1. GENERAL

The Company is a public listed company incorporated in Bermuda with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding while the activities of its principal subsidiaries are set out in Appendix 1.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as 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 (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

(a) Business Combinations

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

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$84,905,000 has been transferred to the Group's retained profits on 1st April, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st April, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$35,862,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st April, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated on application of the transitional provision of HKFRS 3.

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

(a) Business Combinations – continued

Goodwill – continued

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 closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1st April, 2005 is treated as a non-monetary foreign currency item. 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 ("discount on acquisition" previously known as "negative goodwill")

In accordance with HKFRS 3, discount on acquisition is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1st April, 2005 of HK$26,392,000 previously recorded in reserves and HK$12,244,000 previously presented as a deduction from assets. A corresponding adjustment to the Group's retained profits of HK$38,636,000 has been made.

(b) Financial Instruments

In the current year, the Group 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 annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Investments in debt and equity securities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

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

(b) Financial Instruments – continued

Investments in debt and equity securities – continued

By 31st March, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, the Group's investments in debt or equity securities were classified as "investment securities" or "other investments" as appropriate. Investment securities were carried at cost less impairment losses while other investments were measured at fair value with unrealised gains or losses included in profit or loss for the period in which the gains or losses arose. From 1st April, 2005 onwards, the Group has classified and measured its investments in debt and equity securities in accordance with HKAS 39. Under HKAS 39, the Group's investments in debts or equity securities are classified as "investments at fair value through profit or loss", "available-for-sale investments" or "loans and receivables". "Investments at fair value through profit or loss" and "available-for-sale investments" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition.

On 1st April, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the transitional provisions of HKAS 39. A reduction of HK$8,288,000 to the previous carrying amounts of assets and liabilities at 1st April, 2005 has been made to the Group's retained profits.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities which were previously outside the scope of SSAP 24 in accordance with the requirements of HKAS 39. Financial assets of the Group under HKAS 39 are classified as "investments at fair value through profit or loss", "available-for-sale investments", "loans and receivables" or "held-to-maturity investments". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Derivatives and hedging

By 31st March, 2005, the Group's derivative financial instruments, which comprised interest rate swaps and forward exchange contracts were used to manage the Group's exposure to interest rate and currency fluctuation. The derivatives were previously recorded off balance sheet except for net interest settlement arising on the derivatives, which were previously accounted for on accrual basis. Transactions hedged by forward exchange contracts were recorded at the forward rate specified in the contracts.

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

(b) Financial Instruments – continued

Derivatives and hedging – continued

From 1st 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 which may be 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. Fair values of derivatives deemed as held for trading are recognised in profit or loss for the period in which they arise. For derivatives embedded in non-derivative host contracts which are not separated from the relevant host contracts, the combined contracts are measured at fair value through profit or loss.

The Group has applied the relevant transitional provisions in HKAS 39, resulting in the recognition of fair value on derivatives as at 1st April, 2005 and the Group also recognised the derivative embedded in the structured deposits and reclassified the combined instrument previously classified under fixed deposits to "investments at fair value through profit or loss". The financial impact on application of the standard is set out in Note 3.

(c) Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under Statement of Standard Accounting Practice 13 ("SSAP 13") were measured at open market value, with revaluation surplus or deficits credited or charged to the investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The new accounting policy has been applied retrospectively. The financial impact of the change is set out in Note 3. Comparative figures for 2005 have been restated.

(d) Freehold Land Held for Undetermined Future Use

Previously, freehold land held for an undetermined future use was carried at cost less impairment. The Group classifies its freehold land held for an undetermined future use as investment properties and use the fair value model to account for such freehold land in accordance with HKAS 40. Changes in fair value of the freehold land are recognised directly in profit or loss. The Group has applied the relevant transitional provisions in HKAS 40 and adopted the change in accounting policy from 1st April, 2005 onwards. An adjustment of HK$4,260,000 has been made to the carrying amount of the freehold land as at 1st April, 2005 with a corresponding adjustment recognised in the retained profits at that date.

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

(e) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. These owner-occupied leasehold land and buildings are, classified by the Group, as properties for own use, cold storage warehouse and hotel properties. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively and the financial impact is set out in Note 3.

(f) Owner-occupied Properties

In previous years, owner-occupied properties were stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations were performed with sufficient regularity such that the carrying amount did not differ materially from that would be determined using fair values at the balance sheet date. Any revaluation increase arising on revaluation of such properties was credited to the revaluation reserve, except to the extent that it reversed a revaluation decrease of the same asset previously recognised as an expense, in which case the increase was credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of a property was dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that property.

In the current year, the Group, for the first time, applied HKAS 16 "Property, Plant and Equipment". Because the revaluation increase or decrease recognised in prior policy were mainly attributable to leasehold land, the management considered it is more appropriate to use the cost model to account for the building after separation of the leasehold land upon the adoption of HKAS 17 as discussed above. Accordingly, the buildings are carried at their cost less any accumulated depreciation and any impairment losses after recognition. This change in accounting policy has been applied retrospectively and the financial impact is set out in Note 3.

(g) Deferred Taxes Related to Investment Properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" ("HK(SIC)-INT-21") which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC)-INT-21, this change in accounting policy has been applied retrospectively. The financial impact is set out in Note 3 and the comparative figures for 2005 have been restated.

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

(h) New Accounting Standards not yet Applied

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards, amendments and interpretations. Other than the adoption of HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" which may have potential impact to the financial statements, the directors of the Company so far concluded that the application of these new standards, amendments or interpretations will have no material impact on the financial statements of the Group. HKAS 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" requires financial guarantee contracts which are within the scope of HKAS 39 to be measured at fair value upon initial recognition, the Group is still not in the position to reasonably estimate the impact that may arise from the HKAS 39 and HKFRS 4 (Amendments).

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-INT 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-INT 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC)-INT 8	Scope of HKFRS 2[5]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in Note 2 on the results for the current and prior years are as follows:

	2006	2005
	HK$'000	*HK$'000*
Non-amortisation of other intangible assets	**5,594**	–
Non-amortisation of goodwill	**49,105**	–
Discount on acquisition released to income	**(4,890)**	–
(Decrease) increase in surplus on revaluation of properties for own use arising from restatement of properties at cost	**(699)**	612
Decrease in depreciation arising from adopting cost model of owner-occupied building	**15,073**	9,349
Release of prepaid lease payments	**(10,642)**	(10,797)
Loss arising from change in fair value of investments at fair value through profit or loss	**(19,726)**	–
Loss arising from changes in fair value of derivative financial instruments	**(10,003)**	–
Gain arising from changes in fair value of investment properties	**30,709**	22,919
Increase in deferred taxes relating to change in fair value of investment properties	**(4,501)**	(9,564)
Decrease in tax charge arising from loss in fair value of investments at fair value through profit or loss	**1,684**	–
Others	**(1,387)**	195
Increase in profit for the year	**50,317**	12,714
Attributable to:		
Equity holders of the Company	**51,318**	13,320
Minority interests	**(1,001)**	(606)
	50,317	12,714

Analysis of increase/decrease on each item presented in the income statement is as follows:

	2006	2005
	HK$'000	*HK$'000*
Decrease in cost of sales	**3,642**	652
Increase in other income	**24,930**	22,906
Decrease in administrative expenses	**695**	196
Decrease (increase) in other expenses	**23,866**	(1,670)
(Decrease) increase in share of results of associates	**(668)**	527
Decrease in share of results of jointly controlled entities	**(326)**	(13)
Increase in income tax expenses	**(1,822)**	(9,884)
Increase in profit for the year	**50,317**	12,714

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES – continued

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

	As at 31st March, 2005 (as previously stated) HK$'000	Adjustments HK$'000	As at 31st March, 2005 (restated) HK$'000	Adjustments HK$'000	As at 1st April, 2005 (restated) HK$'000
Balance sheet items					
Impact of HKFRS 3:					
Negative goodwill	(12,244)	–	(12,244)	12,244	–
Impact of HKAS 32 and 39:					
Available-for-sale investments	–	–	–	14,732	14,732
Investments at fair value through profit or loss	–	–	–	1,358,545	1,358,545
Investments in securities	1,129,473	–	1,129,473	(1,129,473)	–
Club debenture	2,169	–	2,169	(2,169)	–
Fixed deposits	241,800	–	241,800	(241,800)	–
Other unlisted investments	45,915	–	45,915	(45,915)	–
Derivative financial assets	–	–	–	47,252	47,252
Derivative financial liabilities	–	–	–	(8,962)	(8,962)
Impact of HKAS 16, 17, 40 and HK(SIC)-INT-21:					
Investment properties	426,464	(37,150)	389,314	13,161	402,475
Property, plant and equipment	1,550,445	(852,269)	698,176	–	698,176
Prepaid lease payments	–	476,520	476,520	–	476,520
Properties for development	8,901	–	8,901	(8,901)	–
Interests in associates	47,872	(7,288)	40,584	–	40,584
Deferred tax liabilities, net	(139,884)	61,303	(78,581)	–	(78,581)
Other assets/liabilities	(110,950)	–	(110,950)	–	(110,950)
Total effects on assets and liabilities	3,189,961	(358,884)	2,831,077	8,714	2,839,791
Share capital	348,228	–	348,228	–	348,228
Share premium	417,860	–	417,860	–	417,860
Capital reserve	269,363	–	269,363	58,512	327,875
Capital redemption reserve	7,526	–	7,526	–	7,526
Property revaluation reserve					
– Investment properties	22,825	(22,825)	–	–	–
– Properties for own use	283,510	(283,510)	–	–	–
Exchange fluctuation reserve	10,555	11,992	22,547	–	22,547
Investment revaluation reserve	–	–	–	(79)	(79)
Retained profits	1,481,865	(7,134)	1,474,731	(49,652)	1,425,079
Equity attributable to equity holders of the Company	2,841,732	(301,477)	2,540,255	8,781	2,549,036
Minority interests	348,229	(57,407)	290,822	(67)	290,755
Total effects on equity	3,189,961	(358,884)	2,831,077	8,714	2,839,791

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES – continued

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

	As previously stated	Adjustments	As restated
	HK$'000	*HK$'000*	*HK$'000*
Share capital	348,228	–	348,228
Share premium	417,860	–	417,860
Capital reserve	269,334	–	269,334
Capital redemption reserve	7,526	–	7,526
Property revaluation reserve	116,543	(116,543)	–
Exchange fluctuation reserve	2,799	12,495	15,294
Retained profits	1,311,559	(20,454)	1,291,105
Equity attributable to equity holders of the Company	2,473,849	(124,502)	2,349,347
Minority interests	322,779	(26,922)	295,857
Total effects on equity	2,796,628	(151,424)	2,645,204

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

(a) Basis of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(a) Basis of consolidation – continued

Minority interests in the net assets 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.

