Chinney Investments, Limited

Stock Code : 216

Annual Report 2006/2007

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DIRECTORS

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

* *Independent non-executive directors*

AUDIT COMMITTEE

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

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young

REGISTRARS

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

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STOCK CODE

SEHK 216

WEBSITE

http://www.chinney.com.hk

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Chinney Investments, Limited (the "Company") will be held at Chater Rooms I-II, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 14 September 2007 at 11:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements, the report of the directors and the independent auditors' report for the year ended 31 March 2007.

2. To declare a final dividend.

3. To elect directors and to authorise the directors to fix their remuneration.

4. To re-appoint Messrs. Ernst & Young as auditors and to authorise the directors to fix their remuneration.

   A special notice has been received from a member of the Company, pursuant to sections 116C and 132 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), of the intention to propose the following resolution as an Ordinary Resolution:

   "**THAT** Messrs. Ernst & Young, who were appointed as auditors of the Company by the directors to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu, be and are hereby re-appointed as auditors of the Company to hold office until the conclusion of the next annual general meeting at a fee to be agreed with the directors."

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

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

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

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company’s Memorandum and Articles of Association to be held; and

(iii) the revocation or variation of the authority given under this Ordinary Resolution by an ordinary resolution of the shareholders in general meeting.”.

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

Hong Kong, 30 July 2007

Notes:

1. *Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of such member in accordance with the Articles of Association of the Company. A proxy need not be a member of the Company.*

2. *To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be completed and deposited at the registered office of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

3. *In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the above meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.*

4. *Pursuant to Article 75 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded or, in the case of paragraph (v), required:*

   (i) by the chairman of the meeting; or

   (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

   (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

   (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

   (v) by the relevant provisions of the Listing Rules.

CONSOLIDATED RESULTS

The Group's turnover and loss attributable to the shareholders of the Company for the year ended 31 March 2007 were HK$1,765 million (2006: HK$2,361 million) and HK$27 million (2006: profit of HK$190 million), respectively. Basic losses per share were 5 HK cents per share. The loss was mainly attributable to a non-cash related but deemed loss of HK$66 million arising on dilution of the Company's shareholding interest in Hon Kwok Land Investment Company, Limited ("Hon Kwok").

Conceptual layout for a residential project to be developed by Hon Kwok in the Dali District of Nanhai, PRC

The shareholders' equity was HK$1,456 million as at 31 March 2007 (2006: HK$1,408 million). Net assets per share attributable to the shareholders of the Company were HK$2.6.

DIVIDEND

The Directors recommend the payment of a final dividend of 4 HK cents per share for the year ended 31 March 2007 (2006: 4 HK cents) to shareholders whose names appear on the Company's register of members on 14 September 2007. It is expected that the dividend cheques will be despatched to shareholders on or before 8 October 2007.

An architectural view and the current site of a commercial project under development by Hon Kwok in the Beibusinqu of Chongqing, PRC

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 11 September 2007 to 14 September 2007 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 10 September 2007.

Conceptual layout for the Long Dong Cun Project, a residential project to be developed by Hon Kwok in the Tianhe District of Guangzhou, PRC

REVIEW OF OPERATIONS

Property

During the year, Hon Kwok raised funds in total of about HK$600 million from the market through a private placement of convertible bonds for HK$280 million in June 2006 (the "Bonds") and a placement of 80 million new shares for about HK$320 million in November 2006. The share placement diluted the Company's shareholding in Hon Kwok and resulted in a loss of HK$66 million, as the Hon Kwok shares were deemed to be disposed by the Company at the placement price of HK$4.05 per share which was below the net asset per share of Hon Kwok. Throughout the year, the Company acquired additional shares in Hon Kwok and, as a result, this has guarded against the dilution of the Company's interest in Hon Kwok to 52.62% as at 31 March 2007 (as at 31 March 2006: 58.81%). The Hon Kwok shares were acquired at a discount to the net asset per share of Hon Kwok, thus contributing a credit of HK$34 million to the income statement. The Bonds offer the right for the holders to convert their holdings of the bonds into Hon Kwok shares at a conversion price of HK$4 each (subject to adjustment in certain events), which could potentially dilute the Company's shareholding in Hon Kwok further to 45.93%.

Hon Kwok reported turnover of HK$392 million (2006: HK$1,059 million) and a net profit of HK$101 million (2006: HK$520 million) for the year ended 31 March 2007. The decrease in turnover and profit was mainly due to less property sales activities of Hon Kwok in Mainland China. Hon Kwok revalued its investment properties to their fair values at year end under the Hong Kong accounting standards and resulted in a gain of HK$150 million, net of deferred tax, in the year. As previously reported, Hon Kwok bought out the minority interest in a subsidiary at a consideration below the net asset value and resulted in a credit of HK$53 million to the income statement.

Construction

The Construction Division, in which the Group has an 86.05% interest, reported turnover of HK$843 million (2006: HK$691 million) and a net loss of HK$78 million (2006: HK$60 million) for the year ended 31 March 2007. The persistent loss was due to the difficult operating environment faced by the construction industry in Hong Kong. The loss included depreciation charges of HK$28 million relating to plant and machinery and a one-off loss of HK$39 million relating to one of our completed projects in Macau.

Construction work for the residential development at 1 Fairview Park Boulevard of Yuen Long, New Territories undertaken by Chinney Construction Company, Limited

In May 2007, the Group entered into an agreement to dispose Apex Curtain Wall and Windows Company Limited ("Apex Curtain") to Chinney Alliance Group Limited ("Chinney Alliance"), a 29.1% owned associate of the Group, for a cash consideration of HK$298,000. Apex Curtain was a subsidiary for building aluminium contracting works within the Construction Division. It reported turnover of HK$64 million (2006: HK$63 million) and a net profit of HK$64,000 (2006: loss of HK$223,000) in the year. The disposal, which was completed on 1 June 2007, enabled the Group to focus its resources on other businesses. There would be no material profit or loss arising from the disposal, as the disposal price was determined by reference to the net asset value of Apex Curtain. The transaction constituted a connected transaction to the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For further details of the disposal, please refer to the Company's announcement dated 23 May 2007.

Garment

The Garment Division reported turnover of HK$529 million (2006: HK$611 million) and a net profit of HK$29 million (2006: net loss of HK$28 million) for the year ended 31 March 2007. The Garment Division comprised two distinct operations, (i) the J.L. Group, which produces high quality fashion mainly for European market; and (ii) the Gateway Group, which produces woven and knitted garment mainly in Indonesia and Vietnam for the United States market.

The turnover of J.L. Group was HK$372 million (2006: HK$308 million) with a net profit of HK$31 million (2006: HK$21 million) for the year. The increase in turnover was mainly attributable to the success of J.L. Group to diversify its business outside Germany to the United States and other European countries including Italy and the Netherlands. Through value added services provided to the customers and efficient cost management, J.L. Group sustained a profit growth in the midst of keen competition and rising production cost in the Mainland China.

As previously reported, the Group entered into an agreement in July 2006 to dispose the loss-making Gateway Group for a cash consideration of HK$8.6 million. A profit of HK$1.5 million arose upon completion of the disposal on 24 October 2006. The turnover and net loss attributable to the Gateway Group up to the date of disposal were HK$157 million (2006: HK$303 million) and HK$2 million (2006: HK$49 million), respectively.


Bored piling works at First Street and Second Street of Sai Ying Pun, Hong Kong undertaken by Kin Wing Engineering Company Limited

Trading

Chinney Alliance, a 29.1% owned associate of the Group, reported turnover of HK$1,469 million (2005: HK$1,015 million) and a net profit of HK$17 million (2005: HK$3 million) for the year ended 31 December 2006. The increase in turnover and profit was mainly due to contribution from the building related contracting services acquired in March 2006.

During the year, Chinney Alliance rationalised its investment through acquiring the building related contracting business from Shun Cheong Holdings Limited ("Shun Cheong") and subsequently disposing its entire interest in Shun Cheong. Further, Chinney Alliance reduced the par value of its shares from HK$0.25 per share to HK$0.1 per share and enlarged its capital base through an open offer of 238 million new shares to shareholders at a price of HK$0.25 each (the "Open Offer"). The Company invested HK$17 million in the Open Offer and maintained its 29.1% shareholding interest in Chinney Alliance.

OVERVIEW

The Hong Kong economy continues its growth momentum, with the first quarter GDP growth at 5.6% and unemployment rate remained at 4.3%. Across the border, the Mainland economy has been booming with the second quarter GDP grew by 11.1% from a year earlier. Looking ahead, Mainland China will continue to be the focal point amongst investors globally, as there is no other place in the world the economy of which is enjoying such unprecedented growth. With our service industry now accounts for 90% of domestic GDP, Hong Kong is destined to become the regional metropolis. Our economy must further develop knowledge based and innovation oriented enterprises to maintain its growth.

During the period under review, it was the Group's strategy to streamline its operations and dispose of those investments with no favorable prospects. This policy is expected to continue. Hon Kwok, the Company's major subsidiary, continues to expand its land bank in

Mainland China. In the meantime, the Group has tightened control over the operation of the Construction Division and hopes for better performance as the construction industry passes through the current ebb. J.L Group is expected to upkeep its profitability, despite the challenges on cost pressures and labor shortage in the Pearl River Delta region. In view of these, the Directors remain optimistic on the future prospects of the Group, which principally now operates in Hong Kong, Macau and Mainland China.

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

James Sai-Wing Wong
Chairman

Hong Kong, 12 July 2007

DIRECTORS

James Sai-Wing Wong

Aged 69, was appointed as a director and the Chairman of the Company in 1987. He is a director of Chinney Holdings Limited ("Chinney Holdings") and Lucky Year Finance Limited ("Lucky Year"), both being substantial shareholders of the Company. He is also the chairman of Hon Kwok and Chinney Alliance. Except Chinney Holdings and Lucky Year, all the other companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Madeline May-Lung Wong

Aged 67, was appointed as a director of the Company in 1987. She is a director of Chinney Holdings and Lucky Year, both being substantial shareholders of the Company. She is also a director of Hon Kwok and HKR International Limited, which are both listed on the Stock Exchange.

William Chung-Yue Fan

Aged 66, was appointed as a director of the Company in 1987. He is a solicitor in Hong Kong and a consultant to Fan & Fan, Solicitors. He is also a director of Alltronics Holdings Limited, which is listed on the Stock Exchange.

Herman Man-Hei Fung

Aged 69, was appointed as a director of the Company in 1987 and became the Managing Director of the Company in 1995. He is also a director of Chinney Holdings and Lucky Year, both being substantial shareholders of the Company. He is also the vice-chairman of Hon Kwok and a non-executive director of Chinney Alliance, which are both listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Clement Kwok-Hung Young

Aged 73, was appointed as an independent non-executive director of the Company in 1999. He obtained his Ph.D. degree from The University of Texas, USA and served as university professor and administrator before his retirement from the Hong Kong Baptist University. He was the supervisor of Pui Ching Middle and Primary Schools and a court member of the Hong Kong Baptist University. He is the supervisor of Pui Ching Education Centre.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Johnny Chung-Ah Wong

Aged 71, was appointed as an independent non-executive director of the Company in 2003. He is a director of Wong's International (Holdings) Limited, which is listed on the Stock Exchange. He has over 31 years experience in the electronics industry.

Peter Man-Kong Wong

Aged 58, was appointed as an independent non-executive director of the Company in 2004. He is the chairman of M.K. Corporation Limited and North West Development Limited, as well as a director of Hong Kong Ferry (Holdings) Company Limited, China Travel International Investment Hong Kong Limited, Glorious Sun Enterprises Limited, Sino Hotels (Holdings) Limited, Sun Hung Kai & Co. Limited and Far East Consortium International Limited. Except M.K. Corporation Limited and North West Development Limited, all the other companies are listed on the Stock Exchange. Mr. Wong graduated from the University of California at Berkeley in the USA with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture). Mr. Wong serves as a deputy of the Tenth National People's Congress of the People's Republic of China (the "PRC").

SENIOR MANAGEMENT

Zuric Yuen-Keung Chan

Aged 52, is an executive director of Hon Kwok and Chinney Alliance, which are both listed on the Stock Exchange. He joined the Group in 1989 and has 33 years experience in the construction industry. He is a member of the Chartered Institute of Building and the Hong Kong Institute of Construction Managers.

Stephen Sek-Kee Yu

Aged 55, is a director of the Corporate Finance and Business Development Department of the Company. He is also a director of Chinney Alliance which is listed on the Stock Exchange. He joined the Group in 2001 and had worked with three North American banks for over 17 years during which he held various posts including the chief executive of a Canadian bank in Hong Kong. He holds a Bachelor's degree in Computer Science from the University of Western Ontario, Canada and a Master's degree in Finance from the University of British Columbia, Canada. He is also responsible for the overall management of the Group's Construction Division.

SENIOR MANAGEMENT *(Continued)*

Vincent Kwok-Kuen Wong

Aged 48, is the Managing Director of J.L. Group Company Limited, a major garment business acquired by the Company in 1993 with its markets in Europe and North America. He joined the Group in 1993 and has 29 years experience in the garment industry of sourcing and manufacturing. He is responsible for the overall management of J.L. Group Company Limited.

Lee Wing Hong

Aged 50, is a director and General Manager of Kin Wing Engineering Company Limited. He joined the Group in 2002 and is responsible for the overall operations of the Kin Wing Group. He has 23 years experience in the design and construction of civil, buildings, railways and foundation engineering works. He holds a Bachelor's and a Master's degree in Civil Engineering and is a Chartered Engineer, Registered Professional Engineer and a member of the Hong Kong Institution of Engineers and the Institution of Structural Engineers. He is also a Registered Structural Engineer and an Authorized Person under the Buildings Ordinance in Hong Kong.

