1. GENERAL

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

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

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

2. CHANGE OF FINANCIAL YEAR END DATE

During the period, the Company resolved to change the date of its financial year end from 31 March to 31 December in order to align financial reporting dates within the Group. The consolidated financial statements presented for the current period therefore covered nine months period from 1 April 2006 to 31 December 2006. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes cover twelve months period from 1 April 2005 to 31 March 2006 and therefore may not be comparable with amounts shown for the current period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated balance sheet.

3A. POTENTIAL IMPACT ARISING ON THE NEW OR REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new standards, amendment and interpretations which have not been adopted early by the Group. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segment[2]
HK(IFRIC) — INT 8	Scope of HKFRS 2[3]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) — INT 11	HKFRS 2: Group and Treasury Share Transactions[6]
HK(IFRIC) — INT 12	Service Concession Arrangements[7]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2008

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on acquisitions of subsidiaries prior to 1 April 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Goodwill arising on acquisitions on or after 1 January 2005

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating decisions.

Joint venture arrangements that involve the establishment of a separate entity in which the 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 associates or jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates or jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate or the jointly controlled entity, less any identified impairment loss. When the Group's share of losses equals or exceeds its interest in the associate or the jointly controlled entities (which includes any long-term interest that, in substance, form part of the Group's net investment in the associates or jointly controlled entities), the Group discontinues recognising its share of further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity.

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

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

Non-current assets held for sale

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Sales of properties

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

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Others

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Rental income is recognised on a straight-line basis over the term of the relevant lease.

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

Investment properties

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, if any, using the straight-line method. Both the useful life of an asset and its residual value, if any, are reviewed annually.

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

Club memberships

On initial recognition, club memberships are stated at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships 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.

Inventories

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

Prepaid lease payments on land use rights

Prepaid lease payments on land use rights are amortised on a straight-line basis over the shorter of the relevant land use right or the operation period of the relevant company.

Properties held for sale

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

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

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

Borrowing costs

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

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

Impairment of assets (other than goodwill and club memberships with indefinite useful life)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised in the consolidated income statement.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that future 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.

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated 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

Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included as profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). The cumulative exchange differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

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

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme, are charged as an expense as they fall due.

For the defined benefit retirement plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. All actuarial gains and losses of defined benefit plans are recognised immediately in actuarial gain and loss in equity in the period in which they occur.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately as profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loan and receivables

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

Available-for-sale investments

Available-for-sale investments are non-derivatives that are neither designated nor classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into the respective components on initial recognition. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

Embedded derivatives and derivatives

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

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

Equity-settled share-based payment transactions

Share options granted to employees
The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Construction contracts

The Group recognises contract revenue and profit on a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimations and this will affect the revenue and profit recognised.

6. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, debtors, amounts due from jointly controlled entities, pledged bank deposits, bank balances, creditors, amounts due to jointly controlled entities, bank borrowings and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

(i) Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, which are the same as the functional currency of the relevant group entity. The Group does not expect any significant exposure to foreign exchange fluctuations.

(ii) Cash flow interest rate risk

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

(iii) Equity price risk

The Group is exposed to equity security price risk through its available-for-sale investments. The Group manages the exposure by closely monitoring the market price of the investments and taking appropriate action when it is required.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Credit risk

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

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

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

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

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. At 31 December 2006, the Group's net current liabilities were HK$1,234.9 million. In the opinion of the Directors of the Company, most of the borrowings that mature within one year can be renewed on the strength of the Group's earnings and asset base and the Group expects to have adequate sources of funding to finance the Group and manage its liquidity position.

6. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

The Group was also involved in the trading of building materials and sale of construction materials, which were discontinued during the year ended 31 March 2005 (note 13).

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below.

Period from 1 April 2006 to 31 December 2006

	Continuing operations						Discontinued operations				
	Construction and building maintenance	Cement operations Through LSOC#	Cement operations Other cement operations	Property development	Property investment and others	Total	Sale of construction materials	Trading of building materials	Total	Eliminations	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
TURNOVER											
External sales	1,605.3	—	—	—	75.1	1,680.4	—	—	—	—	1,680.4
Inter-segment sales	1.4	—	—	—	—	1.4	—	—	—	(1.4)	—
Group turnover	**1,606.7**	**—**	**—**	**—**	**75.1**	**1,681.8**	**—**	**—**	**—**	**(1.4)**	**1,680.4**
Share of jointly controlled entities	66.6	1,169.7	352.4	—	17.5	1,606.2	—	—	—	—	1,606.2
Total	1,673.3	1,169.7	352.4	—	92.6	3,288.0	—	—	—	(1.4)	3,286.6

Inter-segment sales are charged at mutually agreed prices.

\# LSOC denotes Lafarge Shui On Cement Limited, a jointly controlled entity of the Group.

	Construction and building maintenance	Through LSOC#	Other cement operations	Property development	Property investment and others	Total	Sale of construction materials	Trading of building materials	Total	Eliminations	Consolidated
RESULTS											
Segment results	36.5	8.9	(16.6)	(24.6)	7.9	12.1	(5.8)	(0.3)	(6.1)		6.0
Interest income	3.0	1.4	4.1	—	16.0	24.5	—	—	—		24.5
Interest income from preference shares	—	—	—	14.8	—	14.8	—	—	—		14.8
Finance costs	(0.5)	—	(0.8)	—	(164.6)	(165.9)	—	—	—		(165.9)
Net increase in fair value of financial instruments	—	—	—	621.4	(28.1)	593.3	—	—	—		593.3
Loss on disposal of interest in a subsidiary	—	—	—	—	(9.7)	(9.7)	—	—	—		(9.7)
Gain on deemed disposal of interest in an associate	—	—	—	119.1	—	119.1	—	—	—		119.1
Share of results of jointly controlled entities											
Cement operations in											
- LSOC	—	6.8	—	—	—	6.8	—	—	—		6.8
- Guizhou	—	—	24.2	—	—	24.2	—	—	—		24.2
Venture capital investments	—	—	—	—	51.7	51.7	—	—	—		51.7
Distressed asset development	—	—	—	2.5	—	2.5	—	—	—		2.5
Others	(2.6)	—	0.9	—	—	(1.7)	—	—	—		(1.7)
						83.5					83.5
Share of impairment loss of jointly controlled entities											
Cement operations in											
- LSOC	—	(77.8)	—	—	—	(77.8)	—	—	—		(77.8)
- Guizhou	—	—	(6.5)	—	—	(6.5)	—	—	—		(6.5)
						(84.3)					(84.3)
Share of results of associates	—	—	—	48.8	—	48.8	—	—	—		48.8
Profit (loss) before taxation						636.2			(6.1)		630.1
Taxation						(7.7)			—		(7.7)
Profit (loss) for the period						628.5			(6.1)		622.4

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 31 December 2006

BALANCE SHEET

	Continuing operations				Discontinued operations				
	Construction and building maintenance	Cement operations Through LSOC	Other cement operations	Property development	Property investment and others	Sale of construction materials	Trading of building materials	Eliminations	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
ASSETS									
Segment assets	722.5	—	126.1	1.6	546.6	29.4	4.0	—	1,430.2
Amounts due from jointly controlled entities	3.3	384.3	438.4	289.9	88.8	—	—	—	1,204.7
Interests in jointly controlled entities	(6.8)	1,630.4	253.2	139.6	532.5	—	—	—	2,548.9
Inter-segment receivables	936.2	—	113.6	—	5,272.2	—	7.8	(6,329.8)	—
Available-for-sale investments	—	—	—	5,070.0	—	—	—	—	5,070.0
Unallocated assets									92.0
Consolidated total assets									10,345.8
LIABILITIES									
Segment liabilities	903.0	—	14.4	—	88.0	0.4	1.5	—	1,007.3
Amounts due to jointly controlled entities	2.9	—	29.3	—	123.9	—	—	—	156.1
Inter-segment payables	128.7	—	3,145.2	2,223.9	618.5	95.6	117.9	(6,329.8)	—
Unallocated liabilities									3,966.3
Consolidated total liabilities									5,129.7

OTHER INFORMATION

	Continuing operations				Discontinued operations			
	Construction and building maintenance	Cement operations Through LSOC	Other cement operations	Property development	Property investment and others	Sale of construction materials	Trading of building materials	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Capital expenditure	4.4	—	4.7	—	3.3	—	—	12.4
Depreciation and amortisation expenses	1.5	—	3.5	—	0.6	—	—	5.6
Share-based payment expense	—	—	—	—	6.1	—	—	6.1
Increase in fair value of investment properties	—	—	—	—	1.4	—	—	1.4
Net loss on disposal of property, plant and equipment and leasehold land	4.6	—	—	—	(0.1)	—	—	4.5

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Year ended 31 March 2006

	Continuing operations						Discontinued operations				
	Construction and building maintenance HK$ million	Cement operations Through LSOC HK$ million	Other cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Total HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER											
External sales	1,364.1	—	4.8	—	31.3	1,400.2	—	3.7	3.7	—	1,403.9
Inter-segment sales	0.6	—	—	—	22.6	23.2	—	—	—	(23.2)	—
Group turnover	**1,364.7**	**—**	**4.8**	**—**	**53.9**	**1,423.4**	**—**	**3.7**	**3.7**	**(23.2)**	**1,403.9**
Share of jointly controlled entities	97.9	130.6	755.0	—	5.7	989.2	2.7	—	2.7	—	991.9
Total	1,462.6	130.6	759.8	—	59.6	2,412.6	2.7	3.7	6.4	(23.2)	2,395.8

Inter-segment sales are charged at mutually agreed prices.

