analysed as follows:		
Due within one year	74.5	49.7
Due more than one year	27.5	50.7
	102.0	100.4

The fair value of the Group's debtors and retentions receivable at 31 March 2006 approximates to the corresponding carrying amount.

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits with maturity of three months or less held with banks not restricted as to use. The carrying amount of the Group's bank balances, deposits and cash approximates to its fair value.

25. AMOUNTS DUE FROM (TO) ASSOCIATES

	2006 HK\$ million	2005 HK\$ million
Amounts due from associates:		
Current	0.3	0.1
Amounts due to associates:		
Current	0.2	—

The balances are unsecured, interest-free and repayable within one year.

The Directors consider that the fair value of the amounts at 31 March 2006 approximates to the corresponding carrying amount.





26. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2006 HK\$ million	2005 HK\$ million
Amounts due from related companies:		
Current	3.1	0.5
Amounts due to related companies:		
Current	0.1	—

The related companies are subsidiaries of SOCL.

The balances are unsecured, interest-free and repayable within one year.

The Directors consider that the fair value of the amounts at 31 March 2006 approximates to the corresponding carrying amount.

27. NON-CURRENT ASSETS HELD FOR SALE

	2006 HK\$ million	2005 HK\$ million
Property, plant and equipment	31.7	—

The proceeds on disposal of the above assets are expected to exceed the carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised.

28. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors of HK\$71.0 million (2005: HK\$87.6 million) which are included in the Group's creditors and accrued charges is as follows:

	2006 HK\$ million	2005 HK\$ million
Creditors aged analysis:		
Within 30 days	55.5	67.1
31 days to 90 days	5.7	16.3
91 days to 180 days	1.7	2.2
Over 180 days	8.1	2.0
	71.0	87.6
Retentions payable	94.2	111.2
Accruals and other payables	373.9	341.4
	539.1	540.2

The fair value of the Group's creditors, retentions payable and other payables at 31 March 2006 approximates to the corresponding carrying amount.





29. BANK BORROWINGS

	2006 HK\$ million	2005 HK\$ million (restated)
Unsecured bank loans and bank overdrafts	2,813.3	1,253.8
Less: Amounts due within 12 months	(1,294.3)	(253.8)
	1,519.0	1,000.0
Amounts due for settlement after 12 months	1,519.0	1,000.0
The floating-rate borrowings are repayable as follows:		
Within one year	1,294.3	253.8
More than one year but not exceeding two years	1,319.0	690.0
More than two years but not exceeding five years	200.0	310.0
	2,813.3	1,253.8

The Directors consider that the current interest rates represent prevailing market rates and therefore, the fair values of the bank borrowings at 31 March 2006 estimated by discounting their future cash flows at the prevailing market borrowing rates approximate to the corresponding carrying amounts.

The average effective interest rates of the bank borrowings range from 4.08% to 5.86% (2005: 1.10% to 5.69%) per annum.

All the Group's bank borrowings are denominated in the functional currencies of the relevant group entities.

30. SHARE CAPITAL

	Number of shares		2006 HK\$ million	2005 HK\$ million
	2006	2005		
Authorised				
Ordinary shares of HK\$1 each				
At the beginning of the year	400,000,000	400,000,000	400.0	400.0
Increase during the year	600,000,000	—	600.0	—
At the end of the year	1,000,000,000	400,000,000	1,000.0	400.0
Issued and fully paid				
At the beginning of the year	269,380,000	268,036,000	269.4	268.0
Exercise of share options	5,252,000	1,344,000	5.2	1.4
At the end of the year	274,632,000	269,380,000	274.6	269.4

By an ordinary resolution passed at a special general meeting of the Company on 1 November 2005, the authorised share capital of the Company was increased from HK\$400,000,000 to HK\$1,000,000,000 by the creation of 600,000,000 new shares of HK\$1 each.

All the new shares issued during the year rank pari passu in all respects with the existing shares.





31. RESERVES

	Attributable to equity holders of the Company													
	Properties revaluation reserve	Share premium account	Translation reserve	Contributed surplus (Note a)	Goodwill	Negative goodwill	Retained profits	Reserve funds	Share option reserve	Actuarial gain and loss	Other reserve (Note b)	Total	Minority interests	Total equity
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 April 2004														
— as originally stated	18.7	556.7	2.1	197.6	(2.7)	0.5	345.3	1.0	—	—	—	1,119.2	—	1,119.2
— effect of changes in accounting policies (note 2)	(18.7)	—	—	—	—	—	(21.2)	—	0.1	—	—	(39.8)	28.6	(11.2)
— as restated	—	556.7	2.1	197.6	(2.7)	0.5	324.1	1.0	0.1	—	—	1,079.4	28.6	1,108.0
Exchange differences arising on translation of financial statements of operations outside Hong Kong	—	—	(2.1)	—	—	—	—	—	—	—	—	(2.1)	—	(2.1)
Recognition of actuarial gain	—	—	—	—	—	—	—	—	—	28.4	—	28.4	—	28.4
Net income recognised directly in equity	—	—	(2.1)	—	—	—	—	—	—	28.4	—	26.3	—	26.3
Profit for the year	—	—	—	—	—	—	481.9	—	—	—	—	481.9	2.7	484.6
Total recognised income and expense for the year	—	—	(2.1)	—	—	—	481.9	—	—	28.4	—	508.2	2.7	510.9
Acquisition of an associate	—	—	—	—	—	—	—	—	—	—	231.1	231.1	—	231.1
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	(6.1)	(6.1)
Premium on issue of shares	—	8.6	—	—	—	—	—	—	—	—	—	8.6	—	8.6
Recognition of share-based payment expense	—	—	—	—	—	—	—	—	1.0	—	—	1.0	—	1.0
Dividends paid	—	—	—	—	—	—	(154.5)	—	—	—	—	(154.5)	(1.5)	(156.0)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	5.4	5.4
Transfer to reserve funds	—	—	—	—	—	—	(0.3)	0.3	—	—	—	—	—	—
At 31 March 2005	—	565.3	—	197.6	(2.7)	0.5	651.2	1.3	1.1	28.4	231.1	1,673.8	29.1	1,702.9
— effect of changes in accounting policies (note 2)	—	—	—	—	—	(0.5)	131.5	—	—	—	—	131.0	—	131.0
— as restated	—	565.3	—	197.6	(2.7)	—	782.7	1.3	1.1	28.4	231.1	1,804.8	29.1	1,833.9
Exchange differences arising on translation of financial statements of operations outside Hong Kong	—	—	36.5	—	—	—	—	—	—	—	—	36.5	—	36.5
Recognition of actuarial gain	—	—	—	—	—	—	—	—	—	36.1	—	36.1	—	36.1
Share of reserves of an associate	—	—	9.0	—	—	—	—	—	—	—	—	9.0	—	9.0
Net income recognised directly in equity	—	—	45.5	—	—	—	—	—	—	36.1	—	81.6	—	81.6
Profit for the year	—	—	—	—	—	—	314.8	—	—	—	—	314.8	36.6	351.4
Total recognised income and expense for the year	—	—	45.5	—	—	—	314.8	—	—	36.1	—	396.4	36.6	433.0
Acquisition of subsidiaries (note 37(a))	—	—	—	—	—	—	—	—	—	—	23.8	23.8	147.6	171.4
Acquisition of subsidiaries (note 37(b))	—	—	—	—	—	—	—	—	—	—	—	—	10.8	10.8
Assets contribution to LSOC (note 38)	—	—	—	—	—	—	—	—	—	—	—	—	(134.9)	(134.9)
Premium on issue of shares	—	30.4	—	—	—	—	—	—	—	—	—	30.4	—	30.4
Recognition of share-based payment expense	—	—	—	—	—	—	—	—	1.8	—	—	1.8	—	1.8
Transfer upon exercise of share options	—	1.0	—	—	—	—	—	—	(1.0)	—	—	—	—	—
Dividends paid	—	—	—	—	—	—	(113.7)	—	—	—	—	(113.7)	(1.4)	(115.1)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	10.7	10.7
Share of reserves of an associate	—	—	—	—	—	—	(5.3)	—	—	—	(90.2)	(95.5)	—	(95.5)
At 31 March 2006	—	596.7	45.5	197.6	(2.7)	—	978.5	1.3	1.9	64.5	164.7	2,048.0	98.5	2,146.5