Peter Chi-Chung Luk

Aged 42, is the Director-Finance of the Company. He joined the Company in 1995. He has 20 years experience in the accounting field. He holds a Bachelor's degree in Mathematics from The University of Hong Kong and a Master's degree in Business Administration from the Australian Graduate School of Management. He is also a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Louisa Kai-Nor Siu

Aged 41, joined the Company in 2005 and is the Financial Controller of the Company. She has 18 years experience in the accounting field. She holds a Bachelor's Degree in Accountancy from the City University of Hong Kong and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

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

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year under review, except for the deviations as disclosed in this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The directors of the Company during the year ended 31 March 2007 were:

Executive Directors

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

Non-Executive Directors

Madeline May-Lung Wong
William Chung-Yue Fan

Independent Non-Executive Directors

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

Details of background and qualifications of each director are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 13 of this annual report.

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

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

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

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

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

During the year under review, two full board meetings were held. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, thus only two full board meetings were held for the year ended 31 March 2007.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

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

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

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

At the forthcoming annual general meeting, in accordance with the Articles of Association, Madeline May-Lung Wong and Peter Man-Kong Wong are subject to retirement by rotation.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in December 2005. The Remuneration Committee comprises three members, Herman Man-Hei Fung, Clement Kwok-Hung Young and Johnny Chung-Ah Wong. During the year, James Sai-Wing Wong ceased to be a member and Chairman of the Remuneration Committee and Herman Man-Hei Fung was appointed as a member and Chairman of the Remuneration Committee on 17 July 2006.

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

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

During the year under review, the Remuneration Committee held one meeting, during which the existing remuneration of all directors have been reviewed individually.

AUDIT COMMITTEE

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

The Audit Committee's functions include:

- to review and monitor financial reporting and the reporting judgement contained in them; and

- to review financial and internal controls, accounting policies and practices with management and external auditors.

The Audit Committee held two meetings during the year under review, one of the meeting was attended by the former external auditors, Deloitte Touche Tohmatsu.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management and the external auditors the financial reporting matters, both for the interim results for the six months ended 30 September 2006 and the annual results for the year ended 31 March 2007.

ATTENDANCE AT MEETINGS OF THE BOARD, REMUNERATION AND AUDIT COMMITTEES

	Number of meetings attended For the year ended 31 March 2007		
	Board meetings	Remuneration Committee meeting	Audit Committee meetings
Number of meetings held for the year ended 31 March 2007	2	1	2
James Sai-Wing Wong	2	N/A	N/A
Madeline May-Lung Wong	0	N/A	N/A
William Chung-Yue Fan	0	N/A	2
Herman Man-Hei Fung	2	1	2
Clement Kwok-Hung Young	1	0	1
Johnny Chung-Ah Wong	2	1	2
Peter Man-Kong Wong	0	N/A	2

NOMINATION OF DIRECTORS

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

AUDITORS' REMUNERATION

During the year, the remuneration paid to the existing external auditors of the Group, Ernst & Young and the former external auditors of the Group, Deloitte Touche Tohmatsu, are set out as follows:

	Fee paid/payable to	
	Ernst & Young *HK$'000*	Deloitte Touche Tohmatsu *HK$'000*
Types of services		
Audit services	3,723	98
Non-audit services (tax compliance services and other services)	372	—
	4,095	98

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out in the Independent Auditors' Report on pages 32 and 33 of this annual report.

INTERNAL CONTROLS

During the year, the directors have conducted a review of the effectiveness of the system of internal control of the Company, covering all material controls. No material control failure or significant areas of concern which might affect shareholders' interests were identified during the review.

INVESTOR RELATIONS

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

As a channel to further promote effective communication, a corporate website is established where up-to-date information of the Company is available for public access. However, the terms of reference of the Remuneration Committee and Audit Committee are only available from the Company Secretary on request and not yet ready on the Company's website as stipulated in the CG Code provisions B.1.4 and C.3.4.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 34 to 128.

The directors recommend the payment of a final dividend of 4 HK cents per ordinary share in respect of the year to shareholders on the register of members on 14 September 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 129. This summary does not form part of the audited financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$2,450 million as at 31 March 2007 (2006: HK$2,419 million), of which approximately 33% of the debts were due and repayable within one year. Total cash and bank balances including time deposits were approximately HK$568 million (2006: HK$528 million).

Total shareholders' funds as at 31 March 2007 was approximately HK$1,456 million (2006: HK$1,408 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK$1,882 million over the total shareholders' funds plus minority interests totalling HK$2,814 million, was 67% as at 31 March 2007 (2006: 74%). The Group's apparent high gearing ratio is primarily due to consolidating all debts of Hon Kwok, a 52.62% owned but separately listed subsidiary of the Group. Hon Kwok obtains financing on its own without financial assistance from the Company. Had Hon Kwok been equity accounted for as an associate in previous years, the pro forma gearing of the Group at year end would have been 8% (2006: 7%).

The Group had a total of HK$782 million (2006: HK$580 million) committed but undrawn banking facilities at year end available for its working capital purpose.

Funding and treasury policy

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

Pledge of assets

Bank balances, plant and machineries, properties and shares of an associate with an aggregate book value of HK$4,290 million as at 31 March 2007 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Particulars of the contingent liabilities of the Group are set out in note 43 to the financial statements.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 1,700 people as at 31 March 2007. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

PROPERTY, PLANT AND EQUIPMENT, PROPERTIES UNDER DEVELOPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, properties under development and investment properties of the Company and the Group during the year are set out in notes 14, 15 and 17 to the financial statements, respectively. Particulars of the major properties held by the Group are set out on pages 130 to 134 and do not form part of the audited financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the convertible bonds issued by the Company's subsidiary during the year are set out in note 36 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2007.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for distribution, calculated in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance, amounted to HK$406,020,000, of which HK$22,055,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$267,569,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$32,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 31% of the total sales for the year and sales to the largest customer included therein amounted to 9%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

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

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

* *Independent non-executive directors*

In accordance with article 104 of the Articles of Association, Madeline May-Lung Wong and Peter Man-Kong Wong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

The Company has received from each of its independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and still considers them as independent.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED

(a) Madeline May-Lung Wong

Aged 67, was appointed as a director of the Company in 1987. Ms. Wong was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Ms. Wong is a director of Chinney Holdings and Lucky Year, both being substantial shareholders of the Company. She is also a director of Hon Kwok and HKR International Limited, which shares are both listed on the Stock Exchange.

At the date of this report, Ms. Wong was deemed to be interested in 115,395,797 shares in Chinney Alliance, 252,726,553 shares in Hon Kwok, 306,959,324 shares of the Company, 9,900,000 shares in Chinney Holdings and 10,000 shares in Lucky Year within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Ms. Wong's deemed interests in Chinney Alliance and Hon Kwok are held by the Company which is a subsidiary of Chinney Holdings. Chinney Holdings is in turn a subsidiary of Lucky Year.

Ms. Wong together with James Sai-Wing Wong, director and substantial shareholder of the Company, held all the issued share capital of Lucky Year and they are partners in several private investments. Save as disclosed above, Ms. Wong does not have any other business relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Ms. Wong and no remuneration has been paid to Ms. Wong.

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

(b) Peter Man-Kong Wong

Aged 58, was appointed as an independent non-executive director of the Company in 2004. Mr. Wong was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED *(Continued)*

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

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

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

   In July 2006, Lucky Year extended cash security arrangement in favour of Hon Kwok, a subsidiary of the Company, for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to bank loans of HK$150 million granted by the banks to Hon Kwok. In consideration for the provision of cash security, Hon Kwok agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. Hon Kwok provides no security to Lucky Year or other connected persons in connection with this arrangement.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE *(Continued)*

The commission paid to Lucky Year by Hon Kwok during the year amounted to HK$2,625,000 (2006: HK$2,625,000).

James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in the above transaction because they are the directors of and have beneficial interests in Lucky Year and the Company.

2. During the year, the Company received management fee amounting to HK$2,000,000 (2006: HK$2,000,000) from Chinney Alliance, an associate of the Company, for the provision of administration and general services for the year ended 31 March 2007.

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

3. William Chung-Yue Fan is a consultant of Messrs. Fan & Fan which provides legal and professional services to the Group and receives normal professional fees for such services. Total fees amounting to approximately HK$135,000 (2006: HK$349,000) were paid by the Group during the year.

4. On 24 July 2006, Grow Ahead Enterprises Limited, as purchaser, and the Company, as vendor, entered into an agreement relating to the sale and purchase of the entire issued share capital of Gateway Group Holdings Limited and Royal Treasure Limited and the assignment of the related shareholder's loan for an aggregate cash consideration of HK$8,600,000.

   James Sai-Wing Wong is a director and has beneficial interests in Grow Ahead Enterprises Limited.

Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Directors' interests in the ordinary shares of the Company

Name of director	*Note*	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	*1*	Corporate	306,959,324	55.67
Madeline May-Lung Wong	*1*	Corporate	306,959,324	55.67
William Chung-Yue Fan		Personal	1,882,285	0.34

All the interests stated above represent long positions.

(b) Directors' interests in the ordinary shares of associated corporations

Name of director	*Notes*	Name of associated corporation	Nature of interest	Number of ordinary shares held	Percentage of the associated corporation's issued share capital
James Sai-Wing Wong	*2*	Hon Kwok	Corporate	252,726,553	52.62
	3	Chinney Alliance	Corporate	218,138,283	55.00
	4	Chinney Holdings	Corporate	9,900,000	99.00
		Chinney Holdings	Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00
Madeline May-Lung Wong	*2*	Hon Kwok	Corporate	252,726,553	52.62
	2	Chinney Alliance	Corporate	115,395,797	29.10
	4	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
William Chung-Yue Fan	*5*	Wise Pacific Investment Limited	Corporate	2,000	20.00

All the interests stated above represent long positions.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(c) Director's interest in the underlying shares of associated corporation

Pursuant to the share option scheme of Chinney Alliance, Herman Man-Hei Fung has options to subscribe for 800,000 shares in Chinney Alliance at an exercise price of HK$0.70 per share, subject to adjustment. The options were granted on 13 July 1999 and can be exercised up to 12 July 2009. During the year, no share options were exercised.

Notes:

1. *These shares are beneficially held by Chinney Holdings which is a subsidiary of Lucky Year. James Sai-Wing Wong and Madeline May-Lung Wong are directors of Lucky Year and beneficially own more than one-third of the equity capital of Lucky Year.*

2. *These shares are beneficially held by the Company or its wholly-owned subsidiary. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

3. *Out of 218,138,283 shares, 115,395,797 shares are held by a wholly-owned subsidiary of the Company and the remaining 102,742,486 shares are held by Enhancement Investments Limited ("Enhancement"), a company controlled by James Sai-Wing Wong. By virtue of note 1 and the interest in Enhancement, James Sai-Wing Wong is deemed to be interested in these shares.*

4. *These shares are beneficially held by Lucky Year. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

5. *These shares are held by Gold Sound Enterprises Limited, of which William Chung-Yue Fan is both a director and a shareholder.*

Save as disclosed herein, as at 31 March 2007, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTOR'S INTEREST IN A COMPETING BUSINESS

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

As the Board is independent from the board of directors of HKR International Limited and the above director is a non-executive director of the Company, the Group is capable of carrying on its businesses independently of the businesses of HKR International Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Holdings	Directly beneficially owned	306,959,324	55.67
Lucky Year	Through a controlled corporation	306,959,324	55.67

All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of section 316 of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed herein, as at 31 March 2007, none of the substantial shareholders of other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTIONS

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

(a) On 16 March 2006, a subsidiary of the Group, Hopmate International Development Limited ("Hopmate") entered into an agreement with Neimenggu Huaye Property Co., Ltd. for the acquisition of its 20% equity interest in Shenzhen Honkwok Huaye Development Co., Ltd. ("Honkwok Huaye"), at a cash consideration of RMB10 million. Honkwok Huaye is a company established in the PRC and was 80% owned by Hopmate before the acquisition. The above transaction constituted a connected transaction to the Company under the Listing Rules and was completed on 13 June 2006.

(b) On 24 July 2006, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of its wholly-owned subsidiaries, Gateway Group Holdings Limited and Royal Treasure Limited, together with the assignment of a related shareholder's loan for a cash consideration of HK$8.6 million. As the purchaser is a connected person of the Company under the Listing Rules by virtue of the fact that it is a company controlled by James Sai-Wing Wong, a director and substantial shareholder of the Company, the above transaction constituted a discloseable and connected transaction to the Company under the Listing Rules and was completed on 24 October 2006.

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

(c) On 11 May 2007, a subsidiary of the Group, Cheerworld Group Limited, as purchaser, entered into a sale and purchase agreement with Enhancement, Galantine Management Limited and Sharp-View Group Inc., as vendors, for the acquisition of the entire issued share capital of Unity Wise International Limited and the assignment of related shareholders' loans to the Group at an aggregate cash consideration of HK$90 million. On the same date, Cheerworld Group Limited, as purchaser, entered into another sale and purchase agreement with Enhancement, as vendor, for the acquisition of 50% of the issued share capital of Ample Joy International Limited and the assignment of related shareholder's loan to the Group at an aggregate cash consideration of HK$12 million. Both acquisitions constituted discloseable and connected transactions for the Company under the Listing Rules as Enhancement is a connected person of the Company under the Listing Rules by virtue of the fact that it is a company controlled by James Sai-Wing Wong, a director and substantial shareholder of the Company. These two acquisitions were completed on 4 July 2007.