(b) Goodwill/Discount on acquisitions

Goodwill arising on acquisitions prior to 1st April, 2001 and previously held in reserves had been transferred to the Group's retained profits on 1st April, 2005.

The Group has discontinued, from 1st April, 2005 onward, amortisation of previously capitalised goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity, for which the agreement date is after 1st April, 2001 and before 1st January, 2005, representing the excess of the cost of acquisition over the Group's interest in the fair value of identifiable assets and liabilities of the relevant company at the date of acquisition.

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is on or after 1st January, 2005, representing 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, associate or jointly controlled entity at the date of acquisition, is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate or a jointly controlled entity is included in the cost of the investment of the relevant associate or jointly controlled entity.

Goodwill is tested for impairment annually or more frequently if there is indication the goodwill might be impaired. For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU 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 CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU 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 income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(b) Goodwill/Discount on acquisitions – continued

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after 1st April, 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 and is recognised immediately in profit or loss. Such discount on acquisition 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.

Contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Contingent liabilities are initially measured at fair value at the date of acquisition. At subsequent balance sheet date, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, if appropriate.

Where the Group increases its interest in an enterprise that is already an entity controlled by the Group, the excess of the cost of acquisition over the carrying amount of net assets attributable to the additional interest acquired is recognised as goodwill.

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

(c) Interests in associates

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(c) Interests in associates – continued

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

(d) Joint ventures

(i) Jointly controlled assets

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of the jointly controlled assets and share of any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group.

(ii) Jointly controlled entities

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 (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(e) Financial instruments

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

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(i) Financial assets

The Group's financial assets are classified into either investments at fair value through profit or loss, loans and receivables or available-for-sale investments. 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:

Investments at fair value through profit or loss

Investments 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, investments at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, amounts due from associates, jointly controlled entities and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(e) Financial instruments – continued

(i) Financial assets – continued

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as any of the other categories set out above. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in consolidated income statement. Any impairment losses on available-for-sale financial assets are recognised in consolidated income statement. Impairment losses on available-for-sale equity investments will not reverse through consolidated income statement in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities 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.

Other financial liabilities

Other financial liabilities including bank and other borrowings, creditors, amounts due to associates, bills payable and obligations under finance leases 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. SIGNIFICANT ACCOUNTING POLICIES – continued

(e) Financial instruments – continued

(iii) Derivatives

The Group uses derivative financial instruments to hedge its exposure against currency risk and interest rate risk. Such derivatives are measured at fair value regardless of whether they have been designated as effective hedging instruments by the Group. These are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in consolidated income statement.

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 measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

(f) Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in consolidated income statement for the period in which they arise.

(g) Property, plant and equipment

(i) Properties

Hotel properties and their internal fixed plants, cold storage warehouses and other properties held for own use are stated at cost less any subsequent accumulated depreciation and any subsequent impairment losses.

Depreciation is provided on the cost of the buildings on a straight-line basis over their estimated useful lives of 20 to 50 years or the remaining terms of the respective leases, whichever is the shorter after considering the residual value.

(ii) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost of the plant and equipment over their estimated useful lives after taking into account their estimated residual value at the following rates per annum:

	Basis	**Initial charge upon purchase**	**Annual charge**
Pipe rehabilitation equipment	straight line	–	16.67%
Computer equipment	reducing balance	20%	40%
Others	reducing balance	10% – 20%	10% – 20%

Assets held for leasing are depreciated over the term of the leases. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(h) Prepaid lease

Prepaid lease represent upfront premium paid for land cost. Prepaid lease is charged to income statement over the term of relevant land leases on a straight-line basis.

(i) Other intangible assets

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses with no amortisation provided.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

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.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses. Where no internally-generated intangible asset can be recognised, development expenditure is charged to consolidated income statement in the period in which it is incurred.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(k) Construction and installation 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.

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 trade and other receivables.

(l) Unearned insurance premiums

Unearned insurance premiums represent the estimated portion of the premiums written which relate to periods of insurance subsequent to the balance sheet date and are deferred to subsequent accounting periods. Unearned premiums are computed on the basis of net premiums written for all classes of insurance. Net premium written represents gross premiums received or receivable after deducting reinsurance premiums.

(m) Insurance claim

Claims paid and outstanding comprise claims paid, claims reported but not yet paid as at the balance sheet date and an estimate of claims incurred but not reported which is calculated with reference to foreseeable events, past experiences and trends.

(n) Revenue recognition

When the outcome of a construction and installation contract can be estimated reliably, revenue is recognised using the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Income from sale of properties for sale is recognised on the execution of a binding sales agreement.

Income from sale of goods is recognised when goods are delivered and title to the goods has passed to the customers. Revenue is arrived at after deduction of any sales returns and discount.

Income from rendering of services is recognised at the time when services are rendered. Receipts in advance of provision of services are accounted for as deferred income.

Premiums for direct business and reinsurance are amortised and recognised as income over the terms of the insurance policy period.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(n) Revenue recognition – continued

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's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income under operating leases are recognised on a straight-line basis over the terms of the respective leases.

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to consolidated income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs as stated in the policy below.

Rentals payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables 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.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, 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 eligible for capitalisation.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(q) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in consolidated income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in consolidated income statement 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 components of that gain or loss 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 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 period, 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 exchange fluctuation reserve. Such exchange differences are recognised in consolidated income statement 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 1st 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 exchange fluctuation reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1st 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.

(r) Retirement benefits costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(s) Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred 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 on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

(t) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use 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. Intangible assets with finite useful lives and goodwill are tested for impairment when there is an indication that an asset may be impaired.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

(t) Impairment – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately. Impairment loss for goodwill is not reversed in subsequent period. Details of impairment of goodwill and other intangible assets are set out in their respective policies.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill and intangible assets

The Group tests annually whether goodwill and intangible assets have suffered any impairment in accordance with accounting policies stated in Note 4 to the financial statements. The recoverable amounts of Cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the Cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Income taxes

At 31st March, 2006, a deferred tax asset of HK$44,489,000 in relation to unused tax losses has been recognised in the consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, additional deferred tax assets or material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such an addition or a reversal takes place.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Market risk

Interest rate risk

The investments in debt securities, structured deposits and interest rate swaps are exposed to fair value interest rate risk and cash flow risk. The floating-rate bank and other borrowings and short-term bank deposits are exposed to cash flow interest rate risk and the investments in equity linked notes are subject to fair value interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

(a) Market risk – continued

Foreign currency risk

The Group has investments in overseas equity and debt securities, mutual funds, money market funds denominated in foreign currencies and foreign currency forward contracts. The foreign currency forward contracts do not qualify for hedge accounting and are deemed as financial assets or liabilities held for trading. Certain bank balances and trade payables are denominated in currencies other than the functional currencies of the group entities. The management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Price risk

The Group is exposed to equity and debt security price risk through its investments in equity and debt securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

(b) Credit risk

Principal financial assets consist of available-for-sale investments, debtors, amounts due from associates and jointly controlled entities, investments at fair value through profit or loss, derivative financial instruments and bank and cash equivalents.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st March, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has 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 debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. Transactions with banks and counterparties of investment and derivative transactions are limited to high credit rating financial institutions. The Group monitors its exposure to credit risk in respect of associates and jointly controlled entities through exercising significant influence over their financial and operating policy decisions and reviewing their financial position. Investments in debt securities are concentrated on high credit rating issuers. The Group has no significant concentration of credit risk in respect of its trade debtors, with exposure spread over a number of counterparties and customers. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

The Group aims to maintain prudent liquidity risk management and flexibility in funding by keeping sufficient cash and cash equivalents, readily realisable marketable securities and to have committed short term and medium term credit lines available.

The Directors believe that the Group has obtained sufficient committed and uncommitted general credit facilities from banks for financing capital commitments in the near future and for working capital purposes.