31. RESERVES - continued

Notes:

- (a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.
- (b) Other reserve of the Group included an amount of HK\$231.1 million which arose when the Group entered into agreements with SOCL to co-invest in SOL.

32. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Tax losses HK\$ million	Other temporary differences HK\$ million	Total HK\$ million
At 1 April 2004					
— as originally stated	(10.3)	(3.8)	7.0	1.5	(5.6)
— effect of changes in accounting policies (note 2)	—	3.8	—	—	3.8
— as restated	(10.3)	—	7.0	1.5	(1.8)
Credit (charge) to consolidated income statement for the year	7.5	—	(4.8)	(0.1)	2.6
Disposal of subsidiaries	1.0	—	(0.2)	(0.8)	—
At 31 March 2005	(1.8)	—	2.0	0.6	0.8
Credit (charge) to consolidated income statement for the year	0.8	—	(0.6)	—	0.2
At 31 March 2006	(1.0)	—	1.4	0.6	1.0

For the purposes of balance sheet presentation certain deferred tax assets and liabilities have been offset.

At 31 March 2006, the Group has unused tax losses of HK\$268.7 million (2005: HK\$215.9 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK\$7.9 million (2005: HK\$11.4 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$260.8 million (2005: HK\$204.5 million) due to the unpredictability of future profit streams.

33. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.



33. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN - continued

Mandatory Provident Fund Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of service with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff cost during the year ended 31 March 2006 amounted to HK\$2.8 million (2005: HK\$3.7 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the years ended 31 March 2006 and 31 March 2005 was immaterial and was used to reduce the existing level of contributions.

Defined Benefit Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group at rates which are based on recommendations made by the actuary of the Plan. The current employer contribution rate is 8% of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's scheduled contribution plus the member's contribution (both contributions being calculated on the basic salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 March 2006 by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions as at the balance sheet dates used are as follows:

	2006	2005
Discount rate	4.5%	4.5%
Expected rate of salary increase	2% p.a. for next three years commencing from 1 April 2006 and 3% p.a. thereafter	1% p.a. for the next two years commencing from 1 April 2005 and 2% p.a. thereafter

The expected rate of return on plan assets for the year ended 31 March 2006 is 6.5% (2005: 6.5%) per annum.

Upon the early adoption of HKAS 19 (Amendment) (see note 2), actuarial gains and losses are recognised in full in the year in which they occur in the statement of recognised income and expense.





33. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN - continued

Defined Benefit Plan - continued

Amounts recognised in the consolidated income statement for the year in respect of the Plan are as follows:

	2006 HK\$ million	2005 HK\$ million (restated)
Current service cost	11.1	14.5
Interest cost	12.1	12.1
Expected return on plan assets	(19.6)	(19.2)
	3.6	7.4
Net amount charged to consolidated income statement as staff costs	3.6	7.4

The amount included in the consolidated balance sheet arising from the Group's obligations in respect of the Plan is as follows:

	2006 HK\$ million	2005 HK\$ million (restated)
Present value of funded obligations	261.2	275.1
Fair value of plan assets	(327.0)	(293.9)
Defined benefit asset included in the consolidated balance sheet	(65.8)	(18.8)

There are nil equity shares of the Company (2005: HK\$3.1 million) included within the fair value of plan assets.

Movements of the defined benefit (assets) liabilities in the consolidated balance sheets are as follows:

	2006 HK\$ million	2005 HK\$ million (restated)
At the beginning of the year		
— as previously stated	(9.3)	4.1
— effect of changes in accounting policies (note 2)	(9.5)	21.1
— as restated	(18.8)	25.2
Net amount charged to consolidated income statement as staff costs	3.6	7.4
Actuarial gain recognised in consolidated statement of recognised income and expense during the year	(36.1)	(28.4)
Employers' contributions	(14.5)	(23.0)
At the end of the year	(65.8)	(18.8)





33. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN - continued

Defined Benefit Plan - continued

Additional disclosure in respect of the Plan is as follows:

	2006 HK\$ million	2005 HK\$ million (restated)
Experience adjustment on plan liabilities	(1.0)	2.0
Experience adjustment on plan assets	44.4	5.3

As at 31 March 2006, the major categories of plan assets as a percentage of total plan assets are as follows:

Equities	68.6%
Hedge funds	13.7%
Bonds	17.0%
Cash	0.7%
	<u>100%</u>

34. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment property and car park spaces earned during the year was HK\$1.9 million (2005: HK\$5.4 million).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2006 HK\$ million	2005 HK\$ million
Within one year	0.6	—

As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 HK\$ million	2005 HK\$ million
Within one year	2.7	1.9
In the second to fifth years inclusive	2.3	1.7
	<u>5.0</u>	<u>3.6</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease terms ranging from one to ten years.