CONNECTED TRANSACTIONS *(Continued)*

(d) On 22 May 2007, a subsidiary of the Group, Chinney Construction Company, Limited, as vendor, entered into a sale and purchase agreement with Shun Cheong Investments Limited, a wholly-owned subsidiary of Chinney Alliance for the disposal of the entire issued share capital of Apex Curtain for a cash consideration of HK$298,000. As James Sai-Wing Wong, a director and substantial shareholder of the Company, is deemed to have interest in Shun Cheong Investments Limited and Chinney Alliance, accordingly Shun Cheong Investments Limited and Chinney Alliance are connected persons of the Company under the Listing Rules. The above transaction constituted a connected transaction to the Company under the Listing Rules and was completed on 1 June 2007.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 48 to the financial statements.

AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

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

Hong Kong, 12 July 2007

ERNST & YOUNG
安永會計師事務所

To the shareholders of
Chinney Investments, Limited
建業實業有限公司
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Chinney Investments, Limited set out on pages 34 to 128, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Hong Kong, 12 July 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**1,764,804**	2,361,233
Cost of sales		**(1,532,241)**	(1,969,443)
Gross profit		**232,563**	391,790
Other income and gains	5	**28,859**	24,353
Fair value gains of investment properties, net		**200,304**	244,159
Change in fair value of completed properties transferred to investment properties		**—**	207,259
Gain on disposal of subsidiaries		**1,472**	44,818
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries	20	**86,685**	9,626
Loss on deemed partial disposal of subsidiaries	20	**(66,109)**	—
Selling and distribution costs		**(47,296)**	(55,359)
Administrative and other operating expenses		**(273,443)**	(223,580)
Finance costs	6	**(110,825)**	(82,214)
Gain on disposal of investment properties		**9,443**	—
Share of profits and losses of:			
Associates		**4,746**	837
Jointly-controlled entities		**4,396**	4,172
PROFIT BEFORE TAX	7	**70,795**	565,861
Tax	10	**(68,380)**	(147,768)
PROFIT FOR THE YEAR		**2,415**	418,093
Attributable to:			
Equity holders of the Company	11	**(26,975)**	189,838
Minority interests		**29,390**	228,255
		2,415	418,093
DIVIDEND — proposed final	12	**22,055**	22,055
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**(4.89) cents**	34.4 cents
Diluted		**N/A**	N/A

	Notes	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	**202,549**	222,461	**9**	—
Properties under development	*15*	**1,533,280**	1,209,884	**—**	—
Prepaid land lease payments	*16*	**15,276**	15,035	**—**	—
Investment properties	*17*	**2,059,491**	1,987,092	**—**	—
Investment deposits	*19*	**187,847**	—	**—**	—
Investments in subsidiaries	*20*	**—**	—	**888,157**	846,413
Interests in associates	*21*	**67,517**	45,841	**—**	—
Interests in jointly-controlled entities	*22*	**48,765**	43,934	**—**	—
Available-for-sale investments	*23*	**—**	1,300	**—**	—
Deferred tax assets	*24*	**155**	6,760	**—**	—
Total non-current assets		**4,114,880**	3,532,307	**888,166**	846,413
CURRENT ASSETS					
Inventories	*25*	**16,945**	16,881	**—**	—
Properties held for sale	*27*	**1,023,537**	1,012,275	**—**	—
Prepaid land lease payments	*16*	**410**	397	**—**	—
Equity investments at fair value through profit and loss	*28*	**681**	733	**—**	—
Trade and bills receivables	*29*	**107,875**	220,785	**—**	—
Prepayments, deposits and other receivables		**69,047**	105,970	**191**	16
Gross amounts due from customers for contract work	*26*	**45,228**	55,446	**—**	—
Retention monies receivable		**58,007**	61,255	**—**	—
Amounts due from subsidiaries	*20*	**—**	—	**136,792**	287,027
Amounts due from jointly-controlled entities	*22*	**141,744**	129,483	**—**	146
Amounts due from minority shareholders of subsidiaries	*31*	**—**	86,114	**—**	—
Tax recoverable		**1,288**	967	**—**	—
Pledged deposits	*30*	**78,172**	65,948	**—**	—
Cash and cash equivalents	*30*	**489,515**	461,874	**541**	4,961
		2,032,449	2,218,128	**137,524**	292,150
Assets of a disposal group classified as held for sale	*32*	**—**	168,142	**—**	—
Total current assets		**2,032,449**	2,386,270	**137,524**	292,150

		Group		Company	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
CURRENT LIABILITIES					
Trade payables and accrued liabilities	*33*	**312,590**	290,517	**3,879**	6,937
Customer deposits		**195,825**	126,868	**—**	—
Retention monies payable		**19,286**	18,123	**—**	—
Amounts due to related companies	*34*	**10,028**	2,478	**—**	—
Gross amounts due to customers for contract work	*26*	**64,705**	63,172	**—**	—
Amounts due to subsidiaries	*20*	**—**	—	**116,380**	119,540
Amounts due to minority shareholders of subsidiaries	*31*	**39,532**	99,930	**—**	—
Tax payable		**73,562**	51,938	**—**	—
Obligations under finance leases	*37*	**2,376**	2,227	**—**	—
Interest-bearing bank borrowings	*35*	**796,797**	570,589	**94,000**	31,000
		1,514,701	1,225,842	**214,259**	157,477
Liabilities directly associated with the assets classified as held for sale	*32*	**—**	159,519	**—**	—
Total current liabilities		**1,514,701**	1,385,361	**214,259**	157,477
NET CURRENT ASSETS/ (LIABILITIES)		**517,748**	1,000,909	**(76,735)**	134,673
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,632,628**	4,533,216	**811,431**	981,086
NON-CURRENT LIABILITIES					
Obligations under finance leases	*37*	**2,354**	4,732	**—**	—
Interest-bearing bank borrowings	*35*	**1,386,195**	1,841,807	**—**	—
Convertible bonds	*36*	**262,361**	—	**—**	—
Deferred tax liabilities	*24*	**167,837**	127,563	**—**	—
Total non-current liabilities		**1,818,747**	1,974,102	**—**	—
Net assets		**2,813,881**	2,559,114	**811,431**	981,086

		Group		Company	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	*38*	**137,842**	137,842	**137,842**	137,842
Reserves	*39*	**1,295,859**	1,248,243	**651,534**	821,189
Proposed final dividend	*12*	**22,055**	22,055	**22,055**	22,055
		1,455,756	1,408,140	**811,431**	981,086
MINORITY INTERESTS		**1,358,125**	1,150,974	**—**	—
TOTAL EQUITY		**2,813,881**	2,559,114	**811,431**	981,086

James Sai-Wing Wong
Director

Herman Man-Hei Fung
Director

	Attributable to equity holders of the Company							
	Issued capital HK$'000	Share premium account HK$'000	Exchange fluctuation reserve HK$'000	Proposed final dividend HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005	137,842	267,569	(29,400)	16,541	826,020	1,218,572	867,640	2,086,212
Exchange realignment	—	—	16,517	—	—	16,517	15,543	32,060
Share of reserves of associates	—	—	(52)	—	1,077	1,025	—	1,025
Total income and expense for the year recognised directly in equity	—	—	16,465	—	1,077	17,542	15,543	33,085
Profit for the year	—	—	—	—	189,838	189,838	228,255	418,093
Total income and expense for the year	—	—	16,465	—	190,915	207,380	243,798	451,178
Release of exchange fluctuation reserve upon disposal of subsidiaries	—	—	(1,271)	—	—	(1,271)	(890)	(2,161)
Capital contributions by minority interests	—	—	—	—	—	—	50,000	50,000
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	(16,573)	(16,573)
Acquisition of subsidiaries *(note 40(a)&(b))*	—	—	—	—	—	—	39,131	39,131
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	(32,132)	(32,132)
Final 2005 dividend declared	—	—	—	(16,541)	—	(16,541)	—	(16,541)
Proposed final 2006 dividend *(note 12)*	—	—	—	22,055	(22,055)	—	—	—
At 31 March 2006	137,842	267,569*	(14,206)*	22,055	994,880*	1,408,140	1,150,974	2,559,114

	Attributable to equity holders of the Company									
	Issued capital *HK$'000*	Share premium account *HK$'000*	Exchange fluctuation reserve *HK$'000*	Equity component of convertible bonds *HK$'000*	Proposed final dividend *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 April 2006	137,842	267,569	(14,206)	—	22,055	—	994,880	1,408,140	1,150,974	2,559,114
Exchange realignment	—	—	48,795	—	—	—	—	48,795	48,165	96,960
Share of reserves of associates	—	—	—	—	—	156	—	156	—	156
Total income and expense for the year recognised directly in equity	—	—	48,795	—	—	156	—	48,951	48,165	97,116
Profit/(loss) for the year	—	—	—	—	—	—	(26,975)	(26,975)	29,390	2,415
Total income and expenses for the year	—	—	48,795	—	—	156	(26,975)	21,976	77,555	99,531
Release of exchange fluctuation reserve upon disposal of business of foreign operations *(note 7)*	—	—	32,011	—	—	—	—	32,011	28,823	60,834
Release of exchange fluctuation reserve upon disposal of subsidiaries	—	—	1,084	—	—	—	—	1,084	—	1,084
Release of capital contribution obligated from minority shareholders	—	—	—	—	—	—	—	—	(73,541)	(73,541)
Acquisition of minority interests	—	—	—	—	—	—	—	—	(198,874)	(198,874)
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	—	(18,136)	(18,136)
Issue of convertible bonds by a subsidiary	—	—	—	14,600	—	—	—	14,600	10,226	24,826
Final 2006 dividend declared	—	—	—	—	(22,055)	—	—	(22,055)	—	(22,055)
Proposed final 2007 dividend *(note 12)*	—	—	—	—	22,055	—	(22,055)	—	—	—
Deemed disposal of partial equity interest in a subsidiary	—	—	—	—	—	—	—	—	381,098	381,098
At 31 March 2007	**137,842**	**267,569***	**67,684***	**14,600***	**22,055**	**156***	**945,850***	**1,455,756**	**1,358,125**	**2,813,881**

* *These reserve accounts comprise the consolidated reserves of HK$1,295,859,000 (2006: HK$1,248,243,000) in the consolidated balance sheet.*

	Notes	**2007 HK$'000**	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**70,795**	565,861
Adjustments for:			
Share of profits and losses of jointly-controlled entities and associates		**(9,142)**	(5,009)
Interest income	7	**(9,866)**	(3,857)
Finance costs	6	**110,825**	82,214
Depreciation	7	**35,101**	39,277
Amortisation of prepaid land lease payments	7	**410**	397
Gain on disposal of subsidiaries	41	**(1,472)**	(44,818)
Loss on disposal of associates		**—**	256
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries	20	**(86,685)**	(9,626)
Fair value gains of investment properties, net	17	**(200,304)**	(244,159)
Change in fair value of completed properties transferred to investment properties		**—**	(207,259)
Write-down of properties held for sale to net realisable value	27	**7,000**	—
Loss/(gain) on disposal of items of property, plant and equipment	7	**26**	(770)
Fair value loss/(gain) on equity investments at fair value through profit or loss	5	**52**	(98)
Gain on disposal of investment properties		**(9,443)**	—
Impairment of trade receivables	7	**7,220**	22,768
Write-down of inventories to net realisable value	7	**—**	16,180
Loss on deemed partial disposal of subsidiaries	20	**66,109**	—
Release of exchange fluctuation reserve upon disposal of business of foreign operations	7	**60,834**	—
		41,460	211,357

	Notes	2007 HK$'000	2006 HK$'000
Increase in properties under development		**(245,360)**	(253,061)
Decrease/(increase) in inventories		**30,799**	(3,043)
Decrease in properties held for sale		**21,940**	49,844
Decrease/(increase) in gross amounts due from customers for contract work		**14,032**	(2,914)
Decrease/(increase) in retention monies receivable		**3,248**	(15,601)
Decrease/(increase) in trade and bills receivables, prepayments, deposits and other receivables		**160,707**	(129,526)
Increase in trade payables and accrued liabilities		**24,756**	71,524
Increase in gross amounts due to customers for contract work		**1,533**	31,096
Increase/(decrease) in customer deposits		**68,957**	(181,522)
Cash generated from/(used in) operations		**122,072**	(221,846)
Hong Kong profits tax paid		**(1,935)**	(428)
Overseas taxes paid		**(5,150)**	(13,194)
Net cash inflow/(outflow) from operating activities		**114,987**	(235,468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	*40*	**—**	(221,495)
Investments in associates		**(16,529)**	—
Decrease in balances with minority shareholders of subsidiaries, net		**(46,997)**	(25,369)
Purchases of items of property, plant and equipment		**(16,090)**	(19,976)
Acquisition of additional interests in subsidiaries		**(112,188)**	(39,519)
Additions to investment properties		**(7,927)**	(6,745)
Advances to jointly-controlled entities		**(10,214)**	(2,161)
Capital injection to a jointly-controlled entity		**—**	(97)
Disposal of subsidiaries	*41*	**96,519**	171,744
Investment deposits paid		**(187,847)**	—
Repayment of loans from/(advances to) associates		**(440)**	8,952
Capital repatriation of investments in securities		**—**	1,152
Interest received		**9,866**	3,857
Proceeds from disposal of items of property, plant and equipment		**663**	1,512
Proceeds from disposal of investment properties		**165,183**	—
Net cash outflow from investing activities		**(126,001)**	(128,145)

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds		**280,000**	—
Convertible bonds issue expense		**(7,405)**	—
Interest paid		**(132,925)**	(101,515)
Dividends paid to minority shareholders of a subsidiary		**(18,136)**	(32,132)
Dividend paid		**(22,055)**	(16,541)
Capital element of finance lease rental payments		**(2,229)**	(2,976)
Increase/(decrease) in interest-bearing bank borrowings, net		**(391,197)**	540,783
Capital injection by minority shareholders		**314,989**	50,000
Increase/(decrease) in pledged deposits		**(12,224)**	12,652
Net cash inflow from financing activities		**8,818**	450,271
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,196)**	86,658
Cash and cash equivalents at beginning of year		**440,040**	355,365
Effect of foreign exchange rate changes, net		**17,440**	(1,983)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**455,284**	440,040
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	**489,515**	461,874
Cash and bank balances included in assets of a disposal group classified as held for sale	32	—	1,333
Bank overdrafts included in liabilities associated with assets classified as held for sale	32	—	(9,724)
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	30	**13,600**	13,600
Bank overdrafts	35	**(47,831)**	(27,043)
		455,284	440,040

1. CORPORATE INFORMATION

Chinney Investments, Limited is a limited company incorporated in Hong Kong. The registered office of the Company is located at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

— property development
— property investment for rental purposes
— building construction and foundation piling
— manufacturing and trading of garments

The immediate holding company of the Company is Chinney Holdings Limited, a company incorporated in Hong Kong.