7. TURNOVER

	2006	2005
	HK$'000	*HK$'000*
Turnover represents net amount received and receivable for revenue from:		
Construction and installation contracts	**1,904,600**	1,679,476
Hotel operations	**54,692**	54,800
Warehouse operations	**84,954**	90,216
Leasing of properties and equipment	**53,178**	66,903
Sale of properties	**281,027**	287,916
Sale of computer, business machines and others	**1,003,872**	991,008
Provision of maintenance and property management	**659,391**	604,457
Insurance premium	**46,439**	69,577
Investment in securities	**969,476**	446,129
Food and beverage	**179,468**	–
	5,237,097	4,290,482

An analysis of the Group's turnover by business and geographical segments is set out in Note 42.

8. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Included in other income are:		
Increase in fair value of investment properties	**30,709**	44,183
Interest from bank deposits	**22,386**	22,861
Interest from advance to associates	**2,073**	222
Dividend income from listed securities	**11,970**	3,238
Discount on acquisition of subsidiaries/ release of negative goodwill	**9,362**	2,900
Bad debts recovered	**5,067**	4,523
Net gain on disposal of property, plant and equipment	**4,528**	–
Exchange gain	**5,979**	21,958
Gain on trading of foreign exchange contracts	**–**	18,239
Compensation received for breach of contract	**–**	7,780

9. OTHER EXPENSES

	2006 **HK$'000**	2005 HK$'000
Included in other expenses are:		
Amortisation of development expenditure	**1,087**	1,063
Amortisation of other intangible assets	**2,234**	1,818
Total amortisation of intangible assets	**3,321**	2,881
Impairment loss on goodwill	**3,286**	–
Impairment loss on property, plant and equipment	**–**	4,665
Impairment loss on other intangible assets	**–**	1,055
Impairment loss on available-for-sale investments	**2,466**	–
Amortisation of goodwill	**–**	15,309

10. FINANCE COSTS

	2006 **HK$'000**	2005 HK$'000
Interest on bank loans and overdrafts	**79,835**	25,894
Interest on other loans not wholly repayable within 5 years	**–**	882
Finance lease charges	**91**	306
	79,926	27,082
Less: Amount capitalised to contract work	**(39)**	(26)
	79,887	27,056

Borrowing costs capitalised are based on interest cost incurred during the construction or for the acquisition of qualifying assets. The average capitalisation interest rate during the year was 3% (2005: 3%).

11. PROFIT BEFORE TAXATION

	2006 **HK$'000**	2005 HK$'000 (Restated)
Profit before taxation has been arrived at after charging:		
Depreciation on property, plant and equipment	**87,824**	66,310
Less: Amount capitalised to contract work	**(3,954)**	(3,928)
	83,870	62,382
Auditors' remuneration	**7,902**	6,662
Staff costs *(Note a)*	**737,679**	634,350
Less: Amount capitalised to contract work	**(69,850)**	(69,063)
	667,829	565,287
Operating lease payments in respect of leasing of		
– Premises	**57,685**	16,521
– Others	**17,754**	6,317
	75,439	22,838
Net loss on disposal of property, plant and equipment	**–**	4,210
Net realised and unrealised holding (gain) loss on investments in securities		
– listed	**–**	(13,541)
– unlisted	**–**	16,355
Decrease in fair value of derivative financial instruments	**10,003**	–
Write-down of properties for sale	**3,930**	28,253
Write-down of inventories	**2,763**	1,785
Share of income tax (credit) of associates (included in share of results of associates)	**668**	(527)
Share of income tax of jointly controlled entities (included in share of results of jointly controlled entities)	**326**	13
And crediting:		
Gross rental income from properties of HK$43,073,000 (2005: HK$63,050,000) less direct operating expenses *(Note b)*	**32,251**	43,300
Gross earnings from leasing of equipment of HK$8,867,000 (2005: HK$4,795,000) less direct operating expenses	**5,412**	4,358
Net gain on disposal of property, plant and equipment	**4,528**	–
Net realised gain on investments at fair value through profit or loss *(Note c)*		
– listed	**84,475**	–
– unlisted	**10,998**	–
Increase (decrease) in fair value of investments at fair value through profit or loss *(Note d)*		
– listed	**42,148**	–
– unlisted	**(14,217)**	–

11. PROFIT BEFORE TAXATION – continued

Notes:

(a) Details of directors' emoluments included in staff costs are disclosed in Note 44.

Included in staff costs are an amount of HK$1,744,000 (2005: HK$1,254,000) in respect of redundancy payments made to staff and an amount of HK$31,636,000 (2005: HK$27,856,000) in respect of contributions to retirement benefit schemes, net of forfeited contributions.

(b) Included in rental income is an amount of HK$1,627,000 (2005: HK$2,028,000) less outgoings of HK$1,164,000 (2005: HK$1,132,000) from jointly controlled assets.

Included in gross rental income is an amount of HK$17,019,000 (2005: HK$17,293,000) derived from investment properties.

(c) Including net realised gain on investments at fair value through profit or loss of HK$23,444,000 (2005: HK$133,000) classified under other income.

(d) Including increase in fair value of investments at fair value through profit or loss of HK$15,559,000 (2005: decrease in fair value of HK$6,029,000) classified under other income.

12. INCOME TAX EXPENSES

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Current tax		
Hong Kong	**29,365**	26,601
Overseas	**86,967**	20,932
	116,332	47,533
Deferred taxation	**(5,889)**	35,403
	110,443	82,936

Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company.

Overseas taxation including Mainland China income tax and land appreciation tax are calculated based on the rates applicable to the relevant local legislation on the estimated assessable profits.

Details of deferred tax are disclosed in Note 40.

12. INCOME TAX EXPENSES – continued

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

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	**475,530**	399,638
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	**83,217**	69,937
Tax effect of non-deductible expenses	**21,832**	11,748
Tax effect of non-taxable income	**(13,617)**	(19,783)
Tax effect of current year's tax losses not recognised	**9,586**	11,053
Tax effect of utilisation of tax losses and other deductible temporary difference not previously recognised	**(14,897)**	(8,565)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,528**	(5,576)
Income tax on concessionary rate	**–**	53
Effect of share of taxation of associates and jointly controlled entities	**(1,730)**	(101)
Effect of additional tax for land appreciation tax	**21,291**	23,883
Others	**2,233**	287
Tax charge for the year	**110,443**	82,936

Note:

The domestic income tax rate so used is Hong Kong Profits Tax rate as the jurisdiction where the operation of the Group is substantially based.

13. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim dividend of HK20 cents (2005: HK20 cents) per share paid	**55,716**	55,716
Special dividend of HK18 cents (2005: Nil) per share paid	**50,145**	–
	105,861	55,716
Final dividend of HK30 cents (2005: HK25 cents) per share proposed	**83,575**	69,646

A final dividend of HK30 cents (2005: HK25 cents) per share, totaling HK$83,575,000 (2005: HK$69,646,000), has been proposed by the Directors and is subject to the approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

Basic earnings per share are calculated based on the profit for the year attributable to equity holders of the Company of HK$330,973,000 (2005 restated: HK$295,058,000) and on 278,582,000 (2005: 278,582,000) ordinary shares in issue during the year.

14. EARNINGS PER SHARE – continued

No diluted earnings per share are presented as the Company has no potential ordinary shares outstanding for the two years ended 31st March, 2006. The impact on the basic earnings per share for the year ended 31st March, 2006 due to the change in accounting policies as stated in Note 3 is an increase of earnings of 18.4 cents per share. The impact on the previously reported basic earnings per share for the year ended 31st March, 2005 as a result of changes in accounting policies as stated in Note 3 is as follows:

	HK cents
Reported figures before adjustments	101.1
Adjustments arising from changes in accounting policies	4.8
Restated	105.9

15. INVESTMENT PROPERTIES

	Hong Kong under medium-term lease *HK$'000*	Mainland China under medium-term lease *HK$'000*	Overseas on freehold land *HK$'000*	Overseas under medium-term lease *HK$'000*	Total *HK$'000*
At 1st April, 2004					
As previously stated	220,727	12,490	147,006	–	380,223
Effect of changes in accounting policies *(Note 3)*	–	–	(41,725)	–	(41,725)
As restated	220,727	12,490	105,281	–	338,498
Exchange realignment	–	–	2,058	–	2,058
Transfer	–	–	–	4,575	4,575
Increase (decrease) in fair value	56,580	113	(12,510)	–	44,183
At 31st March, 2005	277,307	12,603	94,829	4,575	389,314
Effect of change in accounting policy *(Note 3)*	–	–	13,161	–	13,161
At 1st April, 2005 as restated	277,307	12,603	107,990	4,575	402,475
Exchange realignment	–	–	1,908	327	2,235
Transfer	–	34,274	–	–	34,274
Increase in fair value	27,200	2,067	1,330	112	30,709
At 31st March, 2006	304,507	48,944	111,228	5,014	469,693

Notes:

(a) All the Group's investment properties were held under operating leases to earn rental or for capital appreciation purposes and are measured using the fair value model. The fair values of the Group's investment properties in Hong Kong, Mainland China and overseas as at 31st March, 2006 have been arrived at the basis of valuation carried out on that date respectively by Knight Frank Hong Kong Limited, DTZ Debenham Tie Leung Limited and CB Richard Ellis (Pte) Ltd, who are independent qualified professional valuers and have appropriate qualifications and experience in the valuation of properties in the relevant locations. The valuation, which conforms to the valuation standards on Properties of the Hong Kong Institute of Surveyors or other similar standard, was arrived at by reference to market evidence of transaction prices of similar properties.

(b) Investment properties in Hong Kong with carrying value of HK$18,667,000 (2005: HK$18,667,000) represent the Group's share of interest in jointly controlled assets.