35. CAPITAL COMMITMENTS

- (a) As at 31 March 2006, the Group's share of the capital commitments of its jointly controlled entities and an associate are as follows:

	2006 HK\$ million	2005 HK\$ million
Authorised but not contracted for	—	44.1
Contracted but not provided for	1,608.7	1,035.2

- (b) As at 31 March 2006, the Group had commitments in respect of the acquisition of property, plant and equipment and certain investments contracted but not provided for in the financial statements amounting to approximately HK\$1.1 million (2005: HK\$0.3 million) and HK\$17.3 million (2005: nil) respectively.
- (c) On 15 February 2006, Coral Waters (Barbados) SRL ("Coral Waters"), which is owned as to 50% indirectly by the Company and as to 50% by other investors, entered into an agreement with the vendors to acquire all the issued share capital of 青島中成銀儲實業發展有限公司 (Qingdao Zhongcheng Yinchu Development Co., Ltd., "Zhongcheng Yinchu"), which was registered in the PRC and owns Blocks A and C, phase III of Zhongcheng Plaza, an unfinished property in Qingdao, the PRC for a consideration of approximately RMB350 million (about HK\$337 million). Details of the transaction subsequent to balance sheet date are set out in note 42(a).
- (d) On 7 March 2006, Mountain Breeze (Barbados) SRL ("Mountain Breeze"), which is owned by a 50-50 joint venture company established by Jumbo China Investments Limited, an indirect wholly-owned subsidiary of the Company, and an institutional investor ("Investor"), entered into a framework agreement with the vendors to acquire an unfinished commercial development named Huapu Building in Dongcheng District, Beijing, the PRC for a consideration of approximately RMB1.11 billion (about HK\$1.07 billion) (subject to adjustments). Details of the transaction subsequent to balance sheet date are set out in note 42(b).
- (e) As disclosed in the circular of the Company dated 6 April 2005, a wholly-owned subsidiary of the Group entered into a framework agreement on 18 June 2004, a sale and purchase agreement on 11 August 2004 and new agreements on 1 February 2005 and 28 February 2005 to invest in a sino-foreign joint venture which will be formed to acquire equity interests in a number of cement plants in Yunnan Province, the PRC.

The Group will hold an 80% share of this joint venture which will have a registered capital of RMB1,000 million (about HK\$962 million). A deposit of RMB80 million (about HK\$77 million) was paid upon signing of the framework agreement. Following the granting of approval of relevant authorities in the Central Government in relation to the establishment of this joint venture, the Group's further contribution to the capital of this joint venture will amount to RMB720 million (about HK\$692 million), being 80% of the Group's share of capital less the deposit paid of RMB80 million (about HK\$77 million). The deposit is fully refundable within 10 business days if the establishment of the joint venture cannot be achieved. The Company entered into the Contribution Agreement and the Joint Venture Agreement with, among others, Financiere Lafarge, a wholly-owned subsidiary of Lafarge S.A., whereby the Company undertakes to transfer the Group's interest in this joint venture to LSOC, a jointly controlled entity of the Group.



36. SHARE-BASED PAYMENT

Following the amendments of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange on 1 September 2001, the Employee Share Option Scheme of the Company adopted on 20 January 1997 (the "Old Scheme") has been terminated and replaced by a new share option scheme on 27 August 2002 (the "New Scheme"). Since then, no further option can be granted under the Old Scheme, but all options granted prior to such termination shall continue to be valid and exercisable.

Under the Old Scheme, the Board of Directors may offer the eligible participants options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 90% of the average of the closing prices of the shares quoted on the Stock Exchange on the five trading days immediately after the preliminary announcement of the Group's annual results, subject to a maximum of 10% of the issued share capital of the Company from time to time. Consideration paid for each grant is HK\$1. The maximum entitlement of each eligible participant shall not exceed 25% of the aggregate number of ordinary shares in respect of options that may be granted under existing option schemes. Options granted are exercisable in stages within 5 years from the date of grant.

On 27 August 2002, the Company has adopted the New Scheme which shall continue in force until the 10th anniversary of such date. The principal terms of the New Scheme are summarised as below:

1. Purpose

- (a) The New Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions which the eligible participants have made or may make to the Group.
- (b) The New Scheme will provide the eligible participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:
 - (i) motivate the eligible participants to utilise their performance and efficiency for the benefit of the Group; and
 - (ii) attract and retain or otherwise maintain on-going relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

2. Eligible participants

- (a) The Board may at its discretion invite anyone belonging to any of the following classes of persons to take up options to subscribe for shares of the Company, subject to such conditions as the Board may think fit: any Director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity and for the purpose of the New Scheme, the options may be granted to any corporation wholly-owned by any person mentioned in this paragraph.
- (b) The eligibility of any of the above persons to the grant of any option shall be determined by the Board from time to time on the basis of his contribution to the development and growth of the Group. The Company shall be entitled to cancel any option granted to a grantee but not exercised if such grantee fails to meet the eligibility criteria determined by the Board after an option is granted but before it is exercised.





36. SHARE-BASED PAYMENT - continued

3. *Total number of shares available for issue under the New Scheme*

(a) 10% limit

Subject to the following paragraphs, the total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue as at the date of approval of the New Scheme (excluding options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. The Company may also seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit, provided the options in excess of such limit are granted only to eligible participants specifically identified by the Company before such approval is sought.

(b) 30% limit

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Company must not exceed 30% of the shares in issue from time to time.

4. *Maximum entitlement of each participant*

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the shares in issue. Where any further grant of options to a grantee would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such grantee and his associates abstaining from voting.

5. *Performance target*

The New Scheme allows the Board, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

6. *Minimum period for which an option must be held*

The Board may at its discretion when offering the grant of any option impose any minimum period for which an option must be held.

7. *Price of shares*

The exercise price shall be determined by the Board but shall be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (b) the average closing price of the shares as shown on the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

8. *Amount payable upon acceptance of option*

HK\$1.00 is payable by each eligible participant to the Company on acceptance of an offer of an option, which shall be paid within 28 days from the date of the offer.





36. SHARE-BASED PAYMENT - continued

The following tables disclose details of the Company's share options held by employees (including Directors) and movements in such holdings during the year:

Date of grant	Subscription price per share HK\$	Number of options					At 31 March 2006	Period during which share options outstanding at 31 March 2006 are exercisable	Price of Company's shares at exercise date of options HK\$ (Note)
		At 1 April 2005	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			
Old Scheme									
4 July 2000	9.56	1,858,000	—	(6,000)	(26,000)	(1,826,000)	—	4 January 2001 to 3 July 2005	9.15
17 July 2001	9.30	2,064,000	—	(988,000)	(40,000)	—	1,036,000	17 January 2002 to 16 July 2006	14.22
New Scheme									
27 August 2002	6.00	1,530,000	—	(432,000)	(44,000)	—	1,054,000	27 February 2003 to 26 August 2007	11.99
27 August 2002	6.00	22,000,000	—	(3,190,000)	(1,700,000)	(6,025,000)	11,085,000	27 August 2005 to 26 August 2010	10.27
4 August 2003	5.80	484,000	—	(154,000)	(16,000)	—	314,000	4 February 2004 to 3 August 2008	10.28
26 July 2004	7.25	986,000	—	(334,000)	(20,000)	—	632,000	26 January 2005 to 25 July 2009	11.73
29 July 2005	9.30	—	1,154,000	(148,000)	(20,000)	—	986,000	29 January 2006 to 28 July 2010	16.62
		<u>28,922,000</u>	<u>1,154,000</u>	<u>(5,252,000)</u>	<u>(1,866,000)</u>	<u>(7,851,000)</u>	<u>15,107,000</u>		