In the opinion of the directors, the ultimate holding company of the Company is Lucky Year Finance Limited, which is incorporated in the British Virgin Islands (the "BVI").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4 to the financial statements. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.1 BASIS OF PREPARATION *(Continued)*

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 27 *Consolidated and Separate Financial Statements*

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements as described in note 2.4 "Summary of significant accounting policies" below.

(c) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(d) HKFRS-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 23 (Revised) is applicable for annual periods beginning on or after 1 January 2009 and supersedes HKAS 23 issued in 2004. The revisions to HKAS 23 are principally concerned with the elimination of one of the two treatments that exist for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. This HKFRS replaces HKAS 14 *Segment Reporting* and has main impacts on the identification of segments and the measurement of segment information.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill previously eliminated against consolidated retained profits

Prior to the adoption of the Hong Kong Institute of Certified Public Accountants' Statement of Standard Accounting Practice 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its holding companies;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% to 5% or over the unexpired term of the leases, whichever is shorter
Leasehold improvements	20% or over the unexpired term of leases
Plant and machinery	10% to 30%
Motor vehicles	20% to 30%
Furniture, fixtures and equipment	20% to 33⅓%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

Properties under development are stated at cost and include the cost of land, construction, financing and other related expenses, less any impairment losses. Impairment is assessed by the directors based on prevailing market prices, on an individual property basis.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

Properties held for sale

Properties held for sale, consisting of completed properties and properties under development in respect of which the Group has established pre-sale programmes, are classified under current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions, on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(e) dividend income, when the shareholder's right to receive payment has been established; and

(f) service income, in the period the service is rendered.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The 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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and properties held for sale

The Group determines whether a property qualifies as an investment property or a property held for sale, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Properties held for sale are properties held by the Group with intention for sale in the Group's ordinary course of business.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of recoverable amounts of properties under development

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices.

Estimation of total budgeted costs and costs to completion for properties under development

Total budgeted costs for properties under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties under development, management makes reference to information such as (i) current offers from contractors and suppliers; (ii) recent offers agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs.

Current income taxes and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2007 was HK$155,000 (2006: HK$6,760,000). The amount of unrecognised tax losses at 31 March 2007 was HK$1,089 million (2006: HK$1,455 million). Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Further details are contained in note 24 to the financial statements.

Outcome of construction contracts

The Group determines whether outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. The contract costs incurred plus recognised profits less recognised losses to date is HK$6,597 million (2006: HK$5,815 million). Further details are contained in note 26 to the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

4. SEGMENT INFORMATION *(Continued)*

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the construction segment is engaged in building construction and foundation piling;

(b) the garment segment manufactures and trades garments;

(c) the property development segment develops properties for sale;

(d) the property investment segment holds investment properties for the generation of rental income; and

(e) the "others" segment comprises miscellaneous rental income generated by the Group other than investment properties and property management service fee income.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the current and prior years, there were no intersegment transactions.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 March 2007 and 2006.

Income statement

	Construction		Garment		Property development		Property investment		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**843,338**	691,137	**529,248**	610,669	**290,545**	970,198	**73,334**	77,264	**28,339**	11,965	**1,764,804**	2,361,233
Segment results	**(64,182)**	(66,026)	**30,749**	(24,392)	**49,970**	376,827	**143,565**	292,367	**(5,839)**	5,251	**154,263**	584,027
Net income from investments											**9,841**	7,603
Unallocated corporate expenses											**(13,674)**	(3,008)
Finance costs											**(110,825)**	(82,214)
Gain on disposal of subsidiaries											**1,472**	44,818
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries											**86,685**	9,626
Loss on deemed partial disposal of subsidiaries											**(66,109)**	—
Share of profits and losses of associates	**—**	—	**(200)**	(155)	**—**	—	**—**	—	**4,946**	992	**4,746**	837
Share of profits and losses of jointly-controlled entities	**(3)**	(95)	**4,276**	4,048	**138**	503	**—**	—	**(15)**	(284)	**4,396**	4,172
Profit before tax											**70,795**	565,861
Tax											**(68,380)**	(147,768)
Profit for the year											**2,415**	418,093

4. SEGMENT INFORMATION *(Continued)*

Balance sheet

	Construction		Garment		Property development		Property investment		Others		Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS														
Segment assets	**324,209**	367,845	**132,457**	276,031	**2,815,242**	2,509,337	**2,042,960**	1,990,630	**2,816,997**	2,274,929	**(2,812,373)**	(2,281,141)	**5,319,492**	5,137,631
Interests in associates	**—**	—	**—**	200	**—**	—	**—**	—	**67,517**	45,841	**—**	—	**67,517**	46,041
Interests in jointly-controlled entities	**—**	3	**—**	20,002	**48,765**	43,931	**—**	—	**—**	—	**—**	—	**48,765**	63,936
Unallocated corporate assets													**711,555**	670,969
Consolidated total assets													**6,147,329**	5,918,577
LIABILITIES														
Segment liabilities	**170,835**	165,393	**40,619**	134,283	**1,725,850**	1,522,163	**1,086,933**	985,338	**138,197**	148,577	**(2,560,000)**	(2,281,141)	**602,434**	674,613
Unallocated corporate liabilities													**2,731,014**	2,684,850
Consolidated total liabilities													**3,333,448**	3,359,463
OTHER INFORMATION														
Additions to property, plant and equipment														
— The Group	**10,107**	5,803	**2,057**	8,416	**957**	4,819	**18**	154	**2,510**	784	**—**	—	**15,649**	19,976
— Acquired on acquisitions of a subsidiary	**—**	—	**—**	—	**—**	159	**—**	—	**—**	—	**—**	—	**—**	159
Release of exchange fluctuation reserve upon disposal of business of foreign operations	**—**	—	**—**	—	**—**	—	**60,834**	—	**—**	—	**—**	—	**60,384**	—
Depreciation of property, plant and equipment	**31,355**	35,165	**4,961**	7,109	**1,865**	919	**123**	130	**611**	353	**—**	—	**38,915**	43,676
Amortisation of prepaid land lease payments	**—**	—	**410**	397	**—**	—	**—**	—	**—**	—	**—**	—	**410**	397
Loss/(gain) on disposal of property, plant and equipment	**207**	(384)	**(161)**	(386)	**—**	—	**—**	—	**(20)**	—	**—**	—	**26**	(770)
Gain on disposal of investment properties	**—**	—	**—**	—	**(9,443)**	—	**—**	—	**—**	—	**—**	—	**(9,443)**	—
Impairment of trade receivables	**5,541**	15,546	**1,679**	7,222	**—**	—	**—**	—	**—**	—	**—**	—	**7,220**	22,768
Write-down of inventories	**—**	—	**—**	16,180	**—**	—	**—**	—	**—**	—	**—**	—	**—**	16,180
Write down of properties held for sale to net realisable value	**—**	—	**—**	—	**7,000**	—	**—**	—	**—**	—	**—**	—	**7,000**	—

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table provides an analysis of the Group's turnover by geographical market:

	Turnover	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**734,296**	636,023
Mainland China	**282,588**	926,792
Macau	**215,221**	181,510
Europe	**280,917**	238,896
North America	**233,878**	350,491
Others	**17,904**	27,521
	1,764,804	2,361,233

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

	Carrying amount of segment assets		Capital expenditure	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,359,135**	2,188,230	**13,236**	10,288
Mainland China	**2,278,640**	2,192,605	**2,177**	6,747
North America	**646,195**	444,412	**—**	—
Macau	**35,351**	61,174	**236**	2,230
The Republic of Indonesia	**—**	108,203	**—**	699
Others	**—**	143,007	**—**	12
	5,319,321	5,137,631	**15,649**	19,976
Unallocated corporate assets	**828,008**	780,946	**—**	—
	6,147,329	5,918,577	**15,649**	19,976

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**529,248**	610,669
Sales of properties	**290,545**	970,198
Building construction and foundation piling	**843,338**	691,137
Gross rental income	**73,334**	77,264
Others	**28,339**	11,965
	1,764,804	2,361,233
Other income		
Bank interest income	**9,636**	3,787
Other interest income	**230**	3,695
Dividend income from listed investments	**27**	23
Property management income	**2,843**	3,542
Others	**11,803**	8,745
	24,539	19,792
Gains		
Gain/(loss) on disposal of items of property, plant and equipment	**(26)**	770
Fair value gain/(loss) on equity investments at fair value through profit or loss	**(52)**	98
Foreign exchange difference, net	**4,398**	3,693
	4,320	4,561
	28,859	24,353

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**146,643**	98,007
Interest on bank loans wholly repayable after five years	**—**	2,891
Interest on amounts due to related companies	**480**	184
Interest on finance leases	**394**	433
Total borrowing costs	**147,517**	101,515
Less: Amount capitalised under property development projects	**(36,692)**	(19,301)
	110,825	82,214

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold	**434,796**	496,275
Depreciation	**38,915**	43,676
Less: Amount capitalised in contract costs	**(3,814)**	(4,399)
	35,101	39,277
Amortisation of prepaid land lease payments	**410**	397
Minimum lease payments under operating leases on land and buildings	**4,117**	4,385
Auditors' remuneration	**3,821**	3,814
Employee benefits expense (including directors' remuneration *(note 8)*):		
Wages, salaries, allowances and benefits in kind	**198,028**	198,098
Pension scheme contributions	**6,024**	2,801
Less: Forfeited contributions	**(24)**	—
Net pension scheme contributions	**6,000**	2,801
	204,028	200,899
Less: Amount capitalised in contract costs	**(69,174)**	(59,456)
	134,854	141,443

7. PROFIT BEFORE TAX *(Continued)*

	Group 2007 HK$'000	Group 2006 HK$'000
Gross rental income included in the following categories of turnover		
— Rental income	**(73,334)**	(77,264)
— Others	**(27,014)**	(9,276)
	(100,348)	(86,540)
Less: Outgoing expenses	**47,263**	34,859
	(53,085)	(51,681)
Impairment of trade receivables*	**7,220**	22,768
Write-down of inventories to net realisable value	**—**	16,180
Write down of properties held for sale to net realisable value	**7,000**	—
Release of exchange fluctuation reserve upon disposal of business of foreign operations**	**60,834**	—
Loss/(gain) on disposal of items of property, plant and equipment	**26**	(770)
Loss on disposal of associates	**—**	256
Interest income	**(9,866)**	(7,482)

* *The impairment of trade receivables is included in "Selling and distribution costs" on the face of the consolidated income statement.*

** *The release of exchange fluctuation reserve upon disposal of business of foreign operations is included in "Administrative and other operating expenses" on the face of the consolidated income statement.*

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**200**	200
Other emoluments:		
Salaries, allowances and benefits in kind	**4,705**	4,660
Performance related bonuses*	**2,630**	540
	7,335	5,200
	7,535	5,400

* *The performance related bonuses are determined with reference to the operating results, individual performance and comparable market statistics during both years.*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
Clement Kwok-Hung Young	**50**	50
Johnny Chung-Ah Wong	**50**	50
Peter Man-Kong Wong	**50**	50
	150	150

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary performance related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2007					
Executive directors:					
James Sai-Wing Wong	**—**	**2,500**	**1,000**	**—**	**3,500**
Herman Man-Hei Fung	**—**	**2,205**	**1,630**	**—**	**3,835**
	—	**4,705**	**2,630**	**—**	**7,335**
Non-executive directors:					
Madeline May-Lung Wong	**—**	**—**	**—**	**—**	**—**
William Chung-Yue Fan	**50**	**—**	**—**	**—**	**50**
	50	**—**	**—**	**—**	**50**
	50	**4,705**	**2,630**	**—**	**7,385**
2006					
Executive directors:					
James Sai-Wing Wong	—	2,500	—	—	2,500
Herman Man-Hei Fung	—	2,160	540	—	2,700
	—	4,660	540	—	5,200
Non-executive directors:					
Madeline May-Lung Wong	—	—	—	—	—
William Chung-Yue Fan	50	—	—	—	50
	50	—	—	—	50
	50	4,660	540	—	5,250

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2006: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2006: three) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**5,690**	3,436
Performance related bonuses	**2,500**	2,989
Pension scheme contributions	**263**	234
	8,453	6,659

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**—**	3
HK$2,500,001 to HK$3,000,000	**—**	—
HK$3,000,001 to HK$3,500,000	**1**	—
HK$3,500,001 to HK$4,000,000	**1**	—
	3	3

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Land appreciation tax has been provided in conformity with the prevailing rules and practices on the Group's completed projects in Mainland China at progressive rates ranging from 30% to 60% on the appreciation of land value, net of deductibles.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong		
Charge for the year	**3,677**	1,425
Underprovision in prior years	**11**	488
Current — Elsewhere		
Charge for the year	**22,795**	63,080
Overprovision in prior years	**(1,047)**	—
Deferred *(note 24)*	**42,944**	82,775
Total tax charge for the year	**68,380**	147,768

Land appreciation tax of HK$9,441,000 has been charged to the consolidated income statement for the year ended 31 March 2007 (2006: HK$91,881,000).

10. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**70,795**	565,861
Tax charge at the statutory tax rate of 17.5% (2006: 17.5%)	**12,389**	99,026
Adjustments in respect of current tax of previous periods	**(1,036)**	488
Profits and losses attributable to jointly-controlled entities and associates	**(1,600)**	(877)
Expenses not deductible for tax	**31,823**	20,222
Income not subject to tax	**(24,356)**	(27,456)
Deferred tax assets not recognised	**6,563**	7,310
Tax losses utilised from previous periods	**(6,297)**	(4,187)
Tax losses not recognised	**25,871**	—
Effect of different rates of companies operating in other jurisdictions	**9,789**	53,111
Effect on opening deferred tax of increase in rates	**15,311**	—
Others	**(77)**	131
Tax charge at the Group's effective rate	**68,380**	147,768

10. TAX *(Continued)*

A major subsidiary of the Group which operates in Shenzhen, Mainland China, is subject to the corporate income tax rate of 15% (2006: 15%).

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will be effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to foreign investment enterprises from 1 January 2008 will increase from a preferential rate of 15% to 25% over the next five years. This rise in the income tax rate will directly increase the Group's effective tax rate prospectively from 2008. According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the corporate income tax rate has had the following impact on the results and financial position of the Group for the year ended 31 March 2007:

	2007
	HK$'000
Increase in deferred tax expense	**15,311**
Increase in deferred tax liabilities	**15,311**

At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact of the New CIT Law on its operating results and financial positions of future periods as more detailed requirements are issued.

The shares of tax attributable to associates and jointly-controlled entities amounting to nil (2006: HK$39,000) and HK$1,175,000 (2006: HK$1,071,000), respectively, are included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 March 2007 includes a loss of HK$147,600,000 (2006: profit of HK$35,398,000) which has been dealt with in the financial statements of the Company (note 39(b)).

12. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed final — 4 HK cents (2006: 4 HK cents) per ordinary share	**22,055**	22,055

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds of a subsidiary and the dilution effect on earning assuming there is a full conversion of the convertible bonds of a subsidiary, where applicable. The number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

The calculations of basic and diluted earnings/(loss) per share are based on:

	2007	2006
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(26,975)**	189,838
Interest on convertible bonds of a subsidiary, net of tax	**16,081**	—
Dilution of earnings arising from the full conversion of convertible bonds of a subsidiary	**(15,780)**	—
Profit/(loss) attributable to ordinary equity holders of the Company after the full conversion of the convertible bonds of a subsidiary	**(26,674)***	189,838

* *Because the diluted loss per share amount is decreased when taking convertible bonds of a subsidiary into account, the convertible bonds of a subsidiary had an anti-dilutive effect on the basic loss per share for the year. Therefore, no diluted loss per share amount is disclosed.*

No diluted earnings per share for the year ended 31 March 2006 was computed as there was no diluting event during that year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings Hong Kong HK$'000	Leasehold land and buildings Mainland China HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 March 2007							
At 31 March 2006 and 1 April 2006:							
Cost	70,440	49,355	14,280	403,574	8,246	22,771	568,666
Accumulated depreciation and impairment	(15,002)	(6,405)	(11,630)	(289,927)	(5,478)	(17,763)	(346,205)
Net carrying amount	55,438	42,950	2,650	113,647	2,768	5,008	222,461
At 1 April 2006, net of accumulated depreciation and impairment	55,438	42,950	2,650	113,647	2,768	5,008	222,461
Additions	—	494	1,566	10,429	933	2,227	15,649
Disposals	—	—	(78)	(325)	(129)	(73)	(605)
Depreciation provided during the year	(1,428)	(1,757)	(1,017)	(29,972)	(1,184)	(1,839)	(37,197)
Exchange realignment	—	1,993	50	44	83	71	2,241
At 31 March 2007, net of accumulated depreciation and impairment	**54,010**	**43,680**	**3,171**	**93,823**	**2,471**	**5,394**	**202,549**
At 31 March 2007:							
Cost	70,440	52,162	15,966	413,380	8,988	24,493	585,429
Accumulated depreciation and impairment	(16,430)	(8,482)	(12,795)	(319,557)	(6,517)	(19,099)	(382,880)
Net carrying amount	**54,010**	**43,680**	**3,171**	**93,823**	**2,471**	**5,394**	**202,549**

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Leasehold land and buildings						
	Hong Kong	Mainland China	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2006							
At 31 March 2005 and 1 April 2005:							
Cost	80,997	53,131	13,142	438,536	9,952	31,798	627,556
Accumulated depreciation and impairment	(15,051)	(18,461)	(12,231)	(286,190)	(6,486)	(26,377)	(364,796)
Net carrying amount	65,946	34,670	911	152,346	3,466	5,421	262,760
At 1 April 2005, net of accumulated depreciation and impairment	65,946	34,670	911	152,346	3,466	5,421	262,760
Exchange realignment	—	666	22	22	23	25	758
Transfer from properties held for sale *(note 27)*	—	14,625	—	—	—	—	14,625
Acquisition of a subsidiary	—	—	—	—	40	119	159
Transfer to investment properties *(note 17)*	(1,057)	—	—	—	—	—	(1,057)
Depreciation provided during the year	(1,620)	(1,620)	(827)	(35,827)	(1,471)	(2,311)	(43,676)
Disposal of subsidiaries	—	—	—	—	—	(78)	(78)
Additions	—	5,931	3,754	4,963	1,957	3,371	19,976
Disposals	—	—	—	(521)	(65)	(156)	(742)
Transfer to assets classified as held for sale	(7,831)	(11,322)	(1,210)	(7,336)	(1,182)	(1,383)	(30,264)
At 31 March 2006, net of accumulated depreciation and impairment	55,438	42,950	2,650	113,647	2,768	5,008	222,461
At 31 March 2006:							
Cost	70,440	49,355	14,280	403,574	8,246	22,771	568,666
Accumulated depreciation and impairment	(15,002)	(6,405)	(11,630)	(289,927)	(5,478)	(17,763)	(346,205)
Net carrying amount	55,438	42,950	2,650	113,647	2,768	5,008	222,461

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Details of the leasehold land and buildings are as follows:

	2007	2006
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**70,440**	70,440
Mainland China	**30,710**	29,424
Long term leases in Mainland China	**21,452**	19,931
	122,602	119,795

Company

	Furniture, fixtures and equipment
	HK$'000
31 March 2007	
At 31 March 2006 and 1 April 2006:	
Cost	72
Accumulated depreciation	(72)
Net carrying amount	—
At 1 April 2006, net of accumulated depreciation	—
Additions	10
Depreciation provided during the year	(1)
At 31 March 2007, net of accumulated depreciation	**9**
At 31 March 2007:	
Cost	82
Accumulated depreciation	(73)
Net carrying amount	**9**

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company *(Continued)*

	Furniture, fixtures and equipment HK$'000
31 March 2006	
At 31 March 2005 and 1 April 2005:	
Cost	72
Accumulated depreciation	(71)
Net carrying amount	1
At 1 April 2005, net of accumulated depreciation	1
Depreciation provided during the year	(1)
At 31 March 2006, net of accumulated depreciation	—
At 31 March 2006:	
Cost	72
Accumulated depreciation	(72)
Net carrying amount	—

The net book value of the Group's property, plant and machinery held under finance leases and hire purchase contracts included in the total amount of property, plant and equipment at 31 March 2007 amounted to HK$8,356,000 (2006: HK$11,193,000).

At 31 March 2007, certain of the Group's property, plant and machinery with an aggregate net carrying value of approximately HK$56,035,000 (2006: HK$11,343,000) were pledged to secure general banking facilities granted to the Group (note 35(a)(iv)).

15. PROPERTIES UNDER DEVELOPMENT

Group

	Cost *HK$'000*	Development expenditure *HK$'000*	Total *HK$'000*
At 1 April 2006	1,017,251	192,633	1,209,884
Additions	234,974	29,892	264,866
Exchange realignment	51,112	7,418	58,530
At 31 March 2007	**1,303,337**	**229,943**	**1,533,280**

The additions to development expenditure included interest expense of HK$19,506,000 (2006: HK$489,000) that were incurred and capitalised during the year.

Details of the properties under development are as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Medium term leases:		
Hong Kong	**3,582**	3,582
Mainland China	**756,896**	—
Long term leases:		
Mainland China	**772,802**	1,206,302
	1,533,280	1,209,884

Certain of the Group's properties under development with an aggregate carrying value of HK$1,019,435,000 (2006: HK$716,334,000) at the balance sheet date were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 35(a)(ii) to the financial statements.

Further particulars of the Group's properties under development are included in "Particulars of Properties" on pages 130 to 134.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 April	**15,432**	15,425
Recognised during the year	**(410)**	(397)
Exchange realignment	**664**	404
Carrying amount at 31 March	**15,686**	15,432
Current portion	**(410)**	(397)
Non-current portion	**15,276**	15,035

The leasehold land is held under a medium term lease and is situated in Mainland China.

17. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 April	**1,987,092**	1,329,400
Additions	**7,927**	6,745
Disposals during the year	**(155,740)**	—
Arising on acquisition of subsidiaries	**—**	11,500
Transfer from completed properties	**—**	394,231
Transfer from property, plant and equipment *(note 14)*	**—**	1,057
Net profit from a fair value adjustment	**200,304**	244,159
Exchange realignment	**19,908**	—
Carrying amount at 31 March	**2,059,491**	1,987,092
Analysed by type and location:		
Long term leasehold land and buildings in Hong Kong	**1,066,000**	950,000
Medium term leasehold land and buildings in Hong Kong	**579,350**	503,260
Medium term leasehold land and buildings in Mainland China	**414,141**	394,232
Freehold land and buildings in Malaysia	**—**	139,600
	2,059,491	1,987,092

At the balance sheet date, all of the investment properties were revalued at open market value, based on their existing use by Savills Valuation and Professional Services Limited, Knight Frank Hong Kong Limited or Chesterton Petty Limited, independent qualified professional valuers. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 44(a) to the financial statements.

At 31 March 2007, certain of the Group's investment properties with an aggregate carrying value of HK$2,054,841,000 (2006: HK$1,832,031,000) were pledged to secure general banking facilities granted to the Group (note 35(a)(i)).

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 130 to 134.

18. GOODWILL

Group

	HK$'000
31 March 2007	
At 31 March 2006, 1 April 2006 and 31 March 2007	
Cost	2,463
Accumulated impairment	(2,463)
Net carrying amount	—
31 March 2006	
At 1 April 2005:	
Cost	2,463
Accumulated impairment	(2,463)
Net carrying amount	—
Cost at 1 April 2005, net of accumulated impairment	—
Acquisition of a subsidiary	32,572
Disposal of a subsidiary	(32,572)
At 31 March 2006	—
At 31 March 2006:	
Cost	2,463
Accumulated impairment	(2,463)
Net carrying amount	—
Cost and carrying amount at 1 April 2006 and 31 March 2007	—

19. INVESTMENT DEPOSITS

Investment deposits were paid by the Group in connection with acquisitions of properties under development. The investment deposits were non-interest-bearing and the carrying amounts of the balances approximate to their fair values.

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Listed shares in Hong Kong, at cost	**792,778**	731,221
Unlisted shares, at cost	**95,379**	115,192
	888,157	846,413
Market value of listed shares	**775,871**	564,889

Except for an amount due to a subsidiary amounting to HK$112,318,000 which is interest-bearing at Hong Kong Inter-bank Offering Rate plus 1.3% per annum, the amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$136,792,000 (2006: HK$287,027,000) and HK$116,380,000 (2006: HK$119,540,000), respectively, are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Certain shares of a subsidiary held by the Group were pledged to secure general banking facilities granted to the Group, as further detailed in note 35(a)(vi).

During the year, a subsidiary of the Group, acquired an additional 20% equity interest of Shenzhen Honkwok Huaye Development Co., Ltd. The Group also acquired additional equity interests in Hon Kwok Land Investment Company, Limited ("Hon Kwok"). Such acquisitions of minority interests resulted in an excess over the cost of business combinations amounting to HK$86,685,000. The prior year's excess over the cost of business combinations, which represented the Group's acquisition of additional equity interests in Hon Kwok during that year amounted to HK$9,626,000.

In addition, during the year, Hon Kwok entered into a placing arrangement with the Company and a placing agent to place 80,047,700 ordinary shares of Hon Kwok to independent third parties. The placing arrangement resulted in a dilution of the Group's equity interest in Hon Kwok and a loss on deemed partial disposal of subsidiaries amounting to HK$66,109,000.