	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Total HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
RESULTS											
Segment results	54.6	—	(50.5)	(0.1)	111.7	115.7	(9.3)	3.6	(5.7)		110.0
Interest income	2.9	4.7	21.2	—	0.5	29.3	—	0.1	0.1		29.4
Interest income from preference shares	—	—	—	20.1	—	20.1	—	—	—		20.1
Finance costs	(0.8)	—	(4.3)	—	(88.4)	(93.5)	—	(0.2)	(0.2)		(93.7)
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries	—	—	(26.2)	—	—	(26.2)	—	—	—		(26.2)
Impairment loss recognised in respect of interests in jointly controlled entities	(2.1)	—	(71.6)	—	—	(73.7)	—	—	—		(73.7)
Change in fair value of net assets contributed to a jointly controlled entity	—	—	38.7	—	—	38.7	—	—	—		38.7
Loss on deemed disposal of an associate	—	—	—	(10.3)	—	(10.3)	—	—	—		(10.3)
Share of results of jointly controlled entities											
Cement operations in											
- LSOC	—	(17.6)	—	—	—	(17.6)	—	—	—		(17.6)
- Guizhou	—	—	33.5	—	—	33.5	—	—	—		33.5
- Nanjing	—	—	(8.0)	—	—	(8.0)	—	—	—		(8.0)
- Chongqing	—	—	(93.2)	—	—	(93.2)	—	—	—		(93.2)
Venture capital investments	—	—	—	—	193.5	193.5	—	—	—		193.5
Distressed asset development	—	—	—	—	55.0	55.0	—	—	—		55.0
Others	(9.3)	—	0.3	—	—	(9.0)	0.6	—	0.6		(8.4)
						154.2			0.6		154.8
Share of results of associates	—	—	—	209.9	—	209.9	—	—	—		209.9
Profit (loss) before taxation						364.2			(5.2)		359.0
Taxation						(7.6)			—		(7.6)
Profit (loss) for the year						356.6			(5.2)		351.4

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 31 March 2006

CONSOLIDATED BALANCE SHEET

	Continuing operations				Discontinued operations				
	Construction and building maintenance	Cement operations Through LSOC	Cement operations Other cement operations	Property development	Property investment and others	Sale of construction materials	Trading of building materials	Eliminations	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
ASSETS									
Segment assets	419.1	—	306.2	9.2	320.3	35.8	12.0	—	1,102.6
Amounts due from jointly controlled entities/associates	51.3	19.7	322.9	15.0	98.0	—	—	—	506.9
Interests in jointly controlled entities/associates	16.5	1,609.3	250.6	1,643.6	396.0	—	—	—	3,916.0
Convertible redeemable participating junior preference shares	—	—	—	300.0	—	—	—	—	300.0
Derivative financial instruments	—	—	—	89.8	—	—	—	—	89.8
Inter-segment receivables	907.0	—	124.7	—	4,120.4	—	7.8	(5,159.9)	—
Unallocated assets									67.2
Consolidated total assets									5,982.5
LIABILITIES									
Segment liabilities	621.5	—	17.5	—	25.7	0.4	1.8	—	666.9
Amounts due to jointly controlled entities/associates	0.8	—	71.1	—	3.6	—	—	—	75.5
Inter-segment payables	152.8	—	2,301.6	1,867.1	624.3	88.5	125.6	(5,159.9)	—
Unallocated liabilities									2,819.0
Consolidated total liabilities									3,561.4

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 31 March 2006 (continued)

OTHER INFORMATION

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

Geographical segments

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

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

	Continuing operations		Discontinued operations		Consolidated	
	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million
Hong Kong	**1,494.9**	1,303.7	**—**	3.7	**1,494.9**	1,307.4
Other regions in the PRC	**185.5**	96.5	**—**	—	**185.5**	96.5
	1,680.4	1,400.2	**—**	3.7	**1,680.4**	1,403.9

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

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

	Carrying amount of segment assets		Carrying amount of total assets		Additions to investment properties and property, plant and equipment	
	31 December 2006 HK$ million	31 March 2006 HK$ million	**31 December 2006 HK$ million**	31 March 2006 HK$ million	**31 December 2006 HK$ million**	31 March 2006 HK$ million
Hong Kong	**870.3**	869.2	**1,168.7**	1,155.1	**7.2**	3.5
Other regions in the PRC	**559.9**	233.4	**9,177.1**	4,827.4	**5.2**	103.3
	1,430.2	1,102.6	**10,345.8**	5,982.5	**12.4**	106.8

8. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million
Included in other income are:						
Interest income	**24.5**	29.3	**—**	0.1	**24.5**	29.4
Interest from convertible redeemable participating junior preference shares	**14.8**	20.1	**—**	—	**14.8**	20.1
Dividends from investments in listed securities	**—**	0.6	**—**	—	**—**	0.6

9. NET INCREASE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	Continuing operations	
	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Increase in fair value of embedded derivatives in relation to		
- Convertible redeemable participating junior preference shares issued by an associate (note 21)	**621.4**	—
- Convertible bonds issued by the Company (note 31)	**(28.1)**	—
	593.3	—

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	**112.7**	88.8	**—**	0.2	**112.7**	89.0
Effective interest expense on convertible bonds (note 31)	**40.5**	—	**—**	—	**40.5**	—
Other borrowing costs	**12.7**	4.7	**—**	—	**12.7**	4.7
	165.9	93.5	**—**	0.2	**165.9**	93.7

11. TAXATION

	Continuing operations	
	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**5.4**	7.2
Income tax of other regions in the PRC	**0.8**	0.6
	6.2	7.8
Deferred taxation	**1.5**	(0.2)
	7.7	7.6

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the period/year.

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

Details of the deferred taxation are set out in note 34.

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

	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Profit before taxation		
Continuing operations	**636.2**	364.2
Discontinued operations	**(6.1)**	(5.2)
	630.1	359.0
Tax at Hong Kong Profits Tax rate of 17.5%	**110.3**	62.8
Effect of share of results of jointly controlled entities	**0.1**	(27.0)
Effect of share of results of associates	**(8.5)**	(36.7)
Effect of different tax rates on operations in other jurisdictions	**0.9**	(0.3)
Tax effect of expenses not deductible for tax purposes	**58.2**	39.2
Tax effect of income not taxable for tax purposes	**(165.1)**	(39.4)
Tax effect of tax losses not recognised	**13.4**	11.4
Tax effect of utilisation of tax losses previously not recognised	**(2.2)**	(1.6)
Others	**0.6**	(0.8)
Tax charge for the period/year	**7.7**	7.6

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors

The emoluments paid or payable to each of the eleven (year ended 31 March 2006: twelve) Directors were as follows:

		Nine months ended 31 December 2006						Year ended 31 March 2006
Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Share based payments HK$'000	Total HK$'000	Total HK$'000
Lo Hong Sui, Vincent		8	—	—	—	—	8	10
Choi Yuk Keung, Lawrence		8	2,433	1,500	153	—	4,094	4,817
Wong Yuet Leung, Frankie		8	3,779	3,000	227	2,518	9,532	5,575
Wong Fook Lam, Raymond		8	2,042	650	112	225	3,037	2,689
Lowe Hoh Wai Wan, Vivien		8	1,515	500	82	189	2,294	2,251
Wong Ying Wai, Wilfred	(a)	2	—	—	—	—	2	10
Michael John Enright	(b)	206	—	—	—	—	206	200
Wong Hak Wood, Louis	(b) & (d)	33	—	—	—	—	33	10
Anthony Griffiths	(c)	263	—	—	—	—	263	200
Cheng Mo Chi, Moses	(c)	206	—	—	—	—	206	200
K. C. Chan	(c) & (f)	206	—	—	—	—	206	148
Cheung Kin Tung, Marvin	(c) & (e)	—	—	—	—	—	—	52
Total		956	9,769	5,650	574	2,932	19,881	16,162
Year ended 31 March 2006		870	10,831	3,513	948	—	16,162	

Notes:

(a) Mr. Wong Ying Wai, Wilfred resigned as Executive Director on 1 June 2006.
(b) Non-executive Directors.
(c) Independent Non-executive Directors.
(d) Mr. Wong Hak Wood, Louis resigned as Non-executive Director on 1 June 2006.
(e) Mr. Cheung Kin Tung, Marvin resigned as Independent Non-executive Director on 4 July 2005.
(f) Professor K. C. Chan was appointed as Independent Non-executive Director on 4 July 2005.

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

Of the five individuals with the highest emoluments in the Group, four (year ended 31 March 2006: four) are executive directors of the Company whose emoluments are set out above. The emolument of the remaining one (year ended 31 March 2006: one) individual was as follows:

	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Salaries, bonuses and allowances	**2.3**	2.4
Retirement benefits cost	**0.1**	0.1
Share based payments	**0.2**	—
	2.6	2.5

13. DISCONTINUED OPERATIONS

The Group ceased its construction materials and materials trading operations in Hong Kong and the Pearl River Delta during the financial year ended 31 March 2005.

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

	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Turnover	**—**	3.7
Other income	**0.4**	0.5
Subcontracting, external labour costs and other expenses	**(6.5)**	(9.8)
Finance costs	**—**	(0.2)
Share of results of jointly controlled entities	**—**	0.6
Loss before taxation	**(6.1)**	(5.2)
Taxation	**—**	—
Loss after taxation	**(6.1)**	(5.2)

During the nine months ended 31 December 2006, the discontinued operations had HK$0.6 million net operating cash outflows (year ended 31 March 2006: inflows of HK$19.4 million) and paid HK$25.3 million for the year ended 31 March 2006 in respect of financing activities.

The carrying amounts of the assets and liabilities of the discontinued operations at 31 December 2006 are HK$41.2 million (31 March 2006: HK$55.6 million) and HK$215.4 million (31 March 2006: HK$216.3 million), respectively.

14. PROFIT FOR THE PERIOD/YEAR

	Continuing operations		Discontinued operations		Consolidated	
	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million
Profit for the period/year has been arrived at after charging (crediting):						
Depreciation and amortisation:						
Prepaid lease payments	**1.5**	0.8	**—**	—	**1.5**	0.8
Property, plant and equipment	**4.1**	8.9	**—**	—	**4.1**	8.9
	5.6	9.7	**—**	—	**5.6**	9.7
Auditors' remuneration	**4.0**	3.8	**—**	—	**4.0**	3.8
Operating lease payments in respect of rented premises	**4.7**	5.8	**—**	—	**4.7**	5.8
Net loss on disposal of property, plant and equipment and leasehold land	**4.5**	0.6	**—**	—	**4.5**	0.6
Impairment loss on property, plant and equipment (included in subcontracting, external labour costs and other expenses)	**—**	0.5	**—**	—	**—**	0.5
(Written back of) impairment loss on other receivables (included in subcontracting, external labour costs and other expenses)	**(6.6)**	7.0	**—**	2.6	**(6.6)**	9.6
Discount on acquisition of a subsidiary	**(3.7)**	—	**—**	—	**(3.7)**	—
Dividend income from unlisted investments	**(52.0)**	—	**—**	—	**(52.0)**	—
Staff costs (including directors' emoluments):						
Salaries, bonuses and allowances	**206.3**	232.1	**—**	—	**206.3**	232.1
Retirement benefits cost	**3.0**	6.4	**—**	—	**3.0**	6.4
Share-based payment expense	**6.1**	1.8	**—**	—	**6.1**	1.8
	215.4	240.3	**—**	—	**215.4**	240.3
Gross rental revenue from an investment property and car park spaces	**(1.7)**	(1.9)	**—**	—	**(1.7)**	(1.9)
Less: Direct expenses from investment properties that generated rental income	**0.3**	0.4	**—**	—	**0.3**	0.4
Net rental income	**(1.4)**	(1.5)	**—**	—	**(1.4)**	(1.5)
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**5.3**	4.1	**—**	—	**5.3**	4.1
Share of tax of associates (included in share of results of associates)	**177.3**	82.8	**—**	—	**177.3**	82.8

15. DIVIDENDS

	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Paid:		
Final dividend in respect of the year ended 31 March 2006: HK$0.25 per share (year ended 31 March 2005: HK$0.30)	**69.2**	80.8
Interim dividend in respect of the year ended 31 March 2006: HK$0.12 per share	**—**	32.9
Declared:		
Interim dividend in respect of the nine months ended 31 December 2006: HK$0.18 per share	**51.1**	—
	120.3	113.7
Proposed:		
Final dividend in respect of the nine months ended 31 December 2006: HK$0.52 per share (year ended 31 March 2006: HK$0.25)	**147.6**	69.2

The final dividend in respect of the nine months ended 31 December 2006 of HK$0.52 per share has been proposed by the Directors and is subject to approval by shareholders at the annual general meeting.

16. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Earnings:		
Earnings for the purposes of basic earnings per share	**602.1**	314.8
Effect of dilutive potential ordinary shares from convertible bonds:		
Finance costs	**40.5**	—
Fair value changes on derivative financial instruments	**28.1**	—
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible redeemable participating junior preference shares	**(14.8)**	(20.1)
Fair value changes on convertible redeemable participating junior preference shares	**(621.4)**	—
Adjustment to the share of results of an associate based on dilution of its earnings per share	**(12.8)**	(101.0)
Earnings for the purposes of diluted earnings per share	**21.7**	193.7
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**277.6**	271.3
Effect of dilutive potential ordinary shares:		
Convertible bonds	**54.3**	—
Share options	**7.1**	7.7
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**339.0**	279.0
Earnings per share	**HK$**	HK$
Basic	**2.17**	1.16
Diluted	**0.06**	0.69

16. EARNINGS PER SHARE (continued)

From continuing and discontinued operations (continued)

The dilutive effect on the Group's earnings and number of ordinary shares arising from the convertible bonds issued by the Company and convertible redeemable participating junior preference shares in SOL held by the Group have to be accounted for in the calculation of diluted earnings per share. These convertible bonds and junior preference shares are assumed to have been converted into shares of the relevant issuer on the date of issue and, in particular, the accounting effects of such financial instruments are reversed in the determination of diluted earnings. The significant decrease in the diluted earnings per share for the period under review was largely due to the reversal of the fair value changes on the conversion of the redeemable participating junior preference shares in SOL into shares of that company.

From continuing operations

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

Earnings figures are calculated as follows:

	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Profit for the period/year attributable to equity holders of the Company	**602.1**	314.8
Less: Loss for the period/year from discontinued operations	**(6.1)**	(5.2)
Earnings for the purposes of basic earnings per share from continuing operations	**608.2**	320.0
Effect of dilutive potential ordinary shares from convertible bonds:		
Finance costs	**40.5**	—
Fair value changes on derivative financial instruments	**28.1**	—
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible redeemable participating junior preference shares	**(14.8)**	(20.1)
Fair value changes on convertible redeemable participating junior preference shares	**(621.4)**	—
Adjustment to the share of results of an associate based on dilution of its earnings per share	**(12.8)**	(101.0)
Earnings for the purposes of diluted earnings per share from continuing operations	**27.8**	198.9

16. EARNINGS PER SHARE (continued)

From continuing operations (continued)

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

Earnings per share	HK$	HK$
Basic	**2.19**	1.18
Diluted	**0.08**	0.71

From discontinued operations

For the nine months ended 31 December 2006, the basic loss per share for the discontinued operations is HK$0.02 per share (year ended 31 March 2006: HK$0.02 per share) and the diluted loss per share for the discontinued operations is HK$0.02 per share (year ended 31 March 2006: HK$0.02 per share), based on the loss for the period from the discontinued operations of HK$6.1 million (year ended 31 March 2006: HK$5.2 million) and the denominators detailed above for both basic and diluted earnings per share.

17. INVESTMENT PROPERTIES

	31 December 2006 HK$ million	31 March 2006 HK$ million
FAIR VALUE		
At the beginning of the period/year	**58.5**	—
Exchange adjustments	**2.1**	—
Acquisition of subsidiaries	**—**	58.8
Addition	**1.2**	—
Increase (decrease) in fair value recognised	**1.4**	(0.3)
At the end of the period/year	**63.2**	58.5

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

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

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

18. PROPERTY, PLANT AND EQUIPMENT

	Properties in Kong Kong located on land held under medium-term leases HK$ million	Properties in other regions of the PRC located on land held under medium-term leases HK$ million	Plant and machinery HK$ million	Motor vehicles HK$ million	Equipment, furniture and other assets HK$ million	Total HK$ million
AT COST						
At 1 April 2005	12.2	5.3	86.5	16.5	29.1	149.6
Exchange adjustments	—	0.1	0.1	—	0.1	0.3
Additions	—	—	8.4	1.1	4.4	13.9
Acquisition of subsidiaries (note)	—	2.2	28.5	1.9	1.5	34.1
Disposals	—	—	(35.6)	(4.8)	(1.1)	(41.5)
Reclassified to non-current assets held for sale	—	—	(31.7)	—	—	(31.7)
At 31 March 2006	12.2	7.6	56.2	14.7	34.0	124.7
Exchange adjustments	—	0.3	0.3	0.1	0.1	0.8
Additions	—	0.2	0.2	4.2	5.6	10.2
Acquisition of a subsidiary (note 39(a))	—	—	1.0	—	—	1.0
Disposals	(8.8)	—	(0.3)	(1.7)	(0.4)	(11.2)
At 31 December 2006	3.4	8.1	57.4	17.3	39.3	125.5
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2005	3.1	2.4	78.8	12.2	27.7	124.2
Exchange adjustments	—	—	0.1	—	—	0.1
Charge for the year	0.3	0.5	5.1	1.4	1.6	8.9
Impairment loss recognised in consolidated income statement	—	—	0.5	—	—	0.5
Eliminated on disposals	—	—	(34.4)	(2.3)	(0.8)	(37.5)
At 31 March 2006	3.4	2.9	50.1	11.3	28.5	96.2
Exchange adjustments	—	0.1	0.2	—	—	0.3
Charge for the period	0.2	0.5	0.5	1.0	1.9	4.1
Eliminated on disposals	(2.4)	—	(0.3)	(1.5)	(0.3)	(4.5)
At 31 December 2006	1.2	3.5	50.5	10.8	30.1	96.1
CARRYING VALUES						
At 31 December 2006	2.2	4.6	6.9	6.5	9.2	29.4
At 31 March 2006	8.8	4.7	6.1	3.4	5.5	28.5

Note: As mentioned in note 39(b), property, plant and equipment with fair value of HK$1,655.3 million were acquired through the acquisition of subsidiaries, of which HK$1,621.2 million has been contributed to a jointly controlled entity as mentioned in note 41 and the remaining HK$34.1 million has been retained by the Group.

18. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

19. PREPAID LEASE PAYMENTS

	31 December 2006 HK$ million	31 March 2006 HK$ million
Leasehold land under medium-term lease:		
In Hong Kong	3.3	17.4
Outside Hong Kong	38.4	37.7
	41.7	55.1
Analysed for reporting purposes as:		
Non-current	40.8	53.9
Current	0.9	1.2
	41.7	55.1

Amortisation of prepaid lease payments amounting to HK$1.5 million (year ended 31 March 2006: HK$0.8 million) was charged to the consolidated income statement.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	31 December 2006 HK$ million	31 March 2006 HK$ million
Cost of unlisted investments in jointly controlled entities, net of impairment (note)	2,371.2	2,089.2
Share of post-acquisition profits and reserves	177.7	183.2
	2,548.9	2,272.4

Note: Goodwill of HK$121.8 million (31 March 2006: HK$121.8 million) is included in the cost of unlisted investments in jointly controlled entities. The goodwill arose from the contribution to a jointly controlled entity, LSOC, during the year ended 31 March 2006 (see note 41). The recoverable amounts of the cash-generating units ("CGUs") attributable to LSOC in cement operations are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to selling prices and direct costs during the period. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

Particulars of the principal jointly controlled entities are set out in note 46.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The summarised financial information in respect of the Group's share of interest in assets, liabilities, income and expenses of jointly controlled entities for the years ended 31 December 2006 and 31 December 2005 attributable to the Group is as follows:

	2006 HK$ million	2005 HK$ million
Current assets	**2,462.5**	1,531.4
Non-current assets	**4,921.6**	3,196.3
Current liabilities	**(2,942.5)**	(1,653.3)
Non-current liabilities	**(1,554.8)**	(539.5)
Minority interests	**(471.7)**	(389.9)
Income	**1,782.1**	1,429.0
Expenses	**(1,782.9)**	(1,279.8)

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in the manufacture and sale of cement in Guizhou, Nanjing and LSOC and based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the years ended 31 December 2006 and 31 December 2005, is as follows:

	2006 HK$ million	2005 HK$ million
Results for the year ended 31 December		
Turnover	**3,071.9**	1,442.7
Loss before taxation	**(140.1)**	(200.4)
Loss before taxation attributable to the Group	**(48.4)**	(81.2)

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

	2006 HK$ million	2005 HK$ million
Financial position at 31 December		
Non-current assets	**8,007.4**	5,926.6
Current assets	**3,390.8**	2,388.1
Current liabilities	**(5,202.0)**	(2,940.8)
Non-current liabilities	**(1,367.3)**	(785.9)
Minority interests	**(963.2)**	(769.3)
Net assets	**3,865.7**	3,818.7
Net assets attributable to the Group	**1,887.5**	1,865.0

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in venture capital investments, based on the adjusted financial statements prepared under HKFRSs for the years ended 31 December 2006 and 31 December 2005, is as follows:

	2006 HK$ million	2005 HK$ million
Results for the year ended 31 December		
Turnover	**0.2**	8.8
Profit before taxation	**74.5**	273.4
Profit before taxation attributable to the Group	**51.7**	193.5

	2006 HK$ million	2005 HK$ million
Financial position at 31 December		
Non-current assets	**901.0**	636.4
Current assets	**150.5**	19.4
Current liabilities	**(125.5)**	(69.0)
Non-current liabilities	**(100.0)**	(100.0)
Minority interests	**(59.5)**	(70.0)
Net assets	**766.5**	416.8
Net assets attributable to the Group	**532.5**	288.4

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Unrecognised share of losses of the jointly controlled entity for the period/year	**6.4**	5.6
Accumulated unrecognised share of losses of the jointly controlled entity	**12.0**	5.6

21. AVAILABLE-FOR-SALE INVESTMENTS/INTERESTS IN ASSOCIATES

Available-for-sale investments

	31 December 2006 HK$ million	31 March 2006 HK$ million
Available-for-sale investments comprise: Listed equity securities in Hong Kong (at market price)	**5,070.0**	—

On 4 October 2006, Shui On Land Limited ("SOL"), a company incorporated in the Cayman Islands, in which 28.7% of the issued ordinary share capital and US$50 million convertible redeemable participating junior preference shares ("Junior Preference Shares") were indirectly held by the Company, had its shares listed on the Stock Exchange. On the date of listing, the US$50 million Junior Preference Shares, together with other convertible instruments issued by SOL, were converted into ordinary shares of SOL. The Group recognised a gain of HK$621.4 million upon the conversion of these Junior Preference Shares, based on the offer price of the shares of SOL in the consolidated income statement for the period ended 31 December 2006.