Date of grant	Subscription price per share HK\$	Number of options					At 31 March 2005	Period during which share options outstanding at 31 March 2005 are exercisable	Price of Company's shares at exercise date of options HK\$ (Note)
		At 1 April 2004	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			
Old Scheme									
7 July 1999	11.21	3,070,000	—	—	(100,000)	(2,970,000)	—	7 January 2000 to 6 July 2004	—
4 July 2000	9.56	2,264,000	—	(316,000)	(90,000)	—	1,858,000	4 January 2001 to 3 July 2005	10.92
17 July 2001	9.30	2,412,000	—	(230,000)	(118,000)	—	2,064,000	17 January 2002 to 16 July 2006	10.71
New Scheme									
27 August 2002	6.00	2,192,000	—	(530,000)	(132,000)	—	1,530,000	27 February 2003 to 26 August 2007	8.68
27 August 2002	6.00	22,000,000	—	—	—	—	22,000,000	27 August 2005 to 26 August 2010	—
4 August 2003	5.80	714,000	—	(224,000)	(6,000)	—	484,000	4 February 2004 to 3 August 2008	8.86
26 July 2004	7.25	—	1,030,000	(44,000)	—	—	986,000	26 January 2005 to 25 July 2009	10.10
		<u>32,652,000</u>	<u>1,030,000</u>	<u>(1,344,000)</u>	<u>(446,000)</u>	<u>(2,970,000)</u>	<u>28,922,000</u>		

The vesting periods of the share option are set out as follows:

- 20%: 6 months after the date of grant
- 20%: 1st anniversary after the date of grant
- 20%: 2nd anniversary after the date of grant
- 20%: 3rd anniversary after the date of grant
- 20%: 4th anniversary after the date of grant

Note: The price of the Company's shares as disclosed is the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the year for each category of eligible participants.





36. SHARE-BASED PAYMENT - continued

In prior years, the financial impact of share options granted was not recorded in the financial statements until such time as the options are exercised, and no charge was recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued were recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Upon the application of HKFRS 2 (see note 2), the fair value of share options granted to Directors and employees of the Group, determined at the date of grant of the shares options, is expensed over the vesting period.

The fair values were calculated using the Binominal Model. The inputs into the model were as follows:

Date of grant	4 August 2003	26 July 2004	29 July 2005
Average fair value	HK\$1.3274	HK\$1.7923	HK\$2.2705
Share price on the date of grant	HK\$5.70	HK\$7.30	HK\$9.30
Exercise price	HK\$5.80	HK\$7.25	HK\$9.30
Expected volatility	40% p.a.	40% p.a.	40% p.a.
Average expected life	3.84 years	3.82 years	3.81 years
Average risk-free rate	2.86% p.a.	3.25% p.a.	3.53% p.a.
Expected dividend yield	5% p.a.	5% p.a.	5% p.a.
Rate of leaving service	2% p.a.	2% p.a.	2% p.a.

Expected volatility was determined by using the historical volatility of the Company's share price during the period from February 1997 to October 2005. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Total consideration received during the year from employees, including directors, for taking up the options granted was HK\$51 (2005: HK\$41).





37. ACQUISITION OF SUBSIDIARIES

- (a) On 11 August 2005, Shui On Building Materials Limited (“SOBM”), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Olympio Corporation (“Olympio”), whereby SOBM acquired from Olympio its 50% interest in TH Industrial Management Limited (“THIML”), a jointly controlled entity of the Group as well as the holding company of the Group’s cement business in Sichuan and Chongqing in which the Group held the other 50% interest, and the benefit of the balance of THIML’s indebtedness to Olympio for a consideration of RMB270.0 million (about HK\$259.3 million). Completion of the acquisition took place on 4 November 2005 and THIML has become an indirect wholly-owned subsidiary of the Company.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree’s carrying amount before combination HK\$ million	Fair value adjustments HK\$ million	Fair value HK\$ million
Property, plant and equipment	1,736.1	(80.8)	1,655.3
Goodwill	3.1	(3.1)	—
Investment properties	51.7	7.1	58.8
Prepaid lease payments	467.4	(27.4)	440.0
Long term receivables	21.8	—	21.8
Interests in jointly controlled entities	8.4	—	8.4
Amounts due from jointly controlled entities	1.5	—	1.5
Inventories	134.6	3.5	138.1
Debtors, deposits and prepayments	266.6	—	266.6
Bank balances, deposits and cash	199.4	—	199.4
Amounts due to related companies	(714.7)	—	(714.7)
Creditors and accrued charges	(571.2)	(3.9)	(575.1)
Long term payables	(9.6)	9.6	—
Bank borrowings	(1,296.8)	—	(1,296.8)
Deferred tax liabilities	(68.4)	(16.2)	(84.6)
Minority interests	(144.8)	(2.8)	(147.6)
Total net assets (liabilities) of subsidiaries to be acquired	<u>85.1</u>	<u>(114.0)</u>	<u>(28.9)</u>
Transferred from interests in jointly controlled entities			(14.5)
Goodwill			<u>26.2</u>
Total consideration			<u>11.7</u>
Total consideration satisfied by:			
Cash consideration paid			259.3
Net-off with amount due to Olympio			<u>(247.6)</u>
			<u>11.7</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			(259.3)
Cash and cash equivalents acquired			<u>199.4</u>
			<u>(59.9)</u>
50% loss on fair value adjustments			(57.0)
50% unrealised fair value gain			<u>(23.8)</u>
Impairment loss in jointly controlled entities			<u>(80.8)</u>
Impairment loss on goodwill			<u>(26.2)</u>



37. ACQUISITION OF SUBSIDIARIES - continued

(a) continued

The Group recognised an impairment loss of HK\$26.2 million in relation to the goodwill arising on acquisition from Olympio its 50% interest in THIML with reference to the fair value of the underlying assets and liabilities agreed with Financiere Lafarge for the formation of a jointly controlled entity with the Group and the future profitability of the cement operations in Chongqing Province and considered that the goodwill is fully impaired.

As explained in note 38, the Company subsequently contributed certain of its acquired businesses into LSOC for a 45% stake and continued to operate the retained businesses on its own. If the acquisition of the retained businesses had been completed on 1 April 2005, total revenue for the year would have been HK\$1,406.3 million, and profit for the year would have been HK\$333.2 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2005, nor is it intended to be a projection of future results.

The retained businesses contributed revenue of HK\$12.3 million and loss of HK\$36.4 million to the Group's profit before taxation for the period between the date of acquisition and the balance sheet date.