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

On 27 June 2006, a wholly-owned subsidiary of Hon Kwok issued convertible bonds due June 2011 at par for a principal sum of HK$280 million (the "Bonds"). The Bonds are guaranteed by Hon Kwok and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. The bondholders have the rights, at any time on or after 27 July 2006 up to and including the seventh business date prior to 27 June 2011 to convert the Bonds into equity shares of Hon Kwok with a nominal value of HK$1.00 each at an initial conversion price of HK$4.00 per share, subject to adjustments in certain events. Further particulars on the Bonds are set out in note 36 to the financial statements. Assuming a full conversion of the Bonds, the Company's equity interest in Hon Kwok will be reduced to 45.93%. In the opinion of directors, despite the potential dilution of the Company's equity interest in Hon Kwok below 50%, in view of current shareholding structure of Hon Kwok, the Company has de facto control on the operating and financial policies of Hon Kwok and its subsidiaries.

Particulars of principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Apex Curtain Wall and Windows Company Limited	Hong Kong	HK$10,000	—	86.05	Contracting of building aluminium works
Billion Capital Development Limited	Hong Kong	HK$2	—	52.62	Property investment
Chinney Builders and Foundation Company Limited	Hong Kong	HK$2	—	86.05	Building construction
Chinney Construction (BVI) Limited	BVI	US$10,000	—	86.05	Investment holding
Chinney Construction Company, Limited	Hong Kong	HK$18,000,000	—	86.05	Building construction
Chinney Contractors Company Limited	BVI	US$18,961	86.05	—	Investment holding
Chinney Property Management Limited	Hong Kong	HK$100	—	52.62	Property management

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chinney Treasury Limited	Hong Kong	HK$1	100	—	Financing
Cosmos Wealth Development Limited	Hong Kong	HK$1,000	—	52.62	Property development
CP Hotel & Guesthouse Management Limited	Hong Kong	HK$2	—	52.62	Property letting
CP Parking Limited	Hong Kong	HK$2	—	52.62	Carpark management
Debest Development Limited	Hong Kong	HK$2	—	52.62	Property development
Dongguan Chinney Garments Limited*#	PRC/ Mainland China	HK$9,000,000	—	100.00	Garment manufacture
Dongguan Marigold Industry City Developing Co., Ltd.*#	PRC/ Mainland China	HK$50,000,000**	—	100.00	Property holding and development
DrilTech Geotechnical Engineering Limited	Hong Kong	HK$10,000	—	86.05	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited	Hong Kong	HK$12,500,000	—	86.05	Drilling, site investigation and related ground engineering construction
Full Yip Development Limited	BVI/ Hong Kong	US$1	—	52.62	Property holding and letting
Global Wealth Development Limited	Hong Kong	HK$1,000	—	52.62	Property investment
Guangzhou Honkwok Fuqiang Land Development Ltd.*#	PRC/ Mainland China	RMB185,000,000	—	31.57***	Property development

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Honkwok Hengsheng Land Development Ltd.*#	PRC/ Mainland China	RMB220,000,000	—	39.47***	Property development
Guangzhou Hua Yin Land Development Co., Ltd.*#	PRC/ Mainland China	RMB8,000,000	—	51.04	Property development
Guangzhou Zhong Lu Da Dao Real Estate Development Co., Ltd*#	PRC/ Mainland China	RMB60,358,250	—	52.62	Property development
Hon Cheong Limited	Hong Kong	HK$2	—	52.62	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	HK$2	—	52.62	Investment holding
Hon Kwok Land Investment Company, Limited	Hong Kong	HK$480,286,201	52.62	—	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.*#	PRC/ Mainland China	HK$30,000,000	—	52.62	Property development
Hon Kwok Land Treasury IV Limited	BVI	US$1	—	52.62	Financing
Hon Kwok Project Management Limited	Hong Kong	HK$2	—	52.62	Project management
Hon Kwok Treasury Limited	Hong Kong	HK$2	—	52.62	Financing
Honour Well Development Limited	Hong Kong	HK$2	—	52.62	Property holding and letting
Island Parking Limited	BVI/ Hong Kong	US$10	—	52.62	Property holding and letting
J.L. Chinney (Holdings) Company Limited	BVI	US$1,250,000	100.00	—	Investment holding

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
J.L. Group Company Limited	Hong Kong	HK$8,000,000	—	100.00	Garment trading
J.L. Investment Company Limited	Hong Kong	HK$10,000	—	100.00	Property holding
King Capital Development Limited	Hong Kong	HK$2	—	52.62	Property holding and letting
King Champion Limited	Hong Kong	HK$2	—	52.62	Property holding and letting
Kin Wing Chinney (BVI) Limited	BVI	US$208	—	86.05	Investment holding
Kin Wing Engineering Company Limited	Hong Kong	HK$20,000,000	—	86.05	Foundation piling
Kin Wing Foundations Limited	Hong Kong	HK$10,000	—	86.05	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	HK$100	—	86.05	Equipment and machinery leasing
Kin Wing Treasury Limited	Hong Kong	HK$10,000	—	86.05	Financing
Lido Parking Limited	BVI/ Hong Kong	US$1	—	52.62	Property holding and letting
One City Hall Place Limited	Canada	CAD100	—	39.47***	Property development
Shenzhen Guanghai Investment Co., Ltd.*#	PRC/ Mainland China	RMB200,000,000	—	52.62	Property development
Shenzhen Honkwok Huaye Development Co., Ltd.*#	PRC/ Mainland China	RMB50,000,000	—	52.62	Property development

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Victory Venture Development Limited	Hong Kong	HK$2	—	52.62	Property development
Wise Pacific Investment Limited	Hong Kong	HK$10,000	—	31.57***	Money lending

\# *Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

* *These companies are registered in the PRC as foreign-owned enterprises with business duration between 25 and 50 years.*

** *This company is a co-operative joint venture enterprise. Pursuant to an agreement entered into with the joint venture partner, the Group is:*

— *obliged to contribute 100% of the registered capital of the company*

— *entitled to 85% of the profit but has to bear all of the losses of the company*

— *entitled to 100% of the residual net assets of the company upon winding up*

*** *The Group holds controlling indirect interests in these companies through a non-wholly-owned subsidiary. Thus, the Group has the power to direct the financial and operating policies of these companies and they are therefore accounted for as subsidiaries.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. INTERESTS IN ASSOCIATES

	Group 2007 HK$'000	2006 HK$'000
Share of net assets	**67,517**	45,841
Market value of listed shares	**39,235**	14,771

21. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of associates are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group
Chinney Alliance Group Limited	Ordinary shares of HK$0.1 each	Bermuda	29.1

Chinney Alliance Group Limited ("Chinney Alliance") is an investment holding company with its subsidiaries engaged in manufacture and sale of industrial products and building related contracting business.

The shares of Chinney Alliance held by the Group were pledged to secure the general banking facilities granted to the Group, as further detailed in note 35(a)(v) to the financial statements.

The financial statements of Chinney Alliance have a financial year ending 31 December. The consolidated financial statements are adjusted for the material transactions between Chinney Alliance and the Group companies between 1 January and 31 March.

The Group's shareholdings in Chinney Alliance are held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised consolidated financial information of Chinney Alliance as extracted from its financial statements:

	2007	2006
	HK$'000	*HK$'000*
Total assets	**846,862**	438,573
Total liabilities	**(604,100)**	(281,105)
Revenue	**1,468,521**	1,015,001
Profit for the year	**17,031**	3,452

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**32,479**	27,648
Goodwill on acquisition	**16,286**	16,286
	48,765	43,934

The amounts due from jointly-controlled entities are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts approximate to their fair values.

Particulars of the principal jointly-controlled entities are as follows:

		Percentage of			
Name	**Place of incorporation/ registration**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Foshan Nanhai XinDa Land Development Ltd.	PRC	26.31	26.31	26.31	Property development
Guangzhou Lian Cheng Real Estate Co., Ltd.	PRC	26.31	26.31	26.31	Property development
Hunnewell Limited	Hong Kong	26.31	26.31	26.31	Property development
King Success Limited	Hong Kong	26.31	26.31	26.31	Property development
Two City Hall Place Limited (formerly 2012829 Ontario Inc.)	Canada	26.31	26.31	26.31	Property development

All of the above investments in jointly-controlled entities are indirectly held by the Company.

22. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

The above table includes the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

The application for the land use right certificate of a parcel of land, with a carrying value of HK$95,306,000 (2006: HK$90,172,000), owned by Guangzhou Lian Cheng Real Estate Co., Ltd. was in progress at the balance sheet date.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2007	2006
	HK$'000	*HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Total non-current assets	**178,264**	122,560
Total current assets	**8,214**	52,880
Total current liabilities	**(153,998)**	(147,792)
Total non-current liabilities	**(1)**	—
Net assets	**32,479**	27,648
Share of the jointly-controlled entities' results:		
Total revenue	**127,885**	228,019
Total expenses	**(123,489)**	(223,847)
Profit for the year	**4,396**	4,172

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2007 HK$'000	Group 2006 HK$'000
Unlisted equity investment, at cost	—	1,300

The above investment represents an investment in equity security which was designated as available-for-sale financial assets and had no fixed maturity date or coupon rate. The investment was stated at cost less impairment because its fair value cannot be measured reliably.

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 April 2005	(26,475)	(31,461)	9,929	168	(47,839)
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	3,561	(87,579)	1,411	(168)	(82,775)
Disposal of subsidiaries	—	11,172	—	—	11,172
Transfer to assets/(liabilities) classified as held for sale	2,068	—	(3,429)	—	(1,361)
At 31 March 2006 and 1 April 2006	(20,846)	(107,868)	7,911	—	(120,803)
Exchange realignment	—	(3,935)	—	—	(3,935)
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	2,680	(41,386)	(6,535)	2,297	(42,944)
Net deferred tax liabilities at 31 March 2007	**(18,166)**	**(153,189)**	**1,376**	**2,297**	**(167,682)**

24. DEFERRED TAX *(Continued)*

The following is the analysis of the deferred tax balances for financing reporting purpose:

	2007	2006
	HK$'000	*HK$'000*
Deferred tax assets	**155**	6,760
Deferred tax liabilities	**(167,837)**	(127,563)
	(167,682)	(120,803)

The Group has tax losses arising in Hong Kong of HK$1,087,994,000 (2006: HK$1,455,000,000) and in Mainland China of HK$887,000 (2006: Nil) and the Company has tax losses arising in Hong Kong of HK$78,771,000 (2006: HK$57,193,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 March 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly-controlled entities as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**1,720**	2,411
Work in progress	**15,223**	14,470
Finished goods	**2**	—
	16,945	16,881

26. CONSTRUCTION CONTRACTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Gross amount due from contract customers	**45,228**	55,446
Gross amount due to contract customers	**(64,705)**	(63,172)
	(19,477)	(7,726)
Contract costs incurred plus recognised profits less recognised losses to date	**6,596,617**	5,815,398
Less: Progress billings	**(6,616,094)**	(5,823,124)
	(19,477)	(7,726)

27. PROPERTIES HELD FOR SALE

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 April	**1,012,275**	1,209,402
Additions	**226,955**	735,114
Transfer to properties, plant and equipment *(note 14)*	**—**	(14,625)
Transfer to investment properties	**—**	(186,972)
Write-down of properties held for sale to net realisable value	**(7,000)**	—
Exchange realignment	**23,016**	35,502
Eliminated on sales of properties	**(231,709)**	(766,146)
At 31 March	**1,023,537**	1,012,275

Included in the balances are completed properties of HK$381,964,000 (2006: HK$451,578,000) and incomplete properties with established pre-sale programmes of HK$641,573,000 (2006: HK$560,697,000).

Interest expense and other borrowing costs incurred and capitalised in respect of incomplete properties were HK$17,186,000 (2006: HK$18,812,000).

Certain of the Group's properties held for sale with an aggregate carrying value of HK$1,013,856,000 (2006: HK$989,775,000) at the balance sheet date were pledged to secure the banking facilities granted to the Group as detailed in note 35(a)(iii) to the financial statements.

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at market value	**681**	733

The above equity investments at 31 March 2006 and 2007 were classified as held for trading.

29. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**82,643**	191,438
1 to 2 months	**9,810**	4,908
2 to 3 months	**5,292**	9,503
Over 3 months	**10,130**	14,936
	107,875	220,785

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of the balances at 31 March 2007 approximate to their fair values.

The trade and bills receivables at 31 March 2006 included in a disposal group (note 32) comprise an amount of HK$25,947,000 which is aged within one month, an amount of HK$4,935,000 which is aged between one and three months, and the remaining amount of HK$3,392,000 which is aged over three months.

The carrying amounts of the balances at 31 March 2007 approximate to their fair values.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**489,515**	461,874	**541**	4,961
Time deposits	**78,172**	65,948	**—**	—
	567,687	527,822	**541**	4,961
Less: Pledged time deposits:				
Pledged for non-current bank loans, letter of guarantee and performance bonds	**(64,572)**	(52,348)	**—**	—
Pledged for bank overdraft facilities	**(13,600)**	(13,600)	**—**	—
Cash and cash equivalents	**489,515**	461,874	**541**	4,961

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to HK$214,804,000 (2006: HK$294,887,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

31. BALANCES WITH MINORITY SHAREHOLDERS OF SUBSIDIARIES

The balances with the minority shareholders of subsidiaries are unsecured, repayable on demand and interest-free, except for the amounts due from the minority shareholders of subsidiaries totalling HK$86,114,000 which bore interest at normal commercial rates in the previous year.

The carrying amounts of the balances with minority shareholders of subsidiaries approximate to their fair values.