Subsequent to the listing of the shares of SOL, the Company's indirect ordinary shareholding in SOL was diluted to 17.8%. The securities were then classified as "Available-for-sale investments" since the ordinary shares are not held for trading purpose and the Directors of the Company consider that the Group is no longer able to exercise significant influence on the operating and financial policies of SOL.

The dilution of the Group's interest in SOL as a result of the listing of SOL was accounted for as a deemed disposal of an associate, and a total gain on this deemed disposal of HK$119.1 million has been recognised in the consolidated income statement for the period ended 31 December 2006.

21. AVAILABLE-FOR-SALE INVESTMENTS/INTERESTS IN ASSOCIATES (continued)

In addition, the Group has recognised total gains of HK$2,188.1 million on fair value increase of its available-for-sale investments directly in the Investment Revaluation Reserve, of which (i) HK$1,112.9 million arose from the listing of the shares of SOL on 4 October 2006, which represented an increase in fair value of the Group's interest in SOL over the carrying book value on that date, and (ii) HK$1,075.2 million arose due to the increase in fair value of the Group's shareholding in SOL which was marked to the market price at 31 December 2006.

At 31 December 2006, the Group holds a 17.8% equity interest in SOL.

Interests in associates

The Group's interest in SOL at 31 March 2006 is set out below:

	HK$ million
Interests in associates	
Cost of unlisted investments in associates	1,405.1
Share of post-acquisition profits and reserves (note (a))	238.5
	1,643.6
Junior Preference Shares (note (b))	300.0
Derivative financial instruments (note (c))	89.8
	2,033.4
Classified as:	
Interests in associates	1,643.6
Junior Preference Shares (note (b))	300.0
Derivative financial instruments (note (c))	89.8
	2,033.4

Notes:

(a) Included in the share of results of associates was a discount on acquisition of SOL of HK$87.7 million. The discount on acquisition was due to the allotment of 8,800,000 ordinary shares to the Group by SOL in satisfaction of the Group's entitlement to receive performance-based consideration during the year ended 31 March 2006.

(b) The loan portion of Junior Preference Shares was stated at amortised cost and the effective interest rate for the loan portion was estimated to be approximately 12% per annum. At 31 March 2006, the carrying amount approximated its fair value.

(c) The conversion options of Junior Preference Shares and the early redemption option were recorded as derivative financial instruments in the balance sheet at 31 March 2006. The Group engaged independent valuers to assess the fair value of the conversion options and the early redemption option. The valuers concluded that the fair value of the early redemption option, which was valued based on the Dividend Adjusted Black-Scholes Option Pricing Model, was negligible and the fair value of the conversion options relied extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which could be quantified or ascertained. Accordingly, the fair value of the conversion options at 31 March 2006 was considered to be not reliably measurable and was stated at cost less impairment.

21. AVAILABLE-FOR-SALE INVESTMENTS/INTERESTS IN ASSOCIATES (continued)

A summary of the financial information of the Group's associate at 31 December 2005 and for the year then ended is as follows:

Results for the year ended 31 December 2005

	HK$ million
Turnover	978.7
Profit for the year	317.0
Profit for the year attributable to the Group	122.2

Financial position at 31 December 2005

	HK$ million
Total assets	20,374.2
Total liabilities	(13,873.8)
Net assets	6,500.4
Net assets attributable to the Group (note)	1,643.6

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

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

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss of HK$223.4 million at 31 March 2006 represented the fair value of the unlisted securities held by an indirect subsidiary of the Company, On Capital China Tech Fund ("On Capital"). During the period, following the change in the composition of the Board of Directors of On Capital, the Group's equity interest in On Capital has been reclassified to and accounted for as an interest in jointly controlled entities (see note 40).

The fair values of the unlisted securities at 31 March 2006 were arrived at by reference to the prices recently paid for similar assets or on the basis of valuations carried out by American Appraisal China Limited, independent qualified professional valuers not connected with the Group. On the assumption that there were no major changes in the economic and business environments in which the appraised investments operated, the values were derived using a market approach whereby different value measures or market multiple of comparable companies are adopted to produce a set of multiples that are considered representative of the industry average with suitable amendments, if appropriate, being made to these industry multiples to reflect the particular circumstances of the appraised investments relative to market comparables.

23. AMOUNTS DUE FROM/TO JOINTLY CONTROLLED ENTITIES

	31 December 2006 HK$ million	31 March 2006 HK$ million
Amounts due from jointly controlled entities (note a)	**1,204.7**	506.6
Amounts due to jointly controlled entities (note b)	**156.1**	75.3

Notes:

(a) The balances are unsecured and with no fixed terms of repayment. Out of the total balance, a total of HK$131.8 million (31 March 2006: HK$122.4 million) bears interest at prevailing market rates. The remaining balance is interest-free.

(b) The balances are unsecured, interest-free and repayable on demand.

24. INVENTORIES AND CONTRACTS IN PROGRESS

	31 December 2006 HK$ million	31 March 2006 HK$ million
Inventories		
Raw materials	**5.0**	5.3
Work-in-progress	**6.5**	5.5
Finished goods	**6.8**	3.2
Spare parts	**3.2**	3.2
	21.5	17.2

	31 December 2006 HK$ million	31 March 2006 HK$ million
Contracts in progress		
Costs incurred to date	**3,592.0**	3,201.7
Recognised profits less recognised losses	**106.4**	96.1
	3,698.4	3,297.8
Less: Progress billings	**(3,732.1)**	(3,354.0)
Net contract work	**(33.7)**	(56.2)
Represented by:		
Amounts due from customers for contract work	**108.9**	71.5
Amounts due to customers for contract work	**(142.6)**	(127.7)
	(33.7)	(56.2)

25. OTHER FINANCIAL ASSETS

Debtors, deposits and prepayments

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

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

	31 December 2006 HK$ million	31 March 2006 HK$ million
Within 90 days	**325.7**	143.2
91 days to 180 days	**12.0**	1.9
181 days to 360 days	**0.7**	0.6
Over 360 days	**5.0**	10.1
	343.4	155.8
Retention receivable	**90.4**	102.0
Prepayments, deposits and other receivables	**377.8**	216.3
	811.6	474.1
Retention receivable is analysed as follows:		
Due within one year	**54.4**	74.5
Due more than one year	**36.0**	27.5
	90.4	102.0

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits with maturity of three months or less held with banks not restricted as to use. Bank balances carry interest at market rates which range from 2.25% to 5.3% per annum.

26. PLEDGED BANK DEPOSITS

The amount at 31 December 2006 represents deposits pledged to banks to secure a short term bank loan amounting to RMB80 million (equivalent to HK$79.8 million) granted to the Group (note 30) and a HK$120 million standby letter of credit issued relating to a bank loan granted to a jointly controlled entity. The pledged deposits carry fixed interest rate of 5.1% per annum.

27. AMOUNTS DUE FROM/TO RELATED COMPANIES

	31 December 2006 HK$ million	31 March 2006 HK$ million
Amounts due from related companies	**1.3**	3.1
Amounts due to related companies	**0.1**	0.1

The related companies are subsidiaries of SOCL.

The balances are unsecured, interest-free and with no fixed terms of repayment.

28. NON-CURRENT ASSETS HELD FOR SALE

	31 December 2006 HK$ million	31 March 2006 HK$ million
Property, plant and equipment	**31.0**	31.7

The proceeds on disposal of the above asset is expected to exceed the carrying amount of the relevant asset and, accordingly, no impairment loss has been recognised. The relevant asset is expected to be sold within one year.

29. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors of HK$265.8 million (31 March 2006: HK$71.0 million) which are included in the Group's creditors and accrued charges is as follows:

	31 December 2006 HK$ million	31 March 2006 HK$ million
Creditors aged analysis:		
Within 30 days	**246.0**	55.5
31 days to 90 days	**9.7**	5.7
91 days to 180 days	**2.6**	1.7
Over 180 days	**7.5**	8.1
	265.8	71.0
Retention payable	**111.7**	94.2
Dividend payable	**51.1**	—
Accruals and other payables	**436.0**	373.9
	864.6	539.1

30. BANK BORROWINGS

	31 December 2006 HK$ million	31 March 2006 HK$ million
Bank overdrafts	**2.7**	—
Secured bank loan (note 26)	**79.8**	—
Unsecured bank loans	**2,879.7**	2,813.3
	2,962.2	2,813.3
Less: Amounts due within 12 months	**(2,394.8)**	(1,294.3)
Amounts due for settlement after 12 months	**567.4**	1,519.0
The floating-rate borrowings are repayable as follows:		
Within one year (note)	**2,394.8**	1,294.3
More than one year but not exceeding two years	**507.4**	1,319.0
More than two years but not exceeding five years	**60.0**	200.0
	2,962.2	2,813.3

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

The average effective interest rates of the borrowings range from 4.43% to 5.63% (year ended 31 March 2006: 4.08% to 5.86%) per annum.

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

Note: Subsequent to the balance sheet date, the Group has renewed and obtained additional banking facilities of approximately HK$2,030 million from financial institutions.

31. CONVERTIBLE BONDS

On 31 July 2006, the Company issued HK$930 million zero coupon convertible bonds due 22 July 2009. The convertible bonds are denominated in Hong Kong dollars and are listed on the Stock Exchange. Details of the transaction are set out in an announcement of the Company dated 20 July 2006.