- (b) In April 2006, Peak Fortune Assets Limited, an indirect wholly-owned subsidiary of the Company, acquired the entire equity interest of Patcher Development Limited ("Patcher") in On Capital China Tech Fund ("On Capital") for a consideration of HK\$4.8 million. Following completion of the acquisition, On Capital has become an indirect subsidiary of the Company.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before acquisition HK\$ million	Fair value adjustments HK\$ million	Fair value HK\$ million
Financial assets at fair value through profit or loss	17.7	—	17.7
Debtors, deposits and prepayments	24.4	—	24.4
Bank balances, deposits and cash	16.9	—	16.9
Creditors and accrued charges	(1.2)	—	(1.2)
Minority interests	(10.8)	—	(10.8)
Total net assets of subsidiary to be acquired	47.0	—	47.0
Transferred from interests in jointly controlled entity			(45.2)
Net-off with amount due to Patcher			3.0
Total consideration			4.8
Total consideration satisfied by:			
Cash			4.8
Net cash inflow arising on acquisition:			
Cash consideration paid			(4.8)
Cash and cash equivalents acquired			16.9
			12.1

On Capital did not contribute revenue but has contributed profit of HK\$136.8 million to the Group's profit before taxation for the period between the date of acquisition and the balance sheet date.



38. CONTRIBUTION TO A JOINTLY CONTROLLED ENTITY

On 11 August 2005, the Company entered into strategic alliance with Financiere Lafarge with the execution of the contribution agreement and joint venture agreement, whereby the Group contributed its dry kiln operations in Chongqing, Sichuan and Guizhou into LSOC for a 45% stake and Financiere Lafarge contributed its cement business in the PRC to LSOC for a 55% stake.

The merger was completed on 9 November 2005, and this constitutes contribution of certain subsidiaries of the Group to LSOC, which has become a jointly controlled entity of the Group.

	HK\$ million
NET ASSETS CONTRIBUTED TO LSOC	
Property, plant and equipment	1,621.2
Prepaid lease payments	401.9
Long term receivables	21.8
Interests in jointly controlled entities	266.4
Amounts due from jointly controlled entities	119.0
Amounts due from related companies	53.9
Inventories	134.4
Debtors, deposits and prepayments	257.3
Bank balances, deposits and cash	170.7
Creditors and accrued charges	(570.9)
Amount due to a related company	(0.8)
Bank borrowings	(996.0)
Deferred tax liabilities	(84.6)
Minority interests	(134.9)
Exchange gain realised	(11.8)
	<u>1,247.6</u>
Cash contribution	39.8
Cost incurred in connection with the formation of LSOC	29.8
	<u>29.8</u>
Total consideration before fair value adjustments	1,317.2
Fair value adjustments on interests in jointly controlled entities, net of deferred tax	70.4
	<u>70.4</u>
Total consideration after fair value adjustments	<u>1,387.6</u>
Satisfied by:	
Share of net assets of LSOC	1,265.8
Goodwill	121.8
	<u>121.8</u>
Total consideration	<u>1,387.6</u>
Net cash outflow arising on contribution:	
Bank balances, deposits and cash contributed to LSOC	(170.7)
Cash contribution	(39.8)
Costs incurred in connection with the contribution	(29.8)
	<u>(240.3)</u>
Fair value adjustments	70.4
Less: unrealised gain	(31.7)
	<u>(31.7)</u>
Realised gain on fair value of asset contributed to LSOC	<u>38.7</u>





39. DISPOSAL OF SUBSIDIARIES

- (a) On 18 February 2004, the Group entered into agreements for co-investment in SOL with SOCL. The agreements involved the injection of a property development project Rui Hong Xin Cheng (also known as Rainbow City), held by Shanghai Rui Hong Xin Cheng Co., Ltd., a 99% subsidiary of the Group into SOL in return for a 30.16% equity interest in SOL. A gain of HK\$345.7 million arose on the disposal of Rainbow City and has been recognised in the consolidated income statement for the year ended 31 March 2005.

Details of these transactions were set out in a circular of the Company dated 23 March 2004.

The completion of this transaction took effect on 31 May 2004 (the "Completion Date"). In addition, there is provision in the agreements that on injection of an amount of US\$50 million by New Rainbow Investments Limited ("New Rainbow"), a wholly owned subsidiary of the Group, 50 million Junior Preference Shares in SOL will be allotted to the Group. Since the Completion Date and up to 31 March 2006, a total of US\$50 million of cash has been injected for this purpose.

The net assets of Rainbow City at the date of disposal were as follows:

	HK\$ million
Property, plant and equipment	1.2
Property under development	852.8
Properties held for sale	0.9
Debtors, deposits and prepayments	24.4
Bank balances, deposits and cash	534.2
Creditors and accrued charges	(146.0)
Taxation payable	(46.1)
Bank borrowings	(284.4)
Minority interests	(6.1)
	<hr/>
Net assets disposed of	930.9
Costs incurred in connection with the disposal	27.4
Gain on disposal	345.7
Other reserve arising on transaction (see note 31(b))	231.1
	<hr/>
Total consideration	<u>1,535.1</u>
Satisfied by:	
Share of net assets of an associate	1,405.1
Amount due from SOL	130.0
	<hr/>
	<u>1,535.1</u>
Net cash outflow arising on disposal:	
Bank balances, deposits and cash disposed of	(534.2)
Costs incurred in connection with the disposal	(27.4)
	<hr/>
	<u>(561.6)</u>

For the year ended 31 March 2005, the subsidiary disposed of contributed HK\$1.6 million to the Group's turnover and loss of HK\$0.2 million to the Group's profit before taxation.





39. DISPOSAL OF SUBSIDIARIES - continued

- (b) The Group entered into a sale and purchase agreement on 15 October 2004 with an independent third party to dispose of the concrete operations in the Guangdong province of the PRC at a consideration of HK\$4.7 million. The operation was handed over to the purchaser in November 2004. The loss on disposal of the concrete operations, which amounted to HK\$15.4 million, has been recognised in the consolidated income statement for the year ended 31 March 2005.

The results of the concrete operations were included in note 11.

The net assets of the concrete operations at the date of disposal were as follows:

	HK\$ million
Property, plant and equipment	15.4
Site establishment expenditure	2.7
Net assets disposed of	18.1
Costs incurred in connection with the disposal	2.0
Total cost of disposal	20.1
Loss on disposal	(15.4)
Total consideration	4.7
Satisfied by:	
Cash	4.7
Net cash inflow arising on disposal:	
Cash consideration	4.7
Costs incurred in connection with the disposal	(2.0)
	2.7

For the year ended 31 March 2005, the subsidiary disposed of contributed HK\$25.5 million to the Group's turnover and incurred a loss of HK\$5.1 million included in the Group's loss from discontinued operations.

- (c) On 31 December 2004, the Group entered into a sale and purchase agreement with an independent third party to dispose of the subsidiaries engaged in the production and distribution of ready mixed concrete and instant mortars and the distribution and sale of cement in Hong Kong for a consideration of HK\$95 million. In addition, the Group also subcontracted the rights for the site formation work being carried out at Guishan Island, Zhuhai, the PRC, where aggregates are excavated to the purchaser, allowing it to continue to use the equipment previously used by the Group, for a term of 15 years. The consideration is HK\$15 million. Details of these transactions were set out in a circular of the Company dated 26 January 2005.