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

During the year, the Company completed the disposals of Gateway Group Company Limited and its subsidiaries and Royal Treasure Limited (together known as the "Gateway Group"), the assets and liabilities of the Gateway Group were classified as held for sale as at 31 March 2006 and the particulars of them are as follows:

	2006 *HK$'000*
Assets	
Property, plant and equipment	30,264
Interests in associates	200
Interests in jointly-controlled entities	20,002
Inventories	53,673
Trade receivables	34,274
Prepayments, deposits and other receivables	20,626
Amounts due from associates	3,649
Amounts due from jointly-controlled entities	1,552
Tax recoverable	808
Deferred tax assets	1,761
Cash and bank balances	1,333
Assets classified as held for sale	168,142
Liabilities	
Trade payables and accrued liabilities	44,998
Tax payable	501
Bank overdrafts	9,724
Bank loans repayable within one year	103,896
Deferred tax liabilities	400
Liabilities directly associated with the assets classified as held for sale	159,519
Net assets directly associated with the disposal group	8,623

Certain inventories and trade receivables were pledged to secure the Group's borrowing, as further detailed in note 35(a)(ix).

33. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK$75,041,000 (2006: HK$64,746,000). An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**36,978**	39,617
1 to 2 months	**16,942**	10,859
2 to 3 months	**7,663**	3,412
Over 3 months	**13,458**	10,858
	75,041	64,746

The trade and bills payables as at 31 March 2006 included in a disposal group (note 32) comprise an amount of HK$18,157,000 which is aged within one month, an amount of HK$10,635,000 which is aged between one and three months, and the remaining amount of HK$223,000 which is aged over three months.

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. The carrying amounts of trade payables and accrued liabilities approximate to their fair values.

The Company had no trade payables at the balance sheet date (2006: Nil).

34. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-bearing at Hong Kong dollar prime rate and repayable on demand. The carrying amounts of these amounts approximate to their fair values.

35. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2007			2006		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Group						
Current						
Finance lease payables *(note 37)*	**6.4**	**Up to March 2008**	**2,376**	4.3	Up to March 2007	2,227
Bank overdrafts — unsecured	**8.6**	**On demand**	**22,026**			—
Bank overdrafts — secured	**8.6**	**On demand**	**25,805**	7.1	On demand	27,043
Bank loans — unsecured	**5.9–6.3**	**Up to March 2008**	**169,400**	4.7	Up to March 2007	420,820
Bank loans — secured	**4.7–6.3**	**Up to March 2008**	**579,566**	5.0–5.8	Up to March 2007	122,726
			796,797			570,589
			799,173			572,816
Non-current						
Finance lease payables *(note 37)*	**6.4**	**2009–2010**	**2,354**	4.3	2008–2010	4,732
Bank loans — secured	**4.7–6.3**	**2009–2012**	**1,209,795**	4.6–5.8	2008–2012	1,571,807
Bank loans — unsecured	**4.6–5.8**	**2009**	**176,400**	4.6–5.8	2008–2009	270,000
			1,386,195			1,841,807
Convertible bonds *(note 36)*	**10.4**	**2009**	**262,361**			—
			1,650,910			1,846,539
			2,450,083			2,419,355
Company						
Current						
Bank loans — secured	**5.1**	**2008**	**94,000**	5.23–5.72	2007	31,000

35. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand	**796,797**	570,589	**94,000**	31,000
In the second year	**707,595**	713,344	**—**	—
In the third to fifth years, inclusive	**678,600**	1,077,763	**—**	—
Beyond five years	**—**	50,700	**—**	—
	2,182,992	2,412,396	**94,000**	31,000
Other borrowing repayable:				
Within one year	**2,376**	2,227	**—**	—
In the second year	**2,313**	2,376	**—**	—
In the third to fifth years, inclusive	**262,402**	2,356	**—**	—
	267,091	6,959	**—**	—
	2,450,083	2,419,355	**94,000**	31,000

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the balance sheet date of HK$2,054,841,000 (2006: HK$1,832,031,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying value at the balance sheet date of HK$1,019,435,000 (2006: HK$716,334,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying value at the balance sheet date of HK$1,013,856,000 (2006: HK$989,775,000);

(iv) mortgages over certain of the Group's property, plant and machinery, which had an aggregate carrying value at the balance sheet date of HK$56,035,000 (2006: HK$35,336,000 of which HK$23,993,000 was included as an asset held for sale);

35. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

(v) charge over shares in an associate, with a carrying value of HK$67,517,000 (2006: HK$45,841,000);

(vi) charge over shares in a subsidiary, with a carrying value of HK$792,777,801 (2006: HK$774,378,000);

(vii) the pledge of the Group's time deposits amounting to HK$78,172,000 (2006: HK$65,948,000) and cash deposits equivalent to HK$150,000,000 (2006: HK$150,000,000) provided by the ultimate holding company of the Group;

(viii) assignments of rental income from the leases of the Group's properties; and

(ix) charge over certain of the Group inventories and trade receivables (both included as an asset held for sale) at 31 March 2006 amounting to HK$35,100,000 and HK$19,500,000, respectively.

(b) Except for a bank loan denominated in Canadian dollars equivalent to HK$383,631,000 and certain bank loans denominated in RMB equivalent to HK$333,429,000, all other bank borrowings at the balance sheet date were denominated in Hong Kong dollars.

Other interest rate information on interest-bearing bank borrowings:

	Group			
	2007		2006	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Bank loans — unsecured	**—**	**367,826**	250,000	440,820
Bank loans — secured	**333,429**	**1,481,737**	312,500	1,409,076

	Company			
	2007		2006	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Bank loans — secured	**—**	**94,000**	—	31,000

The carrying amounts of the Group's and the Company's current and non-current bank borrowings and the Group's convertible bonds approximate to their fair values.

36. CONVERTIBLE BONDS

On 27 June 2006, a wholly-owned subsidiary of Hon Kwok issued convertible bonds due June 2011 at par for a principal sum of HK$280 million (the "Bonds"). The Bonds are guaranteed by Hon Kwok and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. The bondholders have the rights, at any time on or after 27 July 2006 up to and including the seventh business date prior to 27 June 2011 to convert the Bonds into equity shares of Hon Kwok with a nominal value of HK$1.00 each at an initial conversion price of HK$4.00 per share, subject to adjustments in certain events. There was no movement in the number of Bonds during the year. Any Bonds not converted will be redeemed at 124.5481% of their principal amount upon maturity on 27 June 2011. Upon full conversion, the Bonds shall be converted into 70 million ordinary shares of Hon Kwok. When the Bonds were issued, the prevailing market interest rate for similar bonds without the conversion option was higher than the interest rate at which the Bonds were issued.

The fair value of the liability component of the Bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The Bonds issued during the year have been split as to the liability and equity components, as follows:

	HK$'000
Nominal value of the Bonds issued during the year	280,000
Equity component*	(25,500)
Direct transaction costs attributable to the liability component	(6,731)
Liability component at the issue date	247,769
Interest expense	19,492
Interest paid	(4,900)
Liability component at 31 March 2007 *(note 35)*	**262,361**

The effective interest rate of the Bonds was 10.4% per annum. The fair value of the liability component of the Bonds was estimated using an equivalent market interest rate for a similar convertible bond. The carrying amounts of the Group's convertible bonds approximate to their fair values.

* *The direct transaction costs attributable to the equity component of the Bonds amounted to HK$674,000.*

37. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its plant and machinery for its construction business. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At 31 March 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**2,619**	2,625	**2,376**	2,227
In the second year	**2,404**	2,619	**2,313**	2,376
In the third to fifth years, inclusive	**70**	2,488	**41**	2,356
Total minimum finance lease payments	**5,093**	7,732	**4,730**	6,959
Future finance charges	**(363)**	(773)		
Total net finance lease payables	**4,730**	6,959		
Portion classified as current liabilities *(note 35)*	**(2,376)**	(2,227)		
Non-current portion *(note 35)*	**2,354**	4,732		

38. SHARE CAPITAL

Shares

	2007 HK$'000	2006 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.25 each	**250,000**	250,000
Issued and fully paid:		
551,368,153 ordinary shares of HK$0.25 each	**137,842**	137,842

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 38 and 39 of the financial statements.

(b) Company

	Notes	**Share premium account** *HK$'000*	**Retained profits** *HK$'000*	**Total reserves** *HK$'000*
Balance at 1 April 2005		267,569	540,277	807,846
Profit for the year	*11*	—	35,398	35,398
Proposed final 2006 dividend	*12*	—	(22,055)	(22,055)
At 31 March 2006		267,569	553,620	821,189
Loss for the year	*11*	—	(147,600)	(147,600)
Proposed final 2007 dividend	*12*	—	(22,055)	(22,055)
At 31 March 2007		**267,569**	**383,965**	**651,534**

40. BUSINESS COMBINATIONS

(a) In the prior year, the Group acquired an 80% interest in Shenzhen Guanghai Investment Co., Ltd. from an independent third party. Shenzhen Guanghai Investment Co., Ltd. is engaged in property development in Mainland China. The purchase consideration for the acquisition was in the form of cash, with HK$197,539,000 paid for the acquisition.

The fair values of the identifiable assets and liabilities of Shenzhen Guanghai Investment Co., Ltd. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	101	101
Properties under development	480,530	480,530
Cash and bank balances	5,644	5,644
Prepayments and other receivables	4,811	4,811
Trade payables and accrued liabilities	(18)	(18)
Bank loan	(254,808)	(254,808)
Minority interests	(38,462)	(38,462)
Loans from minority shareholders	(259)	(259)
	197,539	197,539
Satisfied by cash	197,539	

Since its acquisition, Shenzhen Guanghai Investment Co., Ltd. had no significant contribution to the Group's revenue and consolidated profit in the prior year.

Had the combination taken place at the beginning of the prior year, there would have been no material change to the revenue and the consolidated profit of the Group for that year.

40. BUSINESS COMBINATIONS *(Continued)*

(b) During 2005, the Group acquired a 90% equity interest in Guangzhou Hua Yin Land Development Co., Ltd., a company operating in Mainland China, and the Group intended to dispose of a 45% equity interest of the company to an independent third party. The management considered they exercised no control or significant influence on the company, and, accordingly, the results of the company were not consolidated into those of the Group for the year ended 31 March 2005.

In the prior year, a debt assignment programme of the company was completed. The plan for a partial disposal of the company was abandoned and management considered that full control on the company had been obtained. Accordingly, the Group consolidated the results of the company from the prior year.

The fair values of the identifiable assets and liabilities of Guangzhou Hua Yin Land Development Co., Ltd. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	58	58
Properties under development	114,224	114,224
Cash and bank balances	3,444	3,444
Prepayments and other receivables	338	338
Trade payables and accrued liabilities	(40,849)	(40,849)
Minority interests	(669)	(669)
	76,546	76,546
Available-for-sale equity investment	(50,563)	
	25,983	
Satisfied by cash	25,983	

Since its acquisition, Guangzhou Hua Yin Land Development Co., Ltd. had no significant contribution to the Group's revenue and consolidated profit in that year.

40. BUSINESS COMBINATIONS *(Continued)*

Had the combination taken place at the beginning of that year, there would had been no material change to the revenue and the consolidated profit of the Group in that year.

(c) On 9 November 2005, the Group acquired an effective 86.05% interest in Jackson Mercantile Trading Company Limited at a consideration of HK$7,800,000. The purchase consideration for the acquisition was in the form of cash.

The fair values of the identifiable assets and liabilities of Jackson Mercantile Trading Company Limited as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*	**Carrying amount** *HK$'000*
Investment properties	11,500	11,500
Retention monies receivables	744	744
Amounts due from customers for contract work	85	85
Prepayments and other receivables	252	252
Cash and bank balances	739	739
Trade payables and accrued liabilities	(520)	(520)
Bank loan	(5,000)	(5,000)
	7,800	7,800
Satisfied by cash	7,800	

Since its acquisition, Jackson Mercantile Trading Company Limited had no significant contribution to the Group's revenue and consolidated profit in the prior year.

Had the combination taken place at the beginning of the prior year, there would had been no material change to the revenue and the consolidated profit of the Group in that year.

40. BUSINESS COMBINATIONS *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries was as follows:

	HK$'000
Cash consideration	231,322
Cash and bank balances acquired	(9,827)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	221,495

41. DISPOSAL OF SUBSIDIARIES

On 24 July 2006, the Group disposed of its entire interest in Gateway Group Holdings Limited and Royal Treasure Limited for an aggregate cash consideration of HK$8,600,000. The transaction was completed on 24 October 2006.

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

In the prior year, the Group disposed of 50% of the issued share capital of Rich Central Limited and assigned related shareholders' loans amounting to HK$44,963,000, for a cash consideration of HK$45,659,000. In addition, the Group disposed of 50% of the issued share capital of Floralmist Holdings Ltd. and assigned related shareholders' loans amounting to HK$73,207,000 for a cash consideration of HK$128,532,000.

	2007	2006
	HK$'000	*HK$'000*
Net assets disposed of:		
Goodwill	**—**	32,572
Property, plant and equipment	**28,902**	78
Interests in jointly-controlled entities	**24,278**	—
Available-for-sale investments	**1,300**	—
Amounts due from associates	**4,089**	—
Amounts due from jointly-controlled entities	**351**	—
Properties under development	**—**	243,668
Inventories	**22,810**	—
Prepayments and other receivables	**49,255**	119
Cash and bank balances	**1,533**	2,446
Other payables and accruals	**(25,192)**	(3,600)
Bank loans	**(89,452)**	—
Shareholders' loans	**—**	(236,341)
Amounts due to related companies	**(13,776)**	—
Tax recoverable	**501**	—
Deferred taxation assets/(liabilities)	**1,445**	(11,172)
	6,044	27,770
Release of exchange fluctuation reserve	**1,084**	(2,161)
Gain on disposal of subsidiaries	**1,472**	44,818
	8,600	70,427
Satisfied by:		
Cash consideration received	**8,600**	174,190
Assignment of shareholders' loans	**—**	(118,170)
Interests in jointly-controlled entities	**—**	14,407
	8,600	70,427

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007	2006
	HK$'000	*HK$'000*
Cash consideration	**8,600**	174,190
Bank loans disposed of	**89,452**	—
Cash and bank balances disposed of	**(1,533)**	(2,446)
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries	**96,519**	171,744

The subsidiaries disposed did not have any significant impact to the Group's operating results and cash flows in the current and prior years.