The net proceeds received from the issue of the convertible bonds have been split between a straight debt component and a number of derivative financial instruments. The effective interest rate of the straight debt component is 12.5% per annum.

The movement of the convertible bonds for the period is as follows:

		Derivative financial instruments	
	Straight debt HK$ million	**Early redemption option** HK$ million	**Conversion option** HK$ million
Convertible bonds issued on 31 July 2006, net of transaction costs	777.1	(10.6)	149.2
Amortised interest charged during the period (note 10)	40.5	—	—
Changes in fair value (note 9)	—	2.0	26.1
At 31 December 2006	817.6	(8.6)	175.3

The convertible bonds are constituted by a trust deed dated 31 July 2006 (the "Trust Deed"). The principal terms of the convertible bonds include the following:

Conversion

At the option of the holders, the convertible bonds will be converted into fully paid ordinary shares of the Company from 9 September 2006 to 22 July 2009, both days inclusive, at an initial conversion price of HK$17.134 per share. The conversion price is subject to adjustments in certain events set out in the Trust Deed.

If the arithmetic average of the closing price of the Company's shares for each day during the 15 consecutive Stock Exchange trading days immediately before 31 July 2007, 31 July 2008 and 31 May 2009 is less than the initial conversion price, the conversion price will automatically be adjusted downwards with reference to the 15-day average trading prices prior to adjustment, save that the adjusted conversion price shall in no event be less than 72% of the initial conversion price.

31. CONVERTIBLE BONDS (continued)

Redemption

Unless previously redeemed, purchased and cancelled or converted, the convertible bonds will be redeemed by the Company at 118.971% of their principal amount on 31 July 2009 (the "Maturity Date").

The Company may redeem the convertible bonds, in whole but not in part, (i) on or at any time after 31 January 2008 but not less than 7 business days prior to the Maturity Date, if the closing price of the Company's shares for any 20 Stock Exchange trading days out of the 30 consecutive Stock Exchange trading days prior to the date upon which notice of such redemption is given was at least 125% of the applicable Early Redemption Amount (as defined below) divided by the Conversion Ratio (as defined below) in effect on such trading day or (ii) when more than 95% in principal amount of the convertible bonds has already been converted, redeemed or purchased and cancelled or as a result of regulatory change impacting on the payment obligations of the Company under the convertible bonds.

The "Early Redemption Amount" is the principal amount of the convertible bonds plus a gross yield of 5.875% per annum, calculated on a semi-annual basis, from 31 July 2006, the closing date of the convertible bond issue, to the Maturity Date. The "Conversion Ratio" is the principal amount of the convertible bonds divided by the then conversion price.

Cash settlement option

The obligation of the Company to issue shares on the exercise of any conversion rights attaching to the convertible bonds may, at the sole discretion of the Company, be settled by cash payment. The cash settlement payment shall be the product of the number of the Company's shares otherwise deliverable under the then conversion price and the average closing price of the Company's shares for the 10 Stock Exchange trading days immediately before the date the Company elects to exercise its cash settlement option in respect of the relevant convertible bonds.

32. SHARE CAPITAL

	Number of shares			
	31 December 2006	**31 March 2006**	**31 December 2006 HK$ million**	**31 March 2006 HK$ million**
Ordinary shares of HK$1 each:				
Authorised				
At the beginning of the period/year	1,000,000,000	400,000,000	1,000.0	400.0
Increase during the period/year	—	600,000,000	—	600.0
At the end of the period/year	1,000,000,000	1,000,000,000	1,000.0	1,000.0
Issued and fully paid				
At the beginning of the period/year	274,632,000	269,380,000	274.6	269.4
Exercise of share options	8,968,000	5,252,000	9.0	5.2
At the end of the period/year	283,600,000	274,632,000	283.6	274.6

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

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

33. RESERVES

	Attributable to equity holders of the Company												
	Share premium account HK$ million	Translation reserve HK$ million	Contributed surplus (Note a) HK$ million	Goodwill HK$ million	Retained profits HK$ million	Reserve funds HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Investment revaluation reserve HK$ million	Other reserve (Note b) HK$ million	Total HK$ million	Minority interests HK$ million	Total equity HK$ million
At 1 April 2005	565.3	—	197.6	(2.7)	782.7	1.3	1.1	28.4	—	231.1	1,804.8	29.1	1,833.9
Exchange differences arising on translation of financial statements of operations outside Hong Kong	—	36.5	—	—	—	—	—	—	—	—	36.5	—	36.5
Recognition of actuarial gain	—	—	—	—	—	—	—	36.1	—	—	36.1	—	36.1
Share of translation reserve of an associate	—	9.0	—	—	—	—	—	—	—	—	9.0	—	9.0
Net income recognised directly in equity	—	45.5	—	—	—	—	—	36.1	—	—	81.6	—	81.6
Profit for the year	—	—	—	—	314.8	—	—	—	—	—	314.8	36.6	351.4
Total recognised income and expense for the year	—	45.5	—	—	314.8	—	—	36.1	—	—	396.4	36.6	433.0
Acquisition of subsidiaries (note 39(b))	—	—	—	—	—	—	—	—	—	23.8	23.8	147.6	171.4
Acquisition of subsidiaries (note 39(c))	—	—	—	—	—	—	—	—	—	—	—	10.8	10.8
Asset contribution to LSOC (note 41)	—	—	—	—	—	—	—	—	—	—	—	(134.9)	(134.9)
Premium on issue of shares	30.4	—	—	—	—	—	—	—	—	—	30.4	—	30.4
Recognition of share-based payment expense	—	—	—	—	—	—	1.8	—	—	—	1.8	—	1.8
Transfer upon exercise of share options	1.0	—	—	—	—	—	(1.0)	—	—	—	—	—	—
Dividends paid	—	—	—	—	(113.7)	—	—	—	—	—	(113.7)	(1.4)	(115.1)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	10.7	10.7
Share of reserves of an associate	—	—	—	—	(5.3)	—	—	—	—	(90.2)	(95.5)	—	(95.5)
At 31 March 2006	596.7	45.5	197.6	(2.7)	978.5	1.3	1.9	64.5	—	164.7	2,048.0	98.5	2,146.5
Gain on fair value changes of available-for-sale investments	—	—	—	—	—	—	—	—	2,188.1	—	2,188.1	—	2,188.1
Exchange differences arising on translation of financial statements of operations outside Hong Kong	—	47.1	—	—	—	—	—	—	—	—	47.1	—	47.1
Recognition of actuarial gain	—	—	—	—	—	—	—	10.8	—	—	10.8	—	10.8
Share of translation reserve of an associate	—	28.8	—	—	—	—	—	—	—	—	28.8	—	28.8
Net income recognised directly in equity	—	75.9	—	—	—	—	—	10.8	2,188.1	—	2,274.8	—	2,274.8
Profit for the period	—	—	—	—	602.1	—	—	—	—	—	602.1	20.3	622.4
Total recognised income and expense for the period	—	75.9	—	—	602.1	—	—	10.8	2,188.1	—	2,876.9	20.3	2,897.2
Acquisition of a subsidiary (note 39(a))	—	—	—	—	—	—	—	—	—	—	—	17.7	17.7
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	18.3	18.3
Premium on issue of shares	49.3	—	—	—	—	—	—	—	—	—	49.3	—	49.3
Recognition of share-based payment expense	—	—	—	—	—	—	6.1	—	—	—	6.1	—	6.1
Transfer upon exercise of share options	0.9	—	—	—	—	—	(0.9)	—	—	—	—	—	—
Transfer to statutory reserve	—	—	—	—	(0.2)	0.2	—	—	—	—	—	—	—
Dividends paid and declared	—	—	—	—	(120.3)	—	—	—	—	—	(120.3)	(6.4)	(126.7)
Other movements with minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(0.7)	(0.7)
Share of reserves of an associate	—	—	—	—	—	—	—	—	—	6.4	6.4	—	6.4
Disposal of a subsidiary (note 40)	—	—	—	—	—	—	—	—	—	—	—	(95.5)	(95.5)
Deemed disposal of an associate	—	(69.9)	—	—	—	—	—	—	—	83.8	13.9	—	13.9
At 31 December 2006	646.9	51.5	197.6	(2.7)	1,460.1	1.5	7.1	75.3	2,188.1	254.9	4,880.3	52.2	4,932.5

33. RESERVES (continued)

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.

(b) Other reserve of the Group included an amount of HK$231.1 million which arose when the Group entered into agreements with SOCL to co-invest in SOL during the year ended 31 March 2005.

34. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$ million	Tax losses HK$ million	Other temporary differences HK$ million	Total HK$ million
At 1 April 2005	(1.8)	2.0	0.6	0.8
Credit (charge) to consolidated income statement for the year	0.8	(0.6)	—	0.2
At 31 March 2006	**(1.0)**	**1.4**	**0.6**	**1.0**
Credit (charge) to consolidated income statement for the period	**0.1**	**(1.0)**	**(0.6)**	**(1.5)**
At 31 December 2006	**(0.9)**	**0.4**	**—**	**(0.5)**

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

At 31 December 2006, the Group has unused tax losses of HK$326.8 million (31 March 2006: HK$268.7 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$2.0 million (31 March 2006: HK$7.9 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$324.8 million (31 March 2006: HK$260.8 million) due to the unpredictability of future profit streams.

35. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN

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

35. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN (continued)

Mandatory Provident Fund Scheme

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

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff cost during the period from 1 April 2006 to 31 December 2006 amounted to HK$2.7 million (year ended 31 March 2006: HK$2.8 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the period/year ended 31 December 2006 and 31 March 2006 was immaterial and was used to reduce the existing level of contributions.

Defined Benefit Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group at rates which are based on recommendations made by the actuary of the Plan. The current employer contribution rate is 5% (31 March 2006: 8%) of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's scheduled contribution plus the member's contribution (both contributions being calculated on the basic salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

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

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

	31 December 2006	31 March 2006
Discount rate	3.75%	4.5%
Expected rate of salary increase	3% p.a.	2% p.a. for the next three years commencing from 1 April 2006 and 3% p.a. thereafter

The expected rate of return on plan assets for the period is 8.25% per annum (year ended 31 March 2006: 6.5%). The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held.

The actual return on plan assets for the period ended 31 December 2006 was HK$53.6 million (year ended 31 March 2006: HK$64.0 million).

35. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN (continued)

Defined Benefit Plan (continued)

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

	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Current service cost	**7.7**	11.1
Interest cost	**8.6**	12.1
Expected return on plan assets	**(16.0)**	(19.6)
Net amount charged to consolidated income statement as staff costs	**0.3**	3.6

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

	31 December 2006 HK$ million	31 March 2006 HK$ million
Present value of funded obligations	**(288.6)**	(261.2)
Fair value of plan assets	**371.6**	327.0
Defined benefit asset included in the consolidated balance sheet	**83.0**	65.8

The plan assets did not have any equity shares of the Company (31 March 2006: nil).

Movements of the present value of funded obligations are as follows:

	31 December 2006 HK$ million	31 March 2006 HK$ million
At the beginning of the period/year	**261.2**	275.1
Current service cost	**7.7**	11.1
Interest cost	**8.6**	12.1
Employees' contributions	**5.0**	7.2
Benefits paid	**(20.7)**	(52.6)
Actuarial loss	**26.8**	8.3
At the end of the period/year	**288.6**	261.2

35. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN (continued)

Defined Benefit Plan (continued)

Movements of the fair value of plan assets are as follows:

	31 December 2006 HK$ million	31 March 2006 HK$ million
At the beginning of the period/year	327.0	293.9
Expected return on plan assets	16.0	19.6
Actuarial gain	37.6	44.4
Employers' contributions	6.7	14.3
Employees' contributions	5.0	7.2
Benefits paid	(20.7)	(52.4)
At the end of the period/year	371.6	327.0

Additional disclosure in respect of the Plan is as follows:

	31 December 2006 HK$ million	31 March 2006 HK$ million
Experience adjustment on plan liabilities	(3.6)	(1.0)
Experience adjustment on plan assets	37.6	44.4

The major categories of plan assets as a percentage of total plan assets are as follows:

	31 December 2006 HK$ million	31 March 2006 HK$ million
Equities	71.5%	68.6%
Hedge funds	20.4%	13.7%
Bonds and cash	8.1%	17.7%
	100%	100%

The Group expects to make a contribution of HK$6.3 million to the Plan during the next financial year.

The Group recognised actuarial gains amounted to HK$10.8 million for the period ended 31 December 2006 (year ended 31 March 2006: HK$36.1 million) directly in the consolidated statement of recognised income and expense. The cumulative amount of actuarial gains recognised in the consolidated statement of recognised income and expense amounted to HK$75.3 million at 31 December 2006 (31 March 2006: HK$64.5 million).

36. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment property and car park spaces earned during the period from 1 April 2006 to 31 December 2006 was HK$1.7 million (year ended 31 March 2006: HK$1.9 million).

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

	31 December 2006 HK$ million	31 March 2006 HK$ million
Within one year	**0.7**	0.6

As lessee

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

	31 December 2006 HK$ million	31 March 2006 HK$ million
Within one year	**4.5**	2.7
In the second to fifth years inclusive	**1.9**	2.3
	6.4	5.0

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

37. CAPITAL COMMITMENTS

(a) At 31 December 2006, the Group's share of the capital commitments of its jointly controlled entities is as follows:

	31 December 2006 HK$ million	31 March 2006 HK$ million
Authorised but not contracted for	**0.2**	—
Contracted but not provided for	**393.6**	1,608.7

37. CAPITAL COMMITMENTS (continued)

(b) At 31 December 2006, the Group had no significant capital commitments. At 31 March 2006, the Group had commitments in respect of the acquisition of property, plant and equipment and certain investments contracted but not provided for in the financial statements amounting to approximately HK$1.1 million and HK$17.3 million, respectively.

38. SHARE-BASED PAYMENTS

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

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

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

1. Purpose

(a) The New Scheme is a share incentive scheme and was established to recognise and acknowledge the contributions which eligible participants have made or may make to the Group.

(b) The New Scheme provides eligible participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

(i) motivating eligible participants to utilise their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

38. SHARE-BASED PAYMENTS (continued)

2. Eligible participants

(a) The Board may at its discretion invite anyone belonging to any of the following classes of persons to take up options to subscribe for shares of the Company, subject to such conditions as the Board may think fit: any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity and for the purpose of the New Scheme, the options may be granted to any corporation wholly-owned by any person mentioned in this paragraph.

(b) The eligibility of any of the above persons for the grant of any option is determined by the Board from time to time on the basis of his contribution to the development and growth of the Group. The Company is entitled to cancel any option granted to a grantee but not exercised if such grantee fails to meet the eligibility criteria determined by the Board after an option is granted but before it is exercised.

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

(a) 10% limit

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

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

(b) 30% limit

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

38. SHARE-BASED PAYMENTS (continued)

4. Maximum entitlement of each participant

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

5. Performance target

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

6. Minimum period for which an option must be held

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

7. Exercise price

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

8. Amount payable upon acceptance of option

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

38. SHARE-BASED PAYMENTS (continued)

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

		Number of options							
Date of grant	Subscription price per share HK$	At 1 April 2006	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	**At 31 December 2006**	Period during which share options outstanding at 31 December 2006 are exercisable	Price of Company's shares at exercise date of options HK$ (Note)
Old Scheme									
17 July 2001	9.30	1,036,000	—	(1,036,000)	—	—	**—**	17 January 2002 to 16 July 2006	17.07
New Scheme									
27 August 2002	6.00	1,054,000	—	(770,000)	—	(12,000)	**272,000**	27 February 2003 to 26 August 2007	14.46
27 August 2002	6.00	11,085,000	—	(6,650,000)	—	—	**4,435,000**	27 August 2005 to 26 August 2010	16.03
4 August 2003	5.80	314,000	—	(124,000)	—	—	**190,000**	4 February 2004 to 3 August 2008	14.97
26 July 2004	7.25	632,000	—	(178,000)	—	—	**454,000**	26 January 2005 to 25 July 2009	14.46
29 July 2005	9.30	986,000	—	(210,000)	—	—	**776,000**	29 January 2006 to 28 July 2010	15.41
1 August 2006	14.00	—	4,106,000	—	—	—	**4,106,000**	1 February 2007 to 31 July 2011	—
		15,107,000	4,106,000	(8,968,000)	—	(12,000)	**10,233,000**		
Number of options exercisable at the end of the period							**4,899,000**		

		Number of options							
Date of grant	Subscription price per share HK$	At 1 April 2005	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 March 2006	Period during which share options outstanding at 31 March 2006 are exercisable	Price of Company's shares at exercise date of options HK$ (Note)
Old Scheme									
4 July 2000	9.56	1,858,000	—	(6,000)	(26,000)	(1,826,000)	—	4 January 2001 to 3 July 2005	9.15
17 July 2001	9.30	2,064,000		(988,000)	(40,000)	—	1,036,000	17 January 2002 to 16 July 2006	14.22
New Scheme									
27 August 2002	6.00	1,530,000	—	(432,000)	(44,000)	—	1,054,000	27 February 2003 to 26 August 2007	11.99
27 August 2002	6.00	22,000,000	—	(3,190,000)	(1,700,000)	(6,025,000)	11,085,000	27 August 2005 to 26 August 2010	10.27
4 August 2003	5.80	484,000	—	(154,000)	(16,000)	—	314,000	4 February 2004 to 3 August 2008	10.28
26 July 2004	7.25	986,000	—	(334,000)	(20,000)	—	632,000	26 January 2005 to 25 July 2009	11.73
29 July 2005	9.30	—	1,154,000	(148,000)	(20,000)	—	986,000	29 January 2006 to 28 July 2010	16.62
		28,922,000	1,154,000	(5,252,000)	(1,866,000)	(7,851,000)	15,107,000		
Number of options exercisable at the end of the year							12,761,000		

38. SHARE-BASED PAYMENTS (continued)

The vesting period of the share option is as follows:

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

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

The fair values of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binominal model. The inputs into the model were as follows:

Date of grant	4 August 2003	26 July 2004	29 July 2005	**1 August 2006**
Average fair value	HK$1.3274	HK$1.7923	HK$2.2705	**HK$3.8344**
Share price on the date of grant	HK$5.70	HK$7.30	HK$9.30	**HK$14.00**
Exercise price	HK$5.80	HK$7.25	HK$9.30	**HK$14.00**
Expected volatility	40% p.a.	40% p.a.	40% p.a.	**40% p.a.**
Average expected life	3.84 years	3.82 years	3.81 years	**4.21 years**
Average risk-free rate	2.86% p.a.	3.25% p.a.	3.53% p.a.	**4.40% p.a.**
Expected dividend yield	5% p.a.	5% p.a.	5% p.a.	**5% p.a.**
Rate of leaving service	2% p.a.	2% p.a.	2% p.a.	**2% p.a.**

Expected volatility was determined by using the historical volatility of the Company's share price during the period from February 1997 to August 2006. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Total consideration received during the period from employees, including directors, for taking up the options granted was HK$63 (year ended 31 March 2006: HK$51).

The Group recognised a total expense of HK$6.1 million for the period ended 31 December 2006 (year ended 31 March 2006: HK$1.8 million) in relation to share options granted by the Company.

39. ACQUISITION OF SUBSIDIARIES

(a) On 1 October 2006, Shui On Granpex Limited, an indirect wholly-owned subsidiary of the Company, increased its interest in Shanghai Shui On Construction Co., Ltd. ("SSOC") from 50% to 70% for a consideration of RMB 20 million (approximately HK$18.9 million). Consequently, the Group has gained control over the Board of Directors of SSOC and SSOC has become an indirect subsidiary of the Company.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination HK$ million	Fair value adjustments HK$ million	Fair value HK$ million
Property, plant and equipment	1.0	—	1.0
Inventories	0.3	—	0.3
Debtors, deposits and prepayments	68.8	—	68.8
Bank balances, deposits and cash	21.1	—	21.1
Amounts due to related companies	(10.0)	—	(10.0)
Creditors and accrued charges	(22.1)	—	(22.1)
	59.1	—	59.1
Minority interests	(17.7)	—	(17.7)
Total net assets of the subsidiary to be acquired	41.4	—	41.4
Transferred from interests in jointly controlled entities			(18.8)
Discount on acquisition			(3.7)
Total consideration			18.9
Total consideration satisfied by:			
Set-off with amount due from SSOC			18.9
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired			21.1

If the acquisition had been completed on 1 April 2006, the total Group revenue for the period would have been HK$1,819.6 million, and profit for the period would have been HK$623.3 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

The contributions to the Group's revenue, profit before taxation and cash flows for the period by SSOC since the date of its acquisition to the balance sheet date are immaterial.