39. DISPOSAL OF SUBSIDIARIES - continued

(c) continued

The operation was handed over to the purchaser in February 2005. A gain of HK\$41.3 million arose on the disposal of the construction materials operations that has been recognised in the consolidated income statement.

The results of the construction materials operations were included in note 11.

The net assets of the concrete operations at the date of disposal were as follows:

	HK\$ million
Property, plant and equipment	46.3
Site establishment expenditure	11.2
Inventories	6.0
Net assets disposed of	63.5
Costs incurred in connection with the disposal	14.5
Total cost of disposal	78.0
Gain on disposal	41.3
Total consideration	119.3
Satisfied by:	
Cash consideration	95.0
Consideration receivable	24.3
	119.3
Net cash inflow arising on disposal:	
Cash consideration	95.0
Costs incurred in connection with the disposal	(14.5)
	80.5

For the year ended 31 March 2005, the subsidiaries disposed of contributed HK\$195.4 million to the Group's turnover and incurred a loss of HK\$30.3 million included in the Group's loss from discontinued operations.

40. CONTINGENT LIABILITIES

As at 31 March 2006, performance bonds established amounting to approximately HK\$175.9 million (2005: HK\$162.5 million) have not been provided for in the financial statements.

The Group has given guarantees to banks in respect of general facilities granted to its jointly controlled entities for general facilities. The extent of such facilities utilised by the jointly controlled entities at 31 March 2006 was nil (2005: HK\$317.2 million).





41. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group had the following transactions with SOCL and its subsidiaries and associates other than those of the Group ("SOCL Private Group").

Nature of transactions	2006 HK\$ million	2005 HK\$ million
Income received:		
Management and information system services	0.4	0.4
Project management services	4.6	—
Procurement agency services	—	2.1
Cost and expenses paid:		
Rental expenses	0.1	0.5
Building management fee	0.1	0.1
Balance as at 31 March		
Amounts due from SOCL Private Group	3.1	0.5
Amounts due to SOCL Private Group	0.1	—

- (b) During the year, the Group had the following transactions with jointly controlled entities.

Nature of transactions	2006 HK\$ million	2005 HK\$ million
Income received:		
Interest income	21.0	5.2
Management fee	4.8	—
Rental income	1.2	0.2
Sales of construction materials	—	2.6
Construction/subcontracting work	8.6	—
Cost and expenses paid:		
Construction/subcontracting work	14.0	37.9
Supply of construction materials	2.2	14.8
Management and information system services	—	0.1
Consultancy fee	—	0.4
Balances as at 31 March		
Amounts due from jointly controlled entities	506.6*	785.5*
Amounts due to jointly controlled entities	75.3	24.1

- * Included in the amounts due from jointly controlled entities are amounts of approximately HK\$122.4 million (2005: HK\$206.2 million), which are interest bearing and with no fixed repayment terms.





41. RELATED PARTY TRANSACTIONS - continued

- (c) On 18 February 2004, the Group entered into agreements for co-investment in SOL with SOCL. Apart from the injection of a property development project of the Group into SOL, New Rainbow, a wholly-owned subsidiary of the Group, also subscribed 50 million Junior Preference Shares in SOL. During the year, New Rainbow injected a total of USD18.8 million (equivalent to HK\$146.2 million) (2005: HK\$243.6 million) into SOL for this purpose.
- (d) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.
- (e) During the year, the Group received dividend income amounting to HK\$106.7 million (2005: HK\$129.6 million) from certain jointly controlled entities.
- (f) During the year, the Group received interest in respect of convertible redeemable participating junior preference shares from an associate amounting to HK\$20.1 million (2005: HK\$14.0 million).
- (g) The remuneration of Directors and other members of key management during the year was as follows:

	2006 HK\$ million	2005 HK\$ million
Fees	0.9	0.7
Salaries and other benefits	17.8	15.4
Performance related incentive payments	4.4	3.8
Retirement benefit scheme contributions	1.4	1.7
Share-based payments	0.2	0.1
	24.7	21.7

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. POST BALANCE SHEET EVENTS

- (a) The acquisition of all the registered capital of Zhongcheng Yinchu by Coral Waters, a jointly controlled entity of the Group was completed on 12 May 2006.

Zhongcheng Yinchu has obtained a bank loan in the amount of RMB350 million (about HK\$337 million) to finance the acquisition and construction of Zhongcheng Plaza. The shareholders of Coral Waters have provided the bank with a completion guarantee, on a several basis and in accordance with their respective shareholding in Coral Waters, whereby they would guarantee Zhongcheng Yinchu's obligations to complete the construction works of Zhongcheng Plaza.

- (b) On 24 April 2006, 北京中天宏業房地產諮詢有限責任公司 (Beijing Zhongtian Hongye Real Estate Consulting Company, Limited, "Zhongtian Hongye"), a wholly-foreign owned enterprise in the PRC which is owned as to 100% by Mountain Breeze, was incorporated. Zhongtian Hongye entered into an agreement with the vendor on 2 June 2006 to acquire Huapu Building for a consideration of approximately RMB1.11 billion (about HK\$1.07 billion) (subject to adjustments).

Zhongtian Hongye has obtained financing from a bank in the amount of RMB730 million (about HK\$702 million) for the acquisition and construction of Huapu Building. On 2 June 2006, the Company and Zhongtian Hongye entered into a completion guarantee in favour of the bank whereby the Company would guarantee Zhongtian Hongye's obligation to complete the construction works of Huapu Building, and on the same day, the Company and the Investor entered into a back-to-back guarantee agreement, pursuant to which the Company would be indemnified by the Investor on a fully back to back basis for 50% of payments (if any) made by the Company under the said completion guarantee. Details of the transactions are set out in a circular of the Company dated 5 July 2006 issued to shareholders.