16. PROPERTY, PLANT AND EQUIPMENT

	Cold storage warehouse HK$'000	Hotel properties HK$'000	Other properties for own use HK$'000	Plant, machinery and equipment HK$'000	Furniture, fixtures, other equipment, and motor vehicle for own use HK$'000	Furniture, fixtures, other equipment, and motor vehicle for leasing HK$'000	Total HK$'000
COST/VALUATION							
At 1st April, 2004 at valuation, as previously reported	290,000	149,298	653,259	117,102	184,572	9,629	1,403,860
Effect of changes in accounting policies *(Note 3)*	(229,000)	43,437	(319,604)	–	–	–	(505,167)
At 1st April, 2004, at cost as restated	61,000	192,735	333,655	117,102	184,572	9,629	898,693
Exchange realignment	–	7,413	7,325	3,834	1,564	163	20,299
Acquisition of subsidiaries	–	–	48,476	68,807	7,500	–	124,783
Additions	–	6,688	–	18,913	23,145	5,071	53,817
Disposals	–	–	(1,992)	(8,983)	(19,335)	(1,283)	(31,593)
Reclassification / transfer	–	(26,268)	(4,575)	–	26,268	–	(4,575)
At 31st March, 2005, restated	61,000	180,568	382,889	199,673	223,714	13,580	1,061,424
Exchange realignment	–	4,397	1,516	(5,875)	1,692	79	1,809
Acquisition of subsidiaries	–	–	–	6,295	20,160	89	26,544
Additions	–	11,443	5,552	48,224	37,255	8,912	111,386
Disposals	–	–	(8,155)	(46,325)	(26,502)	(3,359)	(84,341)
Reclassification / transfer	–	(55,335)	(788)	(912)	912	–	(56,123)
At 31st March, 2006	61,000	141,073	381,014	201,080	257,231	19,301	1,060,699
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1st April, 2004 as previously reported	–	–	–	57,221	130,239	2,458	189,918
Effect of changes in accounting policies *(Note 3)*	4,777	61,381	54,811	–	–	–	120,969
At 1st April, 2004, as restated	4,777	61,381	54,811	57,221	130,239	2,458	310,887
Exchange realignment	–	418	398	1,879	844	59	3,598
Charge for the year	2,205	3,559	7,561	22,449	28,196	2,340	66,310
Eliminated upon disposals	–	–	(280)	(6,270)	(15,335)	(327)	(22,212)
Reclassification / transfer	–	(16,349)	–	–	16,349	–	–
Impairment loss	–	–	–	4,665	–	–	4,665
At 31st March, 2005, restated	6,982	49,009	62,490	79,944	160,293	4,530	363,248
Exchange realignment	–	894	1,404	(1,428)	1,780	52	2,702
Charge for the year	2,205	3,339	10,709	35,486	32,359	3,726	87,824
Eliminated upon disposals	–	–	(323)	(31,334)	(21,304)	(1,739)	(54,700)
Reclassification / transfer	–	(27,015)	–	(779)	779	–	(27,015)
At 31st March, 2006	9,187	26,227	74,280	81,889	173,907	6,569	372,059
CARRYING VALUES							
At 31st March, 2006	51,813	114,846	306,734	119,191	83,324	12,732	688,640
At 31st March, 2005	54,018	131,559	320,399	119,729	63,421	9,050	698,176

16. PROPERTY, PLANT AND EQUIPMENT – continued

Notes:

(a) The carrying value of properties comprises:

	2006	2005
	HK$'000	*HK$'000*
Properties on freehold land	**136,271**	140,174
Buildings	**337,122**	365,802
	473,393	505,976

(b) The net book value of machinery, tools and equipment held under finance leases amounted to HK$1,497,000 (2005: HK$12,341,000).

17. PROPERTIES FOR DEVELOPMENT

	HK$'000
Overseas properties on freehold land	
Cost less impairment loss	
At 1st April, 2004	8,208
Exchange adjustments	693
At 1st April, 2005	8,901
Effect of change in accounting policy	(8,901)
At 1st April, 2005 (restated) and 31st March, 2006	–

18. PREPAID LEASE PAYMENTS

	2006	2005
	HK$'000	*HK$'000*
The Group's prepaid leases comprise:		
Leasehold land in Hong Kong:		
Long-term lease	**101,464**	101,513
Medium-term lease	**329,443**	338,080
Leasehold land outside Hong Kong:		
Long-term lease	**14,718**	20,273
Medium-term lease	**16,023**	16,584
Short-term lease	**60**	70
	461,708	476,520

19. GOODWILL

	2006 HK$'000	2005 HK$'000
COST		
At 1st April, as previously stated	**119,438**	26,859
Elimination of accumulated amortisation upon adoption of HKFRS 3 (*Note 2*)	**(35,862)**	–
At 1st April, as restated	**83,576**	26,859
Arising from an acquisition of subsidiaries (*Note 41*)	**85,402**	–
Arising from an acquisition of additional interest in subsidiaries	**46,848**	85,429
Transfer from associates on change of status to subsidiary	**–**	7,150
At 31st March,	**215,826**	119,438
AMORTISATION		
At 1st April, as previously stated	**35,862**	20,553
Elimination of accumulated amortisation upon adoption of HKFRS 3 (*Note 2*)	**(35,862)**	–
At 1st April, as restated	**–**	20,553
Charge for the year	**–**	15,309
At 31st March,	**–**	35,862
IMPAIRMENT		
Impairment loss recognised in the year ended 31st March 2006	**3,286**	–
CARRYING AMOUNT		
At 31st March,	**212,540**	83,576

Until 31st March, 2005, goodwill had been amortised over its estimated useful lives ranging from 4 to 5 years.

20. NEGATIVE GOODWILL

	2006 HK$'000	2005 HK$'000
COST		
At 1st April,	**15,363**	13,137
Derecognition of negative goodwill upon application of HKFRS 3 (*Note 2*)	**(15,363)**	–
At 1st April, as restated	**–**	13,137
Transfer from an associate on change of status to subsidiary	**–**	2,178
Arising from acquisition of additional interest in a subsidiary	**–**	48
At 31st March,	**–**	15,363
AMORTISATION		
At 1st April,	**3,119**	219
Derecognition of negative goodwill upon application of HKFRS 3 (*Note 2*)	**(3,119)**	–
At 1st April, as restated	**–**	219
Released to income statement	**–**	2,900
At 31st March,	**–**	3,119
CARRYING AMOUNT		
At 31st March,	**–**	12,244

21. OTHER INTANGIBLE ASSETS

	Development expenditure	Roads and drainage and waterworks license	Other patent & licenses right	Trademark of branded coffee shops	Cold storage & public bonded warehouse licenses	Computer software licenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st April, 2004	4,077	–	1,829	–	3,000	1,900	10,806
Exchange realignment	561	–	194	–	–	–	755
Acquisition of subsidiaries	–	26,534	9,347	–	–	–	35,881
Additions	3,596	–	2,339	–	–	–	5,935
At 1st April, 2005	8,234	26,534	13,709	–	3,000	1,900	53,377
Acquisition of subsidiaries	–	–	–	108,000	–	–	108,000
Additions	593	–	1,399	–	–	–	1,992
Disposal	–	–	(3,277)	–	–	–	(3,277)
Impairment loss	(817)	–	(1,351)	–	–	–	(2,168)
At 31st March, 2006	8,010	26,534	10,480	108,000	3,000	1,900	157,924
ACCUMULATED AMORTISATION							
At 1st April, 2004	425	–	224	–	637	807	2,093
Exchange relignment	316	–	190	–	–	–	506
Charge for the year	1,063	–	1,138	–	300	380	2,881
Impairment loss	–	–	1,055	–	–	–	1,055
At 1st April, 2005	1,804	–	2,607	–	937	1,187	6,535
Charge for the year	1,087	–	1,554	–	300	380	3,321
Write back upon disposal	–	–	(3,277)	–	–	–	(3,277)
Exchange realignment	(364)	–	(249)	–	–	–	(613)
At 31st March, 2006	2,527	–	635	–	1,237	1,567	5,966
CARRYING VALUE							
As at 31st March, 2006	5,483	26,534	9,845	108,000	1,763	333	151,958
As at 31st March, 2005	6,430	26,534	11,102	–	2,063	713	46,842

The above intangible assets (other than roads and drainage and waterworks license ("License") and trademark of branded coffee shops ("Trademark")) are amortised on a straight-line basis over the following estimated useful lives:

Development expenditure	10 years
Other patent & licenses right	16 years
Cold storage & public bonded warehouse licenses	10 years
Computer software licenses	5 years

21. OTHER INTANGIBLE ASSETS – continued

The License and Trademark, which were purchased as part of business combinations in prior and current year respectively, both legally having a life of certain periods but is renewable at minimal cost. The directors of the Company are of the opinion that the Group would renew the License and Trademark continuously and has the ability to do so. Various studies including market trends have been performed by management of the Group, which support that the License and Trademark have no foreseeable limit to the period over which the roads and drainage and waterworks and license and trademark of branded coffee shops are expected to generate net cash inflows for the Group.

As a result, the License and Trademark are considered by the management of the Group as having an indefinite useful life. They will not be amortised until the useful lives are determined to be finite upon reassessment of the useful lives annually by the management. Instead they will be tested for impairment annually and whenever there is an indication that it may be impaired. The management will reassess the useful life of the License and Trademark annually. Particulars of the impairment testing are disclosed in Note 43.