39. ACQUISITION OF SUBSIDIARIES (continued)

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

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

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

39. ACQUISITION OF SUBSIDIARIES (continued)

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

As explained in note 41, the Company subsequently contributed certain of its acquired businesses into LSOC for a 45% stake and continued to operate the retained businesses on its own. If the acquisition of the retained businesses had been completed on 1 April 2005, total revenue for the year ended 31 March 2006 would have been HK$1,406.3 million, and profit for the year ended 31 March 2006 would have been HK$333.2 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2005, nor was it intended to be a projection of future results.

The retained businesses contributed revenue of HK$12.3 million and a loss of HK$36.4 million to the Group's profit before tax for the period between the date of acquisition and 31 March 2006.

39. ACQUISITION OF SUBSIDIARIES (continued)

(c) In April 2005, Peak Fortune Assets Limited, an indirect wholly-owned subsidiary of the Company, acquired the entire equity interest of Patcher Development Limited ("Patcher") in On Capital China Tech Fund ("On Capital") for a consideration of HK$4.8 million. Following completion of the acquisition, On Capital became an indirect subsidiary of the Company.

The net assets acquired in the transaction were as follows:

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

On Capital did not contribute revenue but contributed profit of HK$136.8 million to the Group's profit before tax for the period between the date of acquisition and 31 March 2006.

40. DEEMED DISPOSAL OF A SUBSIDIARY

On 29 December 2006, the composition of the Board of Directors of On Capital, an indirect subsidiary of the Company in which the Company holds a 66.83% interest indirectly, has been changed such that On Capital has become a jointly controlled entity of the Group.

The net assets of On Capital at the date of change to a jointly controlled entity were as follows:

	HK$ million
Financial assets at fair value through profit or loss	293.0
Debtors, deposits and prepayments	0.2
Bank balances, deposits and cash	42.3
Creditors and accrued charges	(47.6)
Minority interests	(95.5)
Net assets disposed of	192.4
Satisfied by:	
Share of net assets of a jointly controlled entity	192.4
Net cash outflow arising on disposal:	
Bank balances, deposits and cash disposed of	(42.3)

For the period from 1 April 2006 to 31 December 2006, On Capital contributed HK$52.0 million to the Group's turnover and profit of HK$49.5 million to the Group's profit before taxation.

41. CONTRIBUTION TO A JOINTLY CONTROLLED ENTITY

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

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

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

42. CONTINGENT LIABILITIES

At 31 December 2006, performance bonds established amounting to approximately HK$232.8 million (31 March 2006: HK$175.9 million) have not been provided for in the financial statements.

The Group has placed a deposit of HK$120 million to a bank to secure a standby letter of credit of the same amount, issued to secure a bank loan granted to a jointly controlled entity (note 26).

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated balance sheet.

43. RELATED PARTY TRANSACTIONS

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

Nature of transactions	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million
Income received:		
Management and information system services	**0.4**	0.4
Project management services	**2.9**	4.6
Construction work	**5.9**	—
Cost and expenses paid:		
Rental expenses	**0.1**	0.1
Building management fee	**—**	0.1
Interest expense	**3.2**	—

The outstanding balances with SOCL Private Group at the balance sheet date were disclosed in note 27.

43. RELATED PARTY TRANSACTIONS (continued)

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

Nature of transactions	**Nine months ended 31 December 2006 HK$ million**	Year ended 31 March 2006 HK$ million
Income received:		
Interest income	**4.6**	21.0
Management fee	**22.5**	4.8
Consultancy fee	**4.8**	—
Rental income	**1.3**	1.2
Sales of construction materials	**4.7**	—
Construction/subcontracting work	**8.9**	8.6
Cost and expenses paid:		
Construction/subcontracting work	**8.7**	14.0
Supply of construction materials	**3.5**	2.2

The outstanding balances with jointly controlled entities at the balance sheet date were disclosed in note 23.

(c) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name of "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.

(d) During the period, SOCL Private Group advanced interest bearing short-term loans of HK$219.7 million (year ended 31 March 2006: nil) to the Group, which had been fully repaid before 31 December 2006. Interest on such loans, amounting to HK$3.2 million (year ended 31 March 2006: nil), was paid by the Group during the period.

(e) During the period, the Group received dividend income amounting to HK$33.2 million (year ended 31 March 2006: HK$106.7 million) from certain jointly controlled entities.

(f) During the period, the Group received interest in respect of convertible redeemable participating junior preference shares from an associate amounting to HK$13.7 million (year ended 31 March 2006: HK$20.1 million).

(g) During the period, management fees and performance bonus payable by an indirect subsidiary of the Company, On Capital, to the investment management company controlled and owned by Mr. Laurie Kan who is also a director of On Capital, amounted to HK$10.5 million (year ended 31 March 2006: HK$2.6 million).

43. RELATED PARTY TRANSACTIONS (continued)

(h) The remuneration of Directors and other members of key management during the period/year was as follows:

	Nine months ended 31 December 2006 HK$ million	Year ended 31 March 2006 HK$ million
Fees	**1.0**	0.9
Salaries and other benefits	**17.9**	17.8
Bonuses	**7.4**	4.4
Retirement benefit scheme contributions	**0.9**	1.4
Share-based payments	**3.4**	0.2
	30.6	24.7

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

44. POST BALANCE SHEET EVENTS

(a) On 2 April 2007, the Company has given a corporate guarantee in favour of a bank with respect to a loan in the amount of RMB730 million (about HK$730 million) granted by the bank to 北京中天宏業房地產咨詢有限責任公司 (Beijing ZhongTian HongYe Real Estate Consulting Co., Ltd., "Zhongtian Hongye"), a jointly controlled entity of the Group and a wholly-foreign owned enterprise in the Chinese Mainland that is indirectly owned as to 50% by the Company and 50% by an investor, for the acquisition and construction of Huapu Centre Phase I in Beijing. On the same day, the Company and the investor entered into a back-to-back guarantee agreement, pursuant to which the Company will be indemnified by the investor on a fully back to back basis for 50% of payments (if any) made by the Company under the said corporate guarantee. Details of the transaction are set out in an announcement of the Company dated 3 April 2007.

(b) On 12 April 2007, the Group entered into Asset Injection Agreements whereby the Group and other investors of the five distressed property development projects in the Chinese Mainland namely, Xiwang Building, Central International Plaza Blocks A and C, Huapu Centre, Shengyuan Centre and Huitong Building, will transfer the entire equity in, and a majority of their related shareholders loans to, these projects to Tancherry Holdings Limited (to be renamed China Central Properties (BVI) Limited), a wholly-owned subsidiary of China Central Properties Limited ("CCP") which is contemplating a listing of its shares on an internationally recognised stock exchange ("Listing"), for a consideration to be settled by the issue and allotment of new shares in CCP credited as fully paid to the Group and other investors, subject to Listing and other conditions as set out in the agreements.

On 12 April 2007, the Group also entered into a Subscription Agreement with CCP whereby Brilliance Investments Limited ("BIL"), an indirect wholly-owned subsidiary of the Company will, subject to Listing and other conditions as set out in the agreement, subscribe up to a total amount of HK$1,200 million in cash for new shares in CCP at its offer price upon Listing.

44. POST BALANCE SHEET EVENTS (continued)

(b) continued

SOCAM Asset Management Limited, an indirect wholly-owned subsidiary of the Company, entered into an Investment Management Agreement on 12 April 2007, subject to Listing, for the provision of project investment management services to CCP and its subsidiaries for an initial term of 10 years and a base fee and a performance fee as set out in the agreement.

Details of the above transactions are set out in an announcement of the Company dated 12 April 2007.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

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

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company Directly	Indirectly	Principal activities
Construction and building maintenance business – continued				
Panyu Shui Fai Metal Works Engineering Company Limited **@	Registered and paid up capital HK$9,000,000	—	55%	Manufacture of wallform and other metal works
Shui Fai Metal Works Engineering Company Limited	10,000 ordinary shares of HK$1 each	—	55%	Sales and installation of wallform and other metal works
Shui On Building Contractors Limited	117,000,100 ordinary shares of HK$1 each 33,000,100 non-voting deferred shares of HK$1 each 50,000 non-voting deferred shares of HK$1,000 each	—	100%	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares of HK$1 each 69,000,000 non-voting deferred shares of HK$1 each 1,030,000 non-voting deferred shares of HK$100 each	—	100%	Building construction
Shui On Contractors Limited *	1 share of US$1	100%	—	Investment holding
Shui On Granpex Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Shui On Graceton Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Shui On Plant & Equipment Services Limited	1,611,000 ordinary shares of HK$1 each 45,389,000 non-voting deferred shares of HK$1 each	—	100%	Owning and leasing of plant and machinery and structural steel construction work
Shanghai Shui On Construction Co., Ltd. **@	Registered and paid up capital RMB50,000,000		70%	Buildings construction and maintenance

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company Directly	Indirectly	Principal activities
Cement operations				
Asia No.1 Material Supply Limited	100 ordinary shares of HK$100 each 1,000 non-voting deferred shares of HK$100 each	—	100%	Holding of a quarry right
Billion Centre Company Limited	100 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Holding of a land lease
First Direction Limited	100 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Property holding
Glorycrest Holdings Limited *	1 share of US$1	—	100%	Investment holding
Great Market Limited	100 ordinary shares of HK$1 each 5 non-voting deferred shares of HK$1 each	—	100%	Investment holding
Guangdong Lamma Concrete Products Limited **@	Registered and paid up capital RMB5,000,000	—	60%	Manufacture of precast concrete facade
Lamma Concrete Products Limited	10 ordinary shares of HK$1 each	—	60%	Investment holding
Shui On Building Materials Limited	100 ordinary shares of HK$1 each 1,000,000 non-voting deferred shares of HK$1 each	—	100%	Investment holding and sale of construction materials
Shui On Cement (Guizhou) Limited *	100,000 shares of US$1 each	—	100%	Investment holding
Shui On Materials Limited *	1 share of US$1	100%	—	Investment holding
Shui On Rock Products Limited	2 ordinary shares of HK$1 each	—	100%	Site formation