43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 31 March 2006 which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
Construction and building maintenance business				
Dynamic Mark Limited	100 ordinary shares of HK\$1 each 3,000,000 non-voting deferred shares of HK\$1 each	—	80%	Supply of metal gates
P.D. (Contractors) Limited	1,000,000 ordinary shares of HK\$1 each	—	98.34%	Renovation work
Pacific Extend Limited	10,000 ordinary shares of HK\$1 each 6,000 special shares of HK\$1 each	—	67%	Maintenance contractor
Pat Davie Limited	9,400,100 ordinary shares of HK\$1 each 100,000 non-voting deferred shares of HK\$10 each	—	98.34%	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited ^{##}	1,000,000 ordinary shares of MOP1 each	—	98.34%	Interior decoration, fitting out, design and contracting
Panyu Dynamic Mark Steel & Aluminium Engineering Co. Ltd. ^{**@}	Registered and paid up capital HK\$4,000,000	—	64%	Steel fabrication
Panyu Shui Fai Metal Works Engineering Company Limited ^{**@}	Registered and paid up capital HK\$9,000,000	—	55%	Manufacture of wallform and other metal works
Shui Fai Metal Works Engineering Company Limited	10,000 ordinary shares of HK\$1 each	—	55%	Sales and installation of wallform and other metal works
Shui On Building Contractors Limited	117,000,100 ordinary shares of HK\$1 each 33,000,100 non-voting deferred shares of HK\$1 each 50,000 non-voting deferred shares of HK\$1,000 each	—	100%	Building construction and maintenance





43. PARTICULARS OF PRINCIPAL SUBSIDIARIES - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
Construction and building maintenance business - continued				
Shui On Construction Company Limited	100 ordinary shares of HK\$1 each 69,000,000 non-voting deferred shares of HK\$1 each 1,030,000 non-voting deferred shares of HK\$100 each	—	100%	Building construction
Shui On Contractors Limited *	1 share of US\$1	100%	—	Investment holding
Shui On Granpex Limited	2 ordinary shares of HK\$1 each	—	100%	Investment holding
Shui On Graceton Limited	2 ordinary shares of HK\$1 each	—	100%	Investment holding
Shui On Plant & Equipment Services Limited	1,611,000 ordinary shares of HK\$1 each 45,389,000 non-voting deferred shares of HK\$1 each	—	100%	Owning and leasing of plant and machinery and structural steel construction work
Cement operations				
Asia No.1 Material Supply Limited	100 ordinary shares of HK\$100 each 1,000 non-voting deferred shares of HK\$100 each	—	100%	Holding of a quarry right
Billion Centre Company Limited	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	—	100%	Holding of a land lease
First Direction Limited	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	—	100%	Property holding
Glorycrest Holdings Limited *	1 share of US\$1	—	100%	Investment holding
Great Market Limited	100 ordinary shares of HK\$1 each 5 non-voting deferred shares of HK\$1 each	—	100%	Investment holding
Guangdong Lamma Concrete Products Limited **@	Registered and paid up capital RMB5,000,000	—	60%	Manufacture of precast concrete facade





43. PARTICULARS OF PRINCIPAL SUBSIDIARIES - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
Cement operations - continued				
Lamma Concrete Products Limited	10 ordinary shares of HK\$1 each	—	60%	Investment holding
Prime Allied Enterprises Limited ***	2 ordinary shares of US\$1 each	—	100%	Investment holding
Shui On Building Materials Limited	100 ordinary shares of HK\$1 each 1,000,000 non-voting deferred shares of HK\$1 each	—	100%	Investment holding and sale of construction materials
Shui On Cement (Guizhou) Limited *	100,000 shares of US\$1 each	—	100%	Investment holding
Shui On Materials Limited *	1 share of US\$1	100%	—	Investment holding
TH Industrial Management Limited #	2,740 ordinary shares of US\$1 each	—	100%	Investment holding
TH Industry I Limited #	100 ordinary shares of US\$1 each	—	100%	Investment holding
Chongqing T.H. Desheng Engineering Co. Ltd. **@	Registered and paid up capital RMB10,000,000	—	60%	Trading of construction materials equipment
Chongqing T.H. Holding Management Co. Ltd. **	Registered and paid up capital RMB41,500,000	—	100%	Investment holding
Chongqing T.H. White Cement Co. Ltd. **@	Registered and paid up capital US\$1,506,000	—	60%	Manufacture and sale of cement
重慶騰輝石材開發 有限責任公司 **@	Registered and paid up capital RMB10,000,000	—	55%	Manufacture and sale of building materials
Guizhou Shui On Cement Development Management Co., Ltd.**+	Registered and paid up capital US\$420,000	—	100%	Provision of consultancy services
Middleton Investments Limited ***	2 ordinary shares of US\$1 each	—	100%	Investment holding
Smartway Investment Limited ***	2 ordinary shares of US\$1 each	—	100%	Investment holding
Tinsley Holdings Limited ***	2 ordinary shares of US\$1 each	—	100%	Investment holding
Top Bright Investments Limited***	2 ordinary shares of US\$1 each	—	100%	Investment holding
Winway Holdings Limited ***	2 ordinary shares of US\$1 each	—	100%	Investment holding



43. PARTICULARS OF PRINCIPAL SUBSIDIARIES - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
Property development business				
Jade City International Limited	2 ordinary shares of HK\$1 each	—	100%	Property holding
New Rainbow Investments Limited*	1 share of US\$1	100%	—	Investment holding
Property investment and other business				
Asia Trend Development Limited	2 ordinary shares of HK\$1 each	100%	—	Investment in securities
Billion Century Limited	2 ordinary shares of HK\$1 each	—	100%	Investment in securities
Fortune Up Investments Limited *	1 share of US\$1	100%	—	Investment holding
Grand More Management Limited *	1 share of US\$1	100%	—	Investment holding
Jumbo China Investments Limited *	1 share of US\$1	100%	—	Investment holding
Keygrow Investments Limited *	1 share of US\$1	100%	—	Investment holding
Kroner Investments Limited *	1 share of US\$1	100%	—	Investment holding
Lamma Rock Products Limited	100 ordinary shares of HK\$10 each 3,500,000 non-voting deferred shares of HK\$10 each	—	100%	Investment holding
Landstar Development Limited	2 ordinary shares of HK\$1 each	—	100%	Investment holding
Peak Fortune Assets Limited*	1 share of US\$1	100%	—	Investment holding
Rise Huge International Limited *	1 share of US\$1	100%	—	Investment holding
Shine Honest Investments Limited *	1 share of US\$1	100%	—	Investment holding
On Capital China Tech Fund ###	4,156 participating shares of US\$1,000 each	—	74%	Venture capital investments

* Incorporated in the British Virgin Islands

** Registered and operated in other regions of the PRC

*** Incorporated in Mauritius

Incorporated in the Bahamas

Incorporated in Macau, Special Administrative Region of the PRC

Incorporated in the Cayman Islands

+ Wholly foreign owned enterprises

© Equity joint venture

None of the subsidiaries had any debt securities subsisting at 31 March 2006 or at any time during the year.