22. INTERESTS IN ASSOCIATES

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Cost of investments in unlisted associates	**24,917**	11,546
Share of post-acquisition profit, net of dividends received	**6,094**	126
	31,011	11,672
Amounts due from associates less allowances *(Note b)*	**38,050**	28,912
Amounts due to associates *(Note b)*	**2,423**	1,892

Included in the cost of investment in associates is goodwill of HK$1,251,000 (2005: Nil) arising on acquisition of associates during the year.

The summarised financial information of the Group's associates is set out below:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Total assets	**308,696**	274,615
Total liabilities	**(258,691)**	(247,860)
Minority interests	**(4,453)**	–
	45,552	26,755
Revenue	**327,224**	455,148
Profit for the year	**35**	103
Group's share of net assets of associates	**29,760**	11,672
Group's share of (loss) profit of associates for the year	**(2,987)**	104

22. INTERESTS IN ASSOCIATES – continued

Notes:

(a) Particulars regarding the principal associates at 31st March, 2006 are set out in Appendix II. A complete list of the particulars of all associates would be of excessive length and therefore the associates as set out are those which principally affect the results or net assets of the Group.

(b) The carrying amounts of these amounts approximate to their respective fair values.

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006	2005
	HK$'000	*HK$'000*
Cost of investments in unlisted jointly controlled entities	**225,765**	43,899
Share of post-acquisition profit, net of dividends received	**5,551**	1,246
	231,316	45,145
Amounts due from jointly controlled entities less allowances *(Note b)*	**184,510**	106,200

Included in the cost of investment in jointly controlled entities is goodwill of HK$213,000 (2005: Nil) arising from acquisition of jointly controlled entities during the year.

The summarised financial information of the Group's jointly controlled entities is set out below:

	2006	2005
	HK$'000	*HK$'000*
Current assets	**371,208**	71,218
Non-current assets	**475,396**	177,325
Current liabilities	**(270,949)**	(181,409)
Non-current liabilities	**(76,800)**	–
	498,855	67,134
Revenue	**99,917**	19,318
Profit for the year	**25,317**	733

Notes:

(a) Particulars regarding the principal jointly controlled entities at 31st March, 2006 are set out in Appendix III. A complete list of the particulars of all jointly controlled entities would be of excessive length and therefore the jointly controlled entities as set out are those which principally affect the results or net assets of the Group.

(b) The carrying amounts of the amounts due from jointly controlled entities approximate to their respective fair values.

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31st March, 2006 comprise:

	HK$'000
Unlisted investments, at fair value:	
– club debentures *(Note a)*	**2,459**
– equity securities *(Note b)*	**27,703**
– private funds *(Note c)*	**81,578**
	111,740
Unlisted equity securities, at cost less impairment *(Note d)*	**2,270**
	114,010
Analysed for reporting purposes as:	
Non-current assets	**114,010**

Notes:

(a) Fair value of club debentures is determined by reference to quoted prices in active markets.

(b) Fair value of the unlisted equity securities is determined by reference to the financial statements of the investee which present the assets and liabilities at fair value.

(c) The fair value of the private funds is determined based on the quoted market prices of the underlying listed investments and fair value of the unlisted investments, determined based on financial models (such as discounted cash flow model), held by the funds.

(d) They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimate is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

25. INVESTMENTS IN SECURITIES

Investments in securities as at 31st March, 2005 are set out below. Upon application of HKAS 39 on 1st April, 2005, these investments with carrying value of HK$4,440,000 and HK$1,125,003,000 were reclassified to available-for-sale investments and investments at fair value through profit or loss respectively.

	HK$'000
Investment securities:	
Unlisted equity securities	4,440
Other investments:	
Equity securities	
Listed shares	
Hong Kong (at market value)	181,510
Overseas (at market value)	99,014
Unlisted	
Shares	2,691
Hedged funds	87,760
Currency fund	7,934
Mutual funds	60,609
Money market funds	12,049
Debt securities	
Listed bonds overseas	227,555
Unlisted bonds	389,492
Equity linked notes	56,419
	1,129,473
Carrying value analysed for reporting purposes are:	
Non-current assets	13,744
Current assets	1,115,729
	1,129,473

26. INVENTORIES

	2006	2005
	HK$'000	*HK$'000*
Raw materials	**52,466**	46,512
Inventories held for resale	**190,172**	158,571
Consumable stores	**19,446**	44,882
	262,084	249,965

The cost of inventories recognised as an expense during the year was HK$1,098,000,000 (2005: HK$1,118,529,000).

27. PROPERTIES FOR SALE

Properties for sale include the Group's share of interest in jointly controlled assets with an aggregate book value of HK$20,182,000 (2005: HK$20,182,000).

Properties for sale of HK$267,000,000 (2005: HK$315,638,000) are carried at net realisable value.

The cost of properties sold during the year amounted to HK$152,667,000 (2005: HK$178,989,000).

28. DEBTORS, DEPOSITS AND PREPAYMENTS

	2006	2005
	HK$'000	*HK$'000*
Trade debtors	**586,024**	519,141
Less: allowance of doubtful debts	**(60,682)**	(65,926)
	525,342	453,215
Retention receivables	**122,879**	112,987
Other debtors, deposits and prepayments	**436,785**	302,197
	1,085,006	868,399

Included in debtors, deposits and prepayments are the Group's share of receivable of HK$18,000 (2005: HK$300,000) in relation to jointly controlled assets.

The Group has established different credit policies for customers in each of its core businesses. The average credit period granted to trade debtors was 60 days. The ageing analysis of trade debtors is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**436,092**	333,932
61 – 90 days	**33,989**	34,210
Over 90 days	**55,261**	85,073
	525,342	453,215

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

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

	2006	2005
	HK$'000	*HK$'000*
Contracts in progress at the balance sheet date:		
Contract costs incurred	**4,053,703**	4,324,097
Recognised profits less recognised losses	**(56,384)**	(41,359)
	3,997,319	4,282,738
Less: Progress billings	**(3,768,510)**	(4,045,334)
	228,809	237,404
Analysed for reporting purposes as:		
Amounts due from customers included in current assets	**365,761**	344,674
Amounts due to customers included in current liabilities	**(136,952)**	(107,270)
	228,809	237,404

At 31st March, 2006, retention monies held by customers for contract work amounted to HK$124,451,000 (2005: HK$110,543,000). Advances received from customers for contract work amounted to HK$4,126,000 (2005: HK$7,419,000).

30. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss as at 31st March, 2006 comprise:

	HK$'000
Listed investments:	
– debt securities	**102,169**
– equity securities listed in Hong Kong	**60,017**
– equity securities listed elsewhere	**311,638**
	473,824
Unlisted investments:	
– debt securities	**281,132**
– equity linked notes	**229,445**
– mutual funds	**97,537**
– money market funds	**41,977**
– structured deposits	**325,903**
	975,994
	1,449,818
Analysed for reporting purposes as:	
Non-current assets	**325,903**
Current assets	**1,123,915**
	1,449,818

The fair values of the listed investments are determined based on the quoted market bid prices available on the relevant exchanges and the unlisted investments are determined from financial models (such as discounted cash flow model) and by reference to quoted prices from relevant financial institutions.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	HK$'000
Financial assets / liabilities in respect of derivative financial instruments	
– Interest rate swaps	(8,527)
– Foreign currency forward contracts	(30)
– Options	36,430
	27,873
Analysed for reporting purposes as:	
Current assets	38,303
Current liabilities	(10,430)
	27,873

(a) Interest rate swap contracts with a total notional amount of HK$671,600,000 were entered to swap floating interest rate borrowing to fixed interest rate borrowings or from floating rate borrowings to floating rate borrowings. These contracts will mature varying from 19th April, 2006 to 24th August, 2014.

(b) Foreign currency forward contracts with a total notional amount up to HK$250,099,000 were entered to swap various foreign currencies to other cross currencies. These contracts will mature varying from 4th April, 2006 to 29th August, 2007.

(c) The Group entered into various option contracts in relation to underlying stock index, commodities and listed securities. These contracts will mature varying from 17th June, 2006 to 19th August, 2008.

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined from the financial models (such as discounted cash flow model) based on principal sum and estimates about future market conditions and based on quoted prices from counterparties.

32. BANK BALANCES AND CASH EQUIVALENTS

Bank balances and cash equivalents comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less and cash held in financial institutions' accounts. The carrying amount of these assets approximates to their fair value.

33. CREDITORS, BILLS PAYABLE, DEPOSITS AND ACCRUALS

Included in creditors, bills payable, deposits and accruals are the Group's share of liabilities of HK$109,000 (2005: HK$198,000) in relation to jointly controlled assets, which comprise investment properties, properties for sale and the related receivables totaling HK$35,837,000 (2005: HK$36,118,000) disclosed in Notes 15, 27 and 28, respectively.

33. CREDITORS, BILLS PAYABLE, DEPOSITS AND ACCRUALS

The following is an ageing analysis of trade creditors and bills payable at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**281,300**	250,738
61 – 90 days	**7,834**	10,012
Over 90 days	**79,133**	111,574
Trade creditors and bills payable	**368,267**	372,324
Consideration payable for the acquisition of certain interest in a jointly controlled entity	**48,927**	–
Accrual for construction cost	**254,000**	250,182
Retention payable	**95,993**	99,840
Other creditors, deposits and accruals	**473,685**	556,524
	1,240,872	1,278,870

The carrying amounts of the Group's trade creditors and bills payable and other creditors at 31st March, 2006 approximate to their fair values.