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company Directly	Indirectly	Principal activities
Cement operations *(continued)*				
Guizhou Shui On Cement Development Management Co., Ltd.**+	Registered and paid up capital US$670,000	—	100%	Provision of consultancy services
Middleton Investments Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Smartway Investment Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Tinsley Holdings Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Top Bright Investments Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Winway Holdings Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Fortune Smooth Investments Limited *	1 share of US$1	—	100%	Investment holding
Property development business				
Jade City International Limited	2 ordinary shares of HK$1 each	—	100%	Property holding
New Rainbow Investments Limited *	1 share of US$1	100%	—	Investment holding
Fortune Up Investments Limited *	1 share of US$1	100%	—	Investment holding
Grand More Management Limited *	1 share of US$1	100%	—	Investment holding
Jumbo China Investments Limited *	1 share of US$1	100%	—	Investment holding
Keygrow Investments Limited *	1 share of US$1	100%	—	Investment holding
Peak Fortune Assets Limited *	1 share of US$1	100%	—	Investment holding
Elite Great Investments Limited *	1 share of US$1	100%	—	Investment holding
Beijing Shui On Construction and Materials Real Estate Consulting Co., Ltd. **	Registered and paid up capital RMB800,000	100%	—	Provision of consultancy services

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company Directly	Indirectly	Principal activities
Property investment and other business				
Asia Trend Development Limited	2 ordinary shares of HK$1 each	100%	—	Investment in securities
Billion Century Limited	2 ordinary shares of HK$1 each	—	100%	Investment in securities
Kroner Investments Limited *	1 share of US$1	100%	—	Investment holding
Landstar Development Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Rise Huge International Limited *	1 share of US$1	100%	—	Investment holding
Shine Honest Investments Limited *	1 share of US$1	100%	—	Investment holding
Lamma Rock Products Limited	100 ordinary shares of HK$10 each 3,500,000 non-voting deferred shares of HK$10 each	—	100%	Investment holding
TH Industrial Management Limited #	2,740 ordinary shares of US$1 each	—	100%	Investment holding
TH Industry I Limited #	100 ordinary shares of US$1 each	—	100%	Investment holding
Chongqing T.H. Desheng Engineering Co. Ltd. **@	Registered and paid up capital RMB10,000,000	—	60%	Trading of construction materials equipment
Chongqing T.H. Holding Management Co. Ltd. **	Registered and paid up capital RMB41,500,000	—	100%	Exploration and management of investment projects
Chongqing T.H. White Cement Co. Ltd. **	Registered and paid up capital US$1,506,000	—	60%	Manufacture and sale of cement
重慶騰建石材開發有限責任公司 **@	Registered and paid up capital RMB10,000,000	—	55%	Manufacture and sale of building materials
Chongqing Foreign Investment Consultation and Service Co. Ltd. **	Registered and paid up capital RMB800,000	—	100%	Provision of investment consultation

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
*** Incorporated in Mauritius
# Incorporated in the Bahamas
Incorporated in Macau, Special Administrative Region of the PRC
Incorporated in the Cayman Islands
+ Wholly-foreign owned enterprises
@ Equity joint venture

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

46. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

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

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business				
Brisfull Limited	5,000,000 ordinary shares of HK$1 each	50%	Sale and installation of aluminium window products	
City Engineering Limited	10,000 ordinary shares of HK$1 each	50%	Installation of mould work	
Super Race Limited	420,000 ordinary shares HK$1 each	50%	Supply of sink units and cooking benches	
Kaiping Biaofu Metal Products Company Limited **@	Registered and paid up capital US$800,000	50%	Manufacture of aluminium window products	
鶴山超合預制件有限公司 **@	Registered and paid up capital US$284,600	50%	Manufacture of sink units and cooking benches	1
Beijing Shui On Joint Venture Construction Co. Ltd. **@	Registered and paid up capital RMB50,000,000	50%	Buildings construction and maintenance	1 and 3

46. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Cement operations				
Beijing Chinefarge Cement Co. Ltd. **@	Registered and paid up capital RMB315,000,000	29.25%	Manufacture and sale of cement	3
Beijing Shunfa Lafarge Cement Co. Ltd. **@	Registered and paid up capital RMB150,000,000	31.5%	Manufacture and sale of cement	3
Beijing Yicheng Lafarge Concrete Co. Ltd. **@	Registered and paid up capital RMB30,340,000	34.52%	Supply of ready mixed concrete	3
Chongqing New Building Materials Co. Ltd. **@	Registered and paid up capital RMB41,500,000	33.75%	Manufacture and sale of cement	3
Chongqing T.H. Diwei Cement Co. Ltd. **@	Registered and paid up capital RMB61,680,000	36%	Manufacture and sale of cement	3
Chongqing T.H. Fuling Cement Co. Ltd. **@	Registered and paid up capital RMB44,000,000	45%	Manufacture and sale of cement	3
Chongqing T.H. Logistics Co. Ltd. **@	Registered and paid up capital RMB500,000	36%	Provision of transportation and logistics services	3
Chongqing T.H. Packaging Co. Ltd. **@	Registered and paid up capital RMB2,890,000	36%	Manufacture and sale of knitted bags	3
Chongqing T.H. Special Cement Co. Ltd. **@	Registered and paid up capital RMB160,000,000	36%	Manufacture and sale of cement	3
Chongqing T.H. Concrete Co. Ltd.**@	Registered and paid up capital RMB17,500,000	22.5%	Supply of ready mixed concrete	3
Guangan T.H. Cement Co. Ltd. **@	Registered and paid up capital RMB110,000,000	45%	Manufacture and sale of cement	3
Guizhou Bijie Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB48,000,000	80%	Manufacture and sale of cement	1 and 3
Guizhou Changda Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB106,000,000	51%	Manufacture and sale of cement	1 and 3
Guizhou Dingxiao Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB56,000,000	40.5%	Manufacture and sale of cement	3
Guizhou Kaili Ken On Concrete Co. Ltd. **@	Registered and paid up capital RMB10,000,000	75%	Supply of ready mixed concrete	1 and 3
Guizhou Kaili Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB60,000,000	90%	Manufacture and sale of cement	1 and 3
Guizhou Shuicheng Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB200,000,000	31.5%	Manufacture and sale of cement	3
Guizhou Xinpu Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB60,000,000	36%	Manufacture and sale of cement	3
Guizhou Xishui Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB16,000,000	90%	Manufacture and sale of cement	1 and 3

46. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Cement operations – coutinued				
Guizhou Yuqing Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB12,500,000	80%	Manufacture and sale of cement	1 and 3
Guizhou Zunyi Ken On Concrete Co. Ltd. **@	Registered and paid up capital RMB12,000,000	75%	Supply of ready mixed concrete	1 and 3
Guizhou Zunyi Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB92,000,000	80%	Manufacture and sale of cement	1 and 3
Sichuan Hejiang Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB23,250,000	90%	Manufacture and sale of cement	1 and 3
Lafarge Chongqing Cement Co. Ltd. **@	Registered and paid up capital RMB340,000,000	31.77%	Manufacture and sale of cement	3
Lafarge Dujiangyan Cement Co. Ltd. **@	Registered and paid up capital RMB856,840,000	33.75%	Manufacture and sale of cement	3
Nanchong T.H. Cement Co. Ltd. **@	Registered and paid up capital RMB15,000,000	45%	Manufacture and sale of cement	3
Suining T.H. Cement Co. Ltd. **@	Registered and paid up capital RMB15,000,000	40.5%	Manufacture and sale of cement	3
Lafarge China Offshore Holding Co. *	16,518,148 shares of US$0.01 each	45%	Investment holding	3
Lafarge Shui On (Beijing) Technical Services Co. Ltd.	Registered and paid up capital US$8,000,000	45%	Investment holding	3
Lafarge Shui On Cement Limited	1,110,051 ordinary shares of HK$1 each	45%	Investment holding	3
Nanjing Jiangnan Cement Company Ltd. **@	Registered and paid up capital RMB120,000,000	60%	Manufacture and trading of cement	1 and 3
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited **@	Registered and paid up capital HK$2,000,000	50%	Manufacture and trading of stainless steel and aluminium products	3
Sommerset Investments Limited **	1 share of US$1	45%	Investment holding	3
TH Industry II Limited #	2,000 ordinary shares of US$1 each	45%	Investment holding	3
Prime Allied Enterprises Limited ***	2 ordinary shares of US$1 each	45%	Investment holding	3
Yunnan Shui On Construction Materials Investment Holding Co., Ltd. **	Registered and paid up capital RMB1,000,000,000	36%	Investment holding	3

46. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Property development business				
Coral Waters (Barbados) SRL ##	1,000 Class A quotas of US$1 each	50%	Investment holding	3
Mountain Air (Barbados) SRL ##	1,000 Class A quotas of US$1 each	50%	Investment holding	3
Mountain Breeze (Barbados) SRL ##	2 Class A quotas of US$1 each	50%	Investment holding	3
Mountain Mist (Barbados) SRL ##	14,250,000 Class A quotas of US$1 each 750,000 Class B quotas of US$1 each	45%	Investment holding	3
Dalian Xiwang Building Co., Ltd. **	Registered and paid up capital US$40,000,000	45%	Property development	3
Prosper Idea Limited *	50 shares of US$1 each	50%	Investment holding	3
Channel Pacific Limited	1 share of HK$1 each	50%	Investment holding	3
Mountain Snow (Barbados) SRL ##	100 quotas of US$1 each	50%	Investment holding	3
Caperidge Group Limited *	3 shares of HK$1 each	33.3%	Investment holding	3
Beijing ZhongTian HongYe Real Estate Consulting Co., Ltd. **	Registered and paid up capital RMB120,000,000	50%	Property development	3
Qingdao Zhongcheng Yinchu Development Co., Ltd. **	Registered and paid up capital HK$30,000,000	50%	Property development	3
Chengdu Shui On Huida Property Co., Ltd. **	Registered and paid up capital RMB100,000,000	50%	Property development	3
Chengdu Shui On Huiyuan Property Co., Ltd. **	Registered and paid up capital US$60,000,000	50%	Property development	3
Property investment and other Business				
The Yangtze Ventures Limited ###	1,000 ordinary shares of HK$0.1 each	65.5%	Venture capital investments	2 and 3
The Yangtze Ventures II Limited ###	1,000 ordinary shares of HK$0.1 each	75.4%	Venture capital investments	2 and 3
On Capital China Tech Fund ###	4,156 participating shares of US$1,000 each	66.8%	Venture capital investments	2 and 3

46. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

*	Incorporated in the British Virgin Islands
**	Registered and operated in other regions of the PRC
***	Incorporated in Mauritius
#	Incorporated in the Bahamas
##	Incorporated in Barbados
###	Incorporated in the Cayman Islands
@	Equity joint venture

Notes:

1. The Group is under contractual arrangements to jointly control these entities with PRC partners. Accordingly, the Directors consider they are jointly controlled entities.
2. The respective board of directors of these entities are jointly controlled by the Group and other investors. Accordingly, the Directors consider they are jointly controlled entities.
3. The results of these jointly controlled entities are accounted for by the Group based on their financial statements made up to 31 December 2006.