44. PARTICULARS OF PRINCIPAL ASSOCIATE

Name of associate	Issued and fully paid share capital	Percentage of issued capital held by the Company Indirectly	Principal activities
Shui On Land Limited #	447,915,547 ordinary shares of US\$0.01 each 220,000,000 convertible redeemable participating junior preference shares of US\$0.01 each 170,000,000 convertible redeemable participating senior preference shares of US\$0.01 each	30.99%	Property development

Incorporated in the Cayman Islands

45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

The Directors are of the opinion that a complete list of the particulars of all jointly controlled entities will be of excessive length and therefore the following list contains only the particulars of principal jointly controlled entities of the Group as at 31 March 2006. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business				
Brisfull Limited	5,000,000 ordinary shares of HK\$1 each	50%	Sale and installation of aluminium window products	
City Engineering Limited	10,000 ordinary shares of HK\$1 each	50%	Installation of mould work	
Super Race Limited	420,000 ordinary shares HK\$1 each	50%	Supply of sink units and cooking benches	
Kaiping Biaofu Metal Products Company Limited **@	Registered and paid up capital US\$800,000	50%	Manufacture of aluminium window products	
鶴山超合預制件有限公司 **@	Registered and paid up capital US\$284,600	50%	Manufacture of sink units and cooking benches	1





45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business - continued				
Shanghai Shui On Construction Co. Ltd. **@	Registered and paid up capital RMB50,000,000	50%	Buildings construction and maintenance	1 and 2
Beijing Shui On Joint Venture Construction Co. Ltd. **@	Registered and paid up capital RMB50,000,000	50%	Buildings construction and maintenance	1 and 2
Cement operations				
Beijing Chinefarge Cement Co. Ltd. **@	Registered and paid up capital RMB315,000,000	29.25%	Manufacture and sale of cement	2
Beijing Shunfa Lafarge Cement Co. Ltd. **@	Registered and paid up capital RMB150,000,000	31.5%	Manufacture and sale of cement	2
Beijing Yicheng Lafarge Concrete Co. Ltd. **@	Registered and paid up capital RMB30,340,000	34.52%	Supply of ready mixed concrete	2
Chongqing Foreign Investment Consultation and Service Co. Ltd. **	Registered and paid up capital RMB800,000	30%	Provision of investment consultation	2
Chongqing New Building Materials Co. Ltd. **@	Registered and paid up capital RMB41,500,000	33.75%	Manufacture and sale of cement	2
Chongqing T.H. Diwei Cement Co. Ltd. **@	Registered and paid up capital RMB61,680,000	36%	Manufacture and sale of cement	2
Chongqing T.H. Fuling Cement Co. Ltd. **@	Registered and paid up capital RMB44,000,000	45%	Manufacture and sale of cement	2
Chongqing T.H. Logistics Co. Ltd. **@	Registered and paid up capital RMB500,000	36%	Provision of transportation and logistics services	2
Chongqing T.H. Packaging Co. Ltd. **@	Registered and paid up capital RMB2,890,000	36%	Manufacture and sale of knitted bags	2
Chongqing T.H. Special Cement Co. Ltd. **@	Registered and paid up capital RMB160,000,000	36%	Manufacture and sale of cement	2
Chongqing T.H. Concrete Co. Ltd. **@	Registered and paid up capital RMB17,500,000	22.5%	Supply of ready mixed concrete	2
Guangan T.H. Cement Co. Ltd. **@	Registered and paid up capital RMB110,000,000	45%	Manufacture and sale of cement	2
Guizhou Bijie Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB48,000,000	80%	Manufacture and sale of cement	1 and 2
Guizhou Cengong Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB52,000,000	98%	Manufacture and sale of cement	1 and 2





45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Cement operations - continued				
Guizhou Changda Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB106,000,000	51%	Manufacture and sale of cement	1 and 2
Guizhou Dingxiao Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB56,000,000	40.5%	Manufacture and sale of cement	2
Guizhou Kaili Ken On Concrete Co. Ltd. **@	Registered and paid up capital RMB10,000,000	75%	Supply of ready mixed concrete	1 and 2
Guizhou Kaili Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB60,000,000	90%	Manufacture and sale of cement	1 and 2
Guizhou Shuicheng Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB200,000,000	31.5%	Manufacture and sale of cement	2
Guizhou Xinpu Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB60,000,000	36%	Manufacture and sale of cement	2
Guizhou Xishui Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB42,800,000	90%	Manufacture and sale of cement	1 and 2
Guizhou Yuqing Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB12,500,000	80%	Manufacture and sale of cement	1 and 2
Guizhou Zunyi Ken On Concrete Co. Ltd. **@	Registered and paid up capital RMB12,000,000	75%	Supply of ready mixed concrete	1 and 2
Guizhou Zunyi Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB92,000,000	80%	Manufacture and sale of cement	1 and 2
Sichuan Hejiang Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB18,750,000	90%	Manufacture and sale of cement	1 and 2
Lafarge Chongqing Cement Co. Ltd. **@	Registered and paid up capital RMB340,000,000	31.77%	Manufacture and sale of cement	2
Lafarge Dujiangyan Cement Co. Ltd. **@	Registered and paid up capital RMB856,840,000	33.75%	Manufacture and sale of cement	2
Nanchong T.H. Cement Co. Ltd. **@	Registered and paid up capital RMB15,000,000	45%	Manufacture and sale of cement	2
Suining T.H. Cement Co. Ltd. **@	Registered and paid up capital RMB15,000,000	40.5%	Manufacture and sale of cement	2
Lafarge China Offshore Holding Co. *	16,518,148 shares of US\$0.01 each	45%	Investment holding	2
Lafarge Shui On (Beijing) Technical Services Co. Ltd.	Registered and paid up capital US\$8,000,000	45%	Investment holding	2
Lafarge Shui On Cement Limited	1,110,051 ordinary shares of HK\$1 each	45%	Investment holding	2
Nanjing Jiangnan Cement Company Ltd. **@	Registered and paid up capital RMB120,000,000	60%	Manufacture and trading of cement	1 and 2





45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Cement operations - continued				
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited **®	Registered and paid up capital HK\$2,000,000	50%	Manufacture and trading of stainless steel and aluminium products	2
Sommerset Investments Limited **	1 share of US\$43,153,120	45%	Investment holding	2
TH Industry II Limited #	2,000 ordinary shares of US\$1 each	45%	Investment holding	2
Property investment and other business				
Coral Waters (Barbados) SRL ##	1,000 Class A quotas of US\$1 each	50%	Investment holding	2
Mountain Breeze (Barbados) SRL ##	2 Class A quotas of US\$1 each	50%	Investment holding	2
Mountain Mist (Barbados) SRL ##	14,250,000 Class A quotas of US\$1 each 750,000 Class B quotas of US\$1 each	45%	Investment holding	2
Dalian Xiwang Building Co., Ltd. **	Registered and paid up capital US\$40,000,000	45%	Property development	2
The Yangtze Ventures Limited ###	1,000 ordinary shares of HK\$0.1 each	65.5%	Venture capital investments	2
The Yangtze Ventures II Limited ###	1,000 ordinary shares of HK\$0.1 each	75.4%	Venture capital investments	2

* Incorporated in the British Virgin Islands

** Registered and operated in other regions of the PRC

*** Incorporated in Mauritius

Incorporated in the Bahamas

Incorporated in Barbados

Incorporated in the Cayman Islands

® Equity joint venture

Notes:

1. The Group is under contractual arrangements to jointly control these entities with PRC partners. Accordingly, the Directors consider they are jointly controlled entities.
2. The results of these jointly controlled entities are accounted for by the Group based on their financial statements made up to 31 December 2005.