34. OUTSTANDING INSURANCE CLAIMS

Insurance claims of the following business classes are not usually settled within one year:
– Employee Compensation
– Motor
– Public Liability

The claims development, net of reinsurance, is disclosed as follows:

Underwriting year	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Estimate of cumulative claims								
At end of underwriting year	6,357	15,674	107,969	176,206	205,644	153,969	78,872	
One year later	8,274	11,750	71,991	87,774	101,030	126,291	–	
Two years later	7,570	16,948	86,188	134,081	124,891	–	–	
Three years later	8,582	17,639	100,932	133,434	–	–	–	
Four years later	9,587	17,251	98,426	–	–	–	–	
Five years later	13,728	17,303	–	–	–	–	–	
Six years later	12,044	–	–	–	–	–	–	
Cumulative claims	12,044	17,303	98,426	133,434	124,891	126,291	78,872	591,261
Cumulative payments	11,995	16,500	91,485	106,616	56,549	21,861	1,944	306,950
Claims outstanding	49	803	6,941	26,818	68,342	104,430	76,928	284,311

The balance of HK$740,000 represents outstanding insurance claim of other insurance classes.

35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**661**	3,682	**611**	3,543
In the second to fifth years inclusive	**356**	1,967	**343**	1,869
	1,017	5,649	**954**	5,412
Less: Future finance charges	**(63)**	(237)	**–**	–
	954	5,412	**954**	5,412
Less: Amount due within one year shown under current liabilities			**(611)**	(3,543)
			343	1,869

The Group leases certain of its equipments under finance leases. The average lease term is 4 years (2005: 4 years). For the year ended 31st March, 2006, the average effective borrowing rate was 6.6% (2005: 5.3%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

The carrying amounts of the Group's obligations under finance leases at 31st March, 2006 approximate to their fair values.

36. BANK BORROWINGS

	2006	2005
	HK$'000	*HK$'000*
Bank overdrafts	**1,162**	1,895
Bank loans	**1,993,115**	1,678,547
	1,994,277	1,680,442
The borrowings are repayable as follows:		
Within one year	**595,211**	1,268,332
More than 1 year but not exceeding 2 years	**559,298**	94,780
More than 2 years but not exceeding 5 years	**839,768**	278,430
More than 5 years	**–**	38,900
	1,994,277	1,680,442
Less: Amount due within one year shown under current liabilities	**(595,211)**	(1,268,332)
	1,399,066	412,110
Secured	**397,780**	632,309
Unsecured	**1,596,497**	1,048,133
	1,994,277	1,680,442

The carrying amounts of the bank borrowings not denominated in the functional currency of the relevant group entity are set out below:

	2006	2005
	HK$'000	*HK$'000*
US dollar	**108,640**	109,200
Euro	**28,335**	–

The bank borrowings carried floating interest rate and the effective interest rates of the major bank borrowings at the balance sheet date were as follows:

	2006	2005
Hong Kong dollar	**4.7%**	2.7%
US dollar	**5.5%**	3.7%
Canadian dollar	**4.1%**	3.0%

The carrying amounts of the bank borrowings approximate to fair values.

37. OTHER LOANS

	2006 HK$'000	2005 HK$'000
The other loans are repayable as follows:		
Within one year	**226**	250
More than 1 year but not exceeding 2 years	**234**	298
More than 2 years but not exceeding 5 years	**605**	899
More than 5 years	**554**	908
	1,619	2,355
Less: Amount due within one year shown under current liabilities	**(226)**	(250)
	1,393	2,105

The loans are unsecured, interest-free and repayable by 7 annual installments, the last of which falls due in 2013. The carrying amounts of the other loans approximate to their fair values.

38. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised:		
540,000,000 ordinary shares of HK$1.25 each	**675,000**	675,000
Issued and fully paid:		
278,582,090 ordinary shares of HK$1.25 each	**348,228**	348,228

39. OTHER PAYABLE

Other payable represents subscription payable on an available-for-sale investment.

	2006 HK$'000	2005 HK$'000
Subscription payable:	**23,280**	–
Less: Imputed interest	**(2,028)**	–
Subscription payable at fair value	**21,252**	–
Carrying amounts repayable:		
Within one year	**7,412**	–
More than 1 year, but not exceeding 2 years	**7,079**	–
More than 2 years but less than 3 years	**6,761**	–
	21,252	–
Less: Amount due within one year shown under current liabilities	**(7,412)**	–
	13,840	–

The subscription payable is interest-free and repayable by three equal annual instalments, the first of which falls due in February 2007. The fair value of the subscription payable is calculated using a market interest rate for the banking facilities granted to the Group of 4.7% per annum.

40. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years:

	Property, plant and equipment HK$'000	Investment properties HK$'000	Properties for sale HK$'000	Land appreciation HK$'000	Trademark HK$'000	Allowance for doubtful debts HK$'000	Tax losses HK$'000	Total HK$'000
At 1st April, 2004								
As previously stated	86,437	1,954	2,408	–	–	(2,234)	(19,754)	68,811
Effects of changes in accounting policies	(33,532)	30,114	322	–	–	(190)	(22,285)	(25,571)
As restated	52,905	32,068	2,730	–	–	(2,424)	(42,039)	43,240
Exchange alignment	534	779	18	–	–	(1,209)	(184)	(62)
Charge (credit) to income statement for the year	2,940	9,344	(4,016)	28,950	–	323	(2,138)	35,403
At 31st March, 2005	56,379	42,191	(1,268)	28,950	–	(3,310)	(44,361)	78,581
Reclassification	–	3,154	–	–	–	(3,154)	–	–
Exchange alignment	38	(50)	(126)	411	–	(2)	(131)	140
Acquisition of subsidiaries	835	–	–	–	18,900	–	(211)	19,524
Charge (credit) to income statement for the year	1,165	5,338	14,657	(29,361)	–	2,098	214	(5,889)
At 31st March, 2006	58,417	50,633	13,263	–	18,900	(4,368)	(44,489)	92,356

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2006 **HK$'000**	2005 HK$'000
Deferred tax liabilities	**102,750**	91,078
Deferred tax assets	**(10,394)**	(12,497)
	92,356	78,581

At the balance sheet date, the Group had unused tax losses of HK$1,405 million (2005: HK$1,434 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$254 million (2005: HK$253 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,151 million (2005: HK$1,181 million) due to the unpredictability of future profit streams. Included in tax losses are losses of HK$56 million (2005: HK$51 million) of subsidiaries in Mainland China that will gradually expire until 2009; tax losses of HK$3 million (2005: HK$4 million) of other overseas subsidiaries that will expire from 2006 to 2018. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group had unrecognised deductible temporary differences of HK$35 million (2005: HK$38 million). A deferred tax asset has not been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

41. ACQUISITION OF SUBSIDIARIES

On 20th May, 2005, the Group acquired the entire issued share capital of Pacific Coffee (Holdings) Limited ("Pacific Coffee") at a consideration of HK$205,963,000. The acquisition has been accounted for using the purchase method. The fair value of identifiable assets, liabilities and contingent liabilities of Pacific Coffee acquired, and the goodwill arising from the acquisition are as follows:

	Acquiree's carrying amount *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
Property, plant and equipment	26,168	–	26,168
Trademark	–	108,000	108,000
Inventories	4,329	–	4,329
Debtors, deposits and prepayments	17,384	–	17,384
Bank and cash balances	1,432	–	1,432
Creditors, deposits and accruals	(10,031)	–	(10,031)
Deferred service income	(63)	–	(63)
Deferred tax liabilities	(624)	(18,900)	(19,524)
Provision for taxation	(3,124)	–	(3,124)
Contingent liabilities	–	(1,000)	(1,000)
Net assets acquired	35,471	88,100	123,571
Goodwill			82,392
			205,963
Consideration satisfied by cash			203,684
Costs incurred for the acquisition			2,279
Total costs			205,963
Net cash outflow arising on acquisition:			
Cash consideration paid			(205,963)
Bank balances and cash acquired			1,432
			(204,531)

The goodwill arising on the acquisition of Pacific Coffee is attributable to the anticipated profitability of the operation of coffee shops.

Pacific Coffee contributed in the 10-month period HK$179.5 million and HK$18.8 million to the Group's revenue and profit before tax for the year respectively.

The Group recognised contingent liabilities of approximately HK$1,000,000 in respect of liquidated damages for an alleged breach of a wholesale food supply contract.

41. ACQUISITION OF SUBSIDIARIES – continued

On 31st July, 2005, the Group acquired the entire issued share capital of Ferrum Bau und Umwelt GmbH ("Ferrum") at a consideration of HK$3,253,000. The acquisition has been accounted for using the purchase method. The fair value of identifiable assets and liabilities acquired, which approximate to the respective carrying amounts on the date of acquisition, and the goodwill arising from the acquisition are as follows:

	HK$'000
Property, plant and equipment	**366**
Inventories	**721**
Debtors, deposits and prepayments	**3,647**
Bank and cash balances	**518**
Creditors, deposits and accruals	**(4,681)**
Bank borrowings	**(328)**
Net assets acquired	**243**
Goodwill	**3,010**
Consideration satisfied by cash	**3,253**
Net cash outflow arising on acquisition:	
Cash consideration paid	**(3,253)**
Net bank balances and cash acquired	**190**
	(3,063)

Ferrum contributed in the 8-month period HK$29.4 million and HK$232,000 to the Group's revenue and profit before tax for the year respectively.