42. MAJOR NON-CASH TRANSACTIONS

(a) Amounts due to minority shareholders of subsidiaries

Obligations of minority shareholders on capital contribution in connection with the investment in subsidiaries of HK$73,541,000 were released against the minority interests balance in equity.

(b) Finance leases

During the year ended 31 March 2006, the Group entered into finance lease arrangements in respect of plant and machinery with a total capital value at the inception of the contracts of HK$9,140,000.

43. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**165,000**	165,538

As at 31 March 2007, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$118,800,000 (2006: HK$125,400,000).

(b) Chinney Construction Company, Limited, a subsidiary of the Group, was involved in legal proceedings and claims against it in the ordinary course of its business. The aggregate amount of claims, including estimated legal costs, resulting from such contingent liabilities was approximately HK$31,004,000 as at 31 March 2007 (2006: HK$31,004,000). The directors of the Company consider that, after taking into account of the legal advices obtained, these proceedings and claims were made without valid grounds and accordingly, no provision for any potential liabilities is considered necessary.

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

44. OPERATING LEASE ARRANGEMENTS *(Continued)*

At 31 March 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**16,574**	33,688
In the second to fifth years, inclusive	**13,035**	19,529
	29,609	53,217

Certain of the Group's bank loans are secured by assignments of rental income from the leases of the Group's properties as detailed in note 35(a)(viii).

At the balance sheet date, the Company had no operating lease arrangement as lessor.

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties and office equipment are negotiated for terms ranging from one to three years.

At 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**15,649**	4,185
In the second to fifth years, inclusive	**13,358**	5,451
After five years	**—**	1,256
	29,007	10,892

44. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Company had no operating lease commitments at the balance sheet date.

At 31 March 2007, a jointly-controlled entity had annual commitments payable under non-cancellable operating leases for land and buildings falling due within one year and in the second to fifth years inclusive amounting to HK$29,000 (2006: HK$1,073,000) and HK$5,000 (2006: HK$1,546,000), respectively. The Group's shares of these operating lease commitments amounted to HK$15,000 (2006: HK$536,500) and HK$3,000 (2006: HK$773,000), respectively.

45. CAPITAL COMMITMENTS

In addition to the operating lease commitment detailed in note 44(b), the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to approximately HK$211,754,000 (2006: HK$209,672,000) at the balance sheet date.

The Company did not have any significant capital commitments at the balance sheet date. The Group's share of the jointly-controlled entities' authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties, which are not included in the above, amounted to HK$4,356,000 (2006: Nil).

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2007** **HK$'000**	2006 HK$'000
Rental income received from jointly-controlled entities	*(i)*	**—**	659
Management fee income received from an associate	*(ii)*	**2,000**	2,000
Commission paid to the ultimate holding company	*(iii)*	**2,625**	2,625
Legal and professional fees paid to a firm of which a director of the Company is a consultant	*(iv)*	**135**	349

46. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) The rental received from the jointly-controlled entities was charged with reference to the market rental.

(ii) The management fees are charged to Chinney Alliance based on the time involvement of the personnel providing services. James Sai-Wing Wong, a director of the Company, is a director of and has beneficial interest in Chinney Alliance. Herman Man-Hei Fung is a director of the Company and Chinney Alliance.

(iii) The commission was paid to the ultimate holding company for the provision of cash security for certain bank loans granted to the Group and was charged at a rate mutually agreed upon by both parties. Further details of which are included in paragraph (b) below.

(iv) The legal and professional fees paid were charged under normal commercial terms.

(b) Other transaction with related parties:

(i) In July 2006, Lucky Year extended the cash security arrangement in favour of the Group for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to the bank loans of HK$150 million granted by the banks to the Group. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement. Please refer to paragraph (a)(iii) above for the commission paid during the year.

(ii) On 24 July 2006, Grow Ahead Enterprises Limited, a related company of the Company, as purchaser, and the Company, as vendor, entered into an agreement relating to the disposal of the entire issued share capital of Gateway Group Holdings Limited and Royal Treasure Limited and the assignment of the related shareholder's loan for an aggregate cash consideration of HK$8,600,000. The subsidiaries of Gateway Group Holdings Limited are engaged in garment manufacturing and trading. The transaction was completed on 24 October 2006.

Further particulars of this transaction are set out in the circular to the shareholders of the Company dated 15 August 2006.

46. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties:

As disclosed in the consolidated balance sheet, the Group had outstanding balances with its jointly-controlled entities and related companies as at the balance sheet date. Particulars of the terms of the balances with jointly-controlled entities and related companies are set out in notes 22 and 34, respectively, to the financial statements.

(d) Compensation of key management personnel of the Group:

	2007	2006
	HK$'000	*HK$'000*
Short term employee benefits	**7,535**	5,400

Further details of directors' emoluments are included in note 8 to the financial statements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include retention monies receivable, trade and bills receivables, amounts due from jointly-controlled entities, amounts due from customers for contract work, other receivables, pledged deposits, cash and cash equivalents, trade payable and accrued liabilities, customer deposits, amounts due to customers for contract work, amounts due to minority shareholders of subsidiaries, and interest-bearing bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Price risk

The Group's financial assets at fair value through profit and loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

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

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. The Group currently does not have any policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Credit risk

The Group trades only with recognised and creditworthy third parties with diversified range, except for the sales of properties, for which no credit is given to the customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise trade and bills receivables, cash and cash equivalents, amounts due from customers for contract work, retention monies receivable, and amounts due from jointly-controlled entities, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group's credit risk exposure spreads over a number of counterparties and customers, thus no significant concentration of credit risk.

Liquidity risk

The Group finances its operations by a combination of borrowings and equity. Adequate lines of credit are maintained to ensure the necessary liquidity is available when required. The management monitors the liquidity position of the Group on a periodical basis to ensure the availability of sufficient liquid funds to meet all obligations.

48. POST BALANCE SHEET EVENTS

(a) On 11 May 2007, a subsidiary of the Group, Cheerworld Group Limited, as purchaser, entered into a sale and purchase agreement, with Enhancement Investments Limited ("Enhancement"), Galantine Management Limited and Sharp-View Group Inc., as vendors, for the acquisition of the entire issued share capital of Unity Wise International Limited and the assignment of related shareholders' loans to the Group at an aggregate cash consideration of HK$90,000,000. On the same date, Cheerworld Group Limited, as purchaser, entered into another sale and purchase agreement with Enhancement, as vendor, for the acquisition of 50% of the issued share capital of Ample Joy International Limited and the assignment of related shareholder's loan to the Group at an aggregate cash consideration of HK$12,000,000. Both acquisitions constituted discloseable and connected transactions to the Company under the Listing Rules as Enhancement is a connected person of the Company under the Listing Rules by virtue of the fact that it is a company controlled by James Sai-Wing Wong, a director and substantial shareholder of the Company. These two acquisitions were completed on 4 July 2007.

(b) On 22 May 2007, a subsidiary of the Group, Chinney Construction Company, Limited, as vendor, entered into a sale and purchase agreement with Shun Cheong Investments Limited, a wholly-owned subsidiary of Chinney Alliance for the disposal of the entire issued share capital of Apex Curtain Wall and Windows Company Limited for a cash consideration of HK$298,000. As James Sai-Wing Wong, a director and substantial shareholder of the Company, is deemed to have interest in Shun Cheong Investments Limited and Chinney Alliance, accordingly Shun Cheong Investments Limited and Chinney Alliance are connected persons of the Company under the Listing Rules. The above transaction constituted a connected transaction to the Company under the Listing Rules and was completed on 1 June 2007.

49. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation as the reclassification better reflects the financial position of the Group.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 July 2007.

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements as restated/reclassified as appropriate, is set out below.

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**1,764,804**	2,361,233	1,417,927	1,685,089	1,447,896
Profit/(loss) before tax	**70,795**	565,861	273,540	62,356	(187,027)
Tax credit/(charge)	**(68,380)**	(147,768)	1,403	(4,126)	(13,876)
Profit/(loss) for the year	**2,415**	418,093	274,943	58,230	(200,903)
Attributable to:					
Equity holders of the Company	**(26,975)**	189,838	179,263	13,956	(205,451)
Minority interests	**29,390**	228,255	95,680	44,274	4,548
	2,415	418,093	274,943	58,230	(200,903)

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**6,147,329**	5,918,577	4,452,814	3,934,594	1,572,189
Total liabilities	**3,333,448**	3,359,463	2,435,496	2,369,728	642,086
Minority interests	**1,358,125**	1,150,974	867,640	622,920	4,238

Note: *Amounts disclosed in the financial summary for 2005 have been restated to reflect changes in accounting policies in 2006. The financial summary for year 2003 to 2004 are not restated for practical reasons.*

GROUP I — PROPERTIES HELD FOR DEVELOPMENT

Location	Use	Site area (sq.ft.)	Gross floor area (sq.ft.)	Development progress (up to 12 July 2007)	Estimated completion date	Attributable interest of the Group (%)
MAINLAND CHINA						
1. Dali District Nanhai Guangdong Province	Low density residential	2,668,340	2,668,340	Phase I – Design development in progress	—	26.31
				Phase II – Planning stage	—	26.31
2. Liwan District Guangzhou Guangdong Province	Commercial/ Residential	50,841	434,801	Design development in progress	—	26.31
3. Dong Guan Zhuan Dongguanzhuan Road Tianhe District Guangzhou Guangdong Province	Residential	1,041,267	2,881,255	Planning stage	—	39.47
4. Long Dong Cun Guangshan Road Western Tianhe District Guangzhou Guangdong Province	Residential	1,224,445	2,448,890	Phase I – Superstructure work in progress	6/2008	31.57
				Phase II – Planning stage	—	31.57
5. 17–43 Beijing Nan Road Yuexiu District Guangzhou Guangdong Province	Commercial/ Residential	26,373	366,669	Renovation in progress	6/2008	51.04
6. 67–107 Beijing Nan Road Yuexiu District Guangzhou Guangdong Province	Commercial	29,924	489,074	Planning stage	—	52.62
7. Junction of Shennanzhong Road and Fuming Road Futian District Shenzhen Guangdong Province	Commercial/ Residential	84,411	1,377,280	Planning stage	—	52.62

GROUP I — PROPERTIES HELD FOR DEVELOPMENT *(Continued)*

Location	Use	Site area *(sq.ft.)*	Gross floor area *(sq.ft.)*	Development progress (up to 12 July 2007)	Estimated completion date	Attributable interest of the Group *(%)*
CANADA						
8. South – West Corner of Bay Street and Dundas Street West Toronto Ontario (Phase I – One City Hall)	Mainly condominium development with shops and carparks	37,979	422,724	– Construction works substantially completed – Building amenities works in progress	9/2007	39.47
9. South – West Corner of Bay Street and Dundas Street West Toronto Ontario (Phase II)	Mainly condominium development with commercial and carparks	36,545	262,523	Planning stage	—	26.31

GROUP II — COMPLETED PROPERTIES

	Location	Use	Remaining unsold units	Gross floor area (sq.ft.)	Car parking spaces	Attributable interest of the Group (%)
HONG KONG						
10.	Le Village (駿愉居) 49 Village Road Happy Valley Hong Kong	Residential	2 units	2,246	2	26.31
11.	Shun Cheong Building (順昌大廈) 20–34 Hau Wo Street Kennedy Town Hong Kong	Commercial	4 ground floor shops 2 floors of commercial units	10,953	—	52.62
12.	Kent Place (金濤閣) 8 Yen Chow Street Shum Shui Po Kowloon	Commercial	2 ground floor shops	2,090	—	52.62
13.	Kensington Plaza (金威廣場) 98 Parkes Street Jordan Kowloon	Commercial	9 ground floor shops	6,649	—	52.62
14.	Fulham Court (順發居) 140–146 Castle Peak Road Cheung Sha Wan Kowloon	Commercial	1 floor of commercial units	4,726	—	52.62
15.	A portfolio of residential units, mainly at Laguna City (麗港城) and Sky Tower (傲雲峰)	Residential	86 units	59,520	2	52.62
MAINLAND CHINA						
16.	City Square (城市天地廣場) Jiabin Road Luohu District Shenzhen Guangdong Province	Serviced apartments	64 units	39,722	—	52.62

GROUP III — PROPERTIES HELD FOR INVESTMENT

Location	Use	Gross floor area *(sq.ft.)*	No. of apartments	Ownership status	Attributable interest of the Group *(%)*
HONG KONG					
17. Hon Kwok Jordan Centre (漢國佐敦中心) 5, 7 & 7A Hillwood Road Tsim Sha Tsui Kowloon	Commercial/ Office	60,857	—	Medium term lease	52.62
18. The Bauhinia and Honwell Commercial Centre (寶軒及漢貿商業中心) 119–121 Connaught Road Central & 237–241 Des Voeux Road Central Hong Kong	Serviced apartments/ Commercial/ Office	122,823	112	Long term lease	52.62
19. Yien Yieh Commercial Building (鹽業商業大廈) 236–242 Des Voeux Road Central Hong Kong	Commercial/ Office	46,410	—	Long term lease	