On 28th March, 2006, the Group acquired the remaining 50% of the issued share capital of Chevalier MLD Leasing Limited ("MLD Leasing") at a consideration of HK$5,332,000. The acquisition has been accounted for using the purchase method. The fair value of identifiable assets and liabilities of MLD Leasing, which approximate to the respective carrying amounts on the date of the acquisition, and the discount on acquisition are as follows:

	HK$'000
Property, plant and equipment	**10**
Debtors, deposits and prepayments	**14,921**
Bank and cash balances	**989**
Creditors, deposits and accruals	**(289)**
Loans from shareholders	**(3,197)**
	12,434
Less: Interest already held by the Group	**(6,217)**
Net assets acquired	**6,217**
Discount on acquisition	**(885)**
Consideration satisfied by cash	**5,332**
Net cash outflow arising on acquisition:	
Cash consideration paid	**(5,332)**
Bank balances and cash acquired	**989**
	(4,343)

41. ACQUISITION OF SUBSIDIARIES – continued

Subsequent to the increase in interest in MLD Leasing, MLD Leasing in the 3-day period contributed HK$116,000 and HK$34,000 to the Group's revenue and profit before tax for the year respectively.

If the above three acquisitions had been completed on 1st April, 2005, the Group's revenue for the year would have been HK$5,269 million, and profit for the year would have been HK$368.7 million. This 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 acquisitions been completed on 1st April, 2005, nor is it intended to be a projection of future profits.

During the year ended 31st March, 2005, the Group acquired Preussag Pipe Rehabilitation Emirates LLC, Hung Mau Construction Limited and 51% interest in PPR Pipe Engineering & Technology (Shanghai) Limited at considerations of HK$2,130,000, HK$21,607,000 and HK$614,000, respectively. The Group also acquired an additional 45% and 50% interest in the associates, Rib Loc Group Limited ("Rib Loc") and KMG Holdings Limited ("KMG") at consideration of HK$48,886,000 and HK$129,000, respectively. Since then, Rib Loc and KMG became the Group's subsidiaries. The net assets of these subsidiaries acquired are stated below.

	HK$'000
Property, plant and equipment	124,783
Intangible assets	35,881
Inventories	31,529
Amounts due from customers for contract work	12,188
Debtors, deposits and prepayments	94,704
Cash and bank balance	39,258
Creditors, deposits and accruals	(173,080)
Amounts due to customers for contract work	(71,236)
Bank loans	(26,923)
Obligations under finance leases	(2,902)
Minority interests	(12,483)
	51,719
Less: Interest already held by the Group	
Interests in associates	(15,479)
Amount due from an associate	(3,378)
Net assets acquired	32,862
Goodwill on acquisition	42,730
Negative goodwill on acquisition	(2,226)
Consideration satisfied by cash	73,366
Net cash outflow arising on acquisition:	
Cash consideration paid	(73,366)
Cash and bank balances acquired	39,258
	(34,108)

The subsidiaries acquired during the year ended 31st March, 2005 contributed HK$181,687,000 to the Group's revenue and HK$1,677,000 to the Group's profit from operations.

42. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five divisions. These divisions are the basis on which the Group reports its primary segment information. The "others" division mainly include food and beverage, food retailing and trading of motor vehicles.

Segment information about these businesses is presented below.

Turnover and results
Year ended 31st March, 2006

	Construction and engineering *HK$'000*	Insurance and investment *HK$'000*	Property and hotel *HK$'000*	Computer and information comunication technology *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
TURNOVER						
Turnover	2,523,946	1,029,349	570,035	549,011	639,804	5,312,145
Inter-segment sales	(267)	(13,434)	(46,917)	(10,102)	(4,328)	(75,048)
External sales	2,523,679	1,015,915	523,118	538,909	635,476	5,237,097

Inter-segment sales are charged at prices determined by management with reference to market prices.

	Construction and engineering *HK$'000*	Insurance and investment *HK$'000*	Property and hotel *HK$'000*	Computer and information comunication technology *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
RESULTS						
Segment results	181,916	96,748	203,641	18,352	40,082	540,739
Unallocated corporate expenses						(13,525)
Interest income						18,316
Share of results of associates	2,724	–	(2)	–	(5,709)	(2,987)
Share of results of jointly controlled entities	3,772	–	9,102	–	–	12,874
Finance costs						(79,887)
Profit before taxation						475,530
Income tax expenses						(110,443)
Profit for the year						365,087

42. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Assets and liabilities
Year ended 31st March, 2006

	Construction and engineering HK$'000	Insurance and investment HK$'000	Property and hotel HK$'000	Computer and information communication technology HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	1,795,855	1,776,812	2,370,050	144,160	490,177	6,577,054
Interests in associates	9,542	–	652	–	20,817	31,011
Interests in jointly controlled entities	12,367	–	218,949	–	–	231,316
Unallocated corporate assets						96,339
Consolidated total assets						6,935,720
LIABILITIES						
Segment liabilities	1,075,793	427,975	149,943	77,981	43,013	1,774,705
Unallocated corporate liabilities						2,173,324
Consolidated total liabilities						3,948,029

Other information
Year ended 31st March, 2006

	Construction and engineering HK$'000	Insurance and investment HK$'000	Property and hotel HK$'000	Computer and information communication technology HK$'000	Others HK$'000	Consolidated HK$'000
Capital additions	71,020	5	15,328	26,252	135,317	247,922
Depreciation and amortisation	47,813	90	25,290	4,927	13,025	91,145
Gain on disposal of property, plant and equipment, and prepaid lease payments	(400)	(2)	(1,394)	6,344	(20)	4,528

42. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Turnover and results

Year ended 31st March, 2005 (restated)

	Construction and engineering *HK$'000*	Insurance and investment *HK$'000*	Property and hotel *HK$'000*	Computer and information communication technology *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
TURNOVER						
Turnover	2,287,011	530,692	578,519	574,860	387,016	4,358,098
Inter-segment sales	(301)	(14,986)	(43,278)	(5,678)	(3,373)	(67,616)
External sales	2,286,710	515,706	535,241	569,182	383,643	4,290,482

Inter-segment sales are charged at prices determined by management with reference to market prices.

	Construction and engineering *HK$'000*	Insurance and investment *HK$'000*	Property and hotel *HK$'000*	Computer and information communication technology *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
RESULTS						
Segment results	160,728	56,181	195,842	1,546	10,086	424,383
Unallocated corporate expenses						(7,812)
Interest income						9,544
Share of results of associates	2,167	–	–	(826)	(1,237)	104
Share of results of jointly controlled entities	(141)	–	616	–	–	475
Finance costs						(27,056)
Profit before taxation						399,638
Income tax expenses						(82,936)
Profit for the year						316,702

42. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Asset and liabilites

As at 31st March, 2005 (restated)

	Construction and engineering *HK$'000*	Insurance and investment *HK$'000*	Property and hotel *HK$'000*	Computer and information communication technology *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	1,744,064	1,775,975	2,435,221	131,945	142,995	6,230,200
Interests in associates	5,838	–	358	–	10,288	16,484
Interests in jointly controlled entities	14,045	–	50,858	–	–	64,903
Unallocated corporate assets						141,675
Consolidated total assets						6,453,262
LIABILITIES						
Segment liabilities	1,122,553	408,930	151,597	79,056	7,726	1,769,862
Unallocated corporate liabilities						1,852,323
Consolidated total liabilities						3,622,185

Other information

Year ended 31st March, 2005

	Construction and engineering *HK$'000*	Insurance and investment *HK$'000*	Property and hotel *HK$'000*	Computer and information communication technology *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Capital additions	270,827	11	33,303	6,064	1,095	311,300
Depreciation and amortisation	28,882	122	31,209	4,599	2,648	67,460
Loss on disposal of property, plant and equipment, and prepaid lease payments	1,884	–	1,512	450	364	4,210
Impairment loss on property, plant and equipment and intangible assets	5,720	–	–	–	–	5,720

42. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Geographical Segments

The Group's operations in construction and engineering are located in Hong Kong, Macau, Mainland China, Singapore, Europe and Australia. Property investment and trading activities and hotel operations are mainly carried out in Hong Kong, Mainland China and Canada. Food and beverage operations are carried out in Hong Kong, Singapore and Mainland China. Computer and information communication technology business are mainly carried out in Hong Kong, Mainland China and Thailand. Motor vehicles trading and other trading are carried out in Canada and USA, respectively. Insurance and investment business are conducted in Hong Kong.

	Turnover by geographical market			
	2006		2005	
	HK$'000	***%***	*HK$'000* (Restated)	*%*
Hong Kong	**3,449,400**	**66**	2,889,778	67
Macau	**186,195**	**4**	10,010	–
Mainland China	**419,507**	**8**	396,759	9
Singapore	**157,991**	**3**	182,230	4
Thailand	**66,284**	**1**	69,028	2
Europe	**367,336**	**7**	230,040	6
Canada	**357,380**	**7**	293,647	7
U.S.A.	**102,866**	**2**	102,085	2
Australia	**111,656**	**2**	110,122	3
Others	**18,482**	**–**	6,783	–
	5,237,097	**100**	4,290,482	100

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

	Carrying amounts of segment assets				Additions to investment properties, properties, plant and equipment and intangible assets			
	2006		2005		**2006**		2005	
	HK$'000	***%***	*HK$'000*	*%*	***HK$'000***	***%***	*HK$'000*	*%*
Hong Kong	**3,870,255**	**59**	3,484,004	56	**172,536**	**70**	85,753	27
Macau	**39,343**	**1**	2,813	–	**1,188**	**–**	365	–
Mainland China	**963,673**	**15**	918,548	15	**11,294**	**5**	5,446	2
Singapore	**298,940**	**4**	283,346	4	**2,577**	**1**	1,135	1
Thailand	**52,739**	**1**	52,486	1	**910**	**–**	–	–
Europe	**498,671**	**7**	556,545	9	**33,334**	**14**	116,605	37
Canada	**249,485**	**4**	358,398	6	**13,349**	**5**	7,668	2
U.S.A.	**229,356**	**3**	343,962	5	**52**	**–**	43	–
Australia	**182,448**	**3**	178,820	3	**12,400**	**5**	92,221	30
Others	**192,144**	**3**	51,278	1	**282**	**–**	2,064	1
	6,577,054	**100**	6,230,200	100	**247,922**	**100**	311,300	100

43. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

As explained in Note 42, the Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill acquired in a business combination and the License and Trademark with indefinite useful lives are allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. Before recognition of impairment losses, the respective carrying amounts had been allocated as follows:

	Goodwill *HK$'000*	**License** *HK$'000*	**Trademark** *HK$'000*
Construction and engineering:			
Pipe technologies, roads drainage and water works	65,609	26,534	–
Lifts and escalators	3,259	–	–
Property and hotel			
Logistics and warehousing	64,566	–	–
Others			
Food and beverage	82,392	–	108,000
	215,826	26,534	108,000

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGUs to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

The Group principally prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years and extrapolates cash flows for the following five years based on estimated constant growth rates ranging from 2% to 6%. This rate does not exceed long-term growth rate for the relevant markets.

The rates used to discount the forecast cash flows range from 9% to 12%.

43. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES – continued

At 31st March, 2005, before impairment testing, goodwill of HK$65,609,000 was allocated to the pipe technologies, road drainage and water works CGU within the construction and engineering segment. Due to increased competition in the market, the Group has revised its cash flow forecast for this CGU. The respective CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of HK$3,286,000.

44. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Directors' emoluments

Emoluments paid and payable to the Directors of the Company are as follows:

	2006			
	Directors' fee *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefits scheme contribution *HK$'000*	Total *HK$'000*
Executive Director				
Chow Yei Ching	–	8,819	–	8,819
Kuok Hoi Sang	–	4,050	270	4,320
Fung Pak Kwan	–	3,035	179	3,214
Tam Kwok Wing	–	1,680	126	1,806
Kan Ka Hon	–	2,020	126	2,146
Chow Vee Tsung, Oscar	–	1,500	75	1,575
Ho Chung Leung	–	1,600	99	1,699
Independent Non-Executive Director				
Wong Wang Fat, Andrew	150	–	–	150
Chow Ming Kuen, Joseph	150	–	–	150
Li Kwok Heem, John	150	–	–	150
Sun Kai Dah, George	–	–	–	–
	450	22,704	875	24,029

44. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT – continued

Directors' emoluments – continued

	2005			
	Directors' fee *HK$'000*	Salaries and other benefits *HK$'000*	Retirement benefits scheme contribution *HK$'000*	Total *HK$'000*
Executive Director				
Chow Yei Ching	–	8,223	–	8,223
Kuok Hoi Sang	–	3,600	218	3,818
Fung Pak Kwan	–	2,615	159	2,774
Tam Kwok Wing	–	1,680	126	1,806
Kan Ka Hon	–	1,680	126	1,806
Chow Vee Tsung, Oscar	–	1,200	60	1,260
Ho Chung Leung	–	1,460	89	1,549
Independent Non-Executive Director				
Wong Wang Fat, Andrew	150	–	–	150
Chow Ming Kuen, Joseph	150	–	–	150
Li Kwok Heem, John	75	–	–	75
	375	20,458	778	21,611

Employees' emoluments

The five highest paid individuals include three (2005: three) directors and the total emoluments paid to the remaining two highest paid individuals for both years are as follows:

	2006 *HK$'000*	2005 *HK$'000*
Salaries, allowances and benefits in kind	**3,142**	3,919
Performance-based bonus	**1,265**	4,933
Contributions to retirement schemes	**97**	137
	4,504	8,989

The emoluments of the two highest paid individuals fall within the following bands:

	2006	2005
HK$2,000,001-HK$2,500,000	**2**	1
HK$6,500,001 – HK$7,000,000	**–**	1

45. CHARGE ON ASSETS

Bank loans of HK$397,780,000 (2005: HK$632,309,000) and other unutilised banking facilities are secured by charges on investment properties of HK$242,141,000 (2005: HK$214,530,000), property, plant and equipment of HK$217,726,000 (2005: HK$223,233,000) and other assets of HK$695,238,000 (2005: HK$940,569,000).

46. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities in respect of guarantees issued for:

	2006	2005
	HK$'000	*HK$'000*
Banking facilities granted to associates	**110,468**	94,830
Mortgage finance provided to the purchasers of properties by an associate	**–**	1,125
	110,468	95,955

47. CAPITAL COMMITMENT

	2006	2005
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of		
– investment in jointly controlled entities	**15,674**	–
– acquisition of property, plant and equipment	**8,642**	51
	24,316	51

In addition to the above, the Group's share of the capital commitment of its jointly controlled entities is as follows:

	2006	2005
	HK$'000	*HK$'000*
Contracted for but not provided	**51,306**	–
Authorised but not contracted for	**451,290**	359,746
	502,596	359,746

48. OPERATING LEASES

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of renting of premises which fall due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**56,378**	8,920
In the second to fifth year inclusive	**76,995**	18,733
Over five years	**8,581**	13,266
	141,954	40,919

48. OPERATING LEASES – continued

Other leases are negotiated and rentals are fixed for an average term of three years.

The operating lease rentals of certain coffee shops of the Group are determined based on the turnover of the coffee shops should such amounts be higher than the minimum guaranteed rental.

The Group as lessor

At the balance sheet date, investment properties and completed properties for sale with a carrying value of approximately HK$285 million (2005: HK$316 million) and HK$199 million (2005: HK$390 million) respectively were rented out under operating leases. All of the properties were leased out for periods ranging from one year to five years. The future minimum lease payments receivable by the Group under non-cancellable operating leases for each of the following periods are as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**27,378**	29,006
In the second to fifth year inclusive	**19,809**	22,213
	47,187	51,219

49. SHARE OPTION SCHEMES

(a) Share option scheme of the Company

The Company's share option scheme (the "Scheme") was adopted by the shareholders pursuant to a resolution passed on 20th September, 2002 for the primary purpose of providing the participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Scheme will expire on 19th September, 2012.

The total number of shares in respect of which options may be granted under the Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by Independent Non-executive Directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12-month period up to the date of grant, such grant must be approved in advance by the Company's shareholders.

49. SHARE OPTION SCHEMES – continued

(a) Share option scheme of the Company – continued

Options granted must be taken up within 30 days from the date of grant, upon payment of HK$1 per grant. An option may be exercised in accordance with the terms of the Scheme at any time during the effective period of the Scheme to be notified by the Board of Directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

No options have been granted under the Scheme.

(b) Share option scheme of Chevalier iTech Holdings Limited ("CiTL")

The share option scheme of a subsidiary of the Company, CiTL ("CiTL Scheme") was adopted on 20th September, 2002 and its terms are similar to the Company's Scheme. No options have been granted under the CiTL Scheme.

50. RETIREMENT BENEFITS

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs at a maximum of HK$1,000 to the Scheme. The ORSO Scheme is funded by monthly contributions from employees at rate of 5%, and the Group at rates ranging from 5% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and customs.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK$1,133,000 (2005: HK$ 1,231,000). At 31st March, 2006, the total amount of forfeited contributions, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable in future years, was HK$110,000 (2005: HK$131,000). At 31st March, 2006, contributions of HK$1,987,000 (2005: HK$2,130,000) due in respect of the reporting period were paid over to the ORSO Scheme in April 2006.

51. RELATED PARTY TRANSACTIONS

Details of the material transactions entered into during the year with related parties are as follows.

(a) The Group made advances to its associates during the year. The advances to these companies are unsecured and without fixed terms of repayment. The outstanding balances at 31st March 2006 are disclosed in the consolidated balance sheet. Included in these advances are loans of:

(i) RMB15,000,000 (equivalent to HK$14,400,000) to the associate. The loan was interest free and matured in April 2006. Subsequent to 31st March 2006, a supplementary agreement was entered into with the associate extending the payment date to July 2006, together with interest charged at a rate of 6.2% per annum on the loan balance for the extended period.

(ii) HK$20,321,000 to an associate bearing interest at the rate of HIBOR plus 1.5% per annum. The amount is repayable on demand. Interest income from this advance for the year amounted to HK$2,073,000. In prior year, the Group received interest of HK$222,000 in respect of loan to associate.

(b) During the year, the Group made advances to its jointly controlled entities. The advances are interest-free, unsecured and repayable on demand. The amount outstanding at the year end date is disclosed in the consolidated balance sheet.

(c) The remuneration of directors and other members of key management during the year were disclosed in Note 44. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends

52. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2006, the Group entered into an agreement with independent third party for the joint development of Hua Qiao Plaza. Pursuant to the Agreement, the Group and the third parties bear the cost and share the economic interests in the development on a 51:49 basis and the Group has committed to contribute RMB112,870,000 (equivalent to approximately HK$108,529,000) to the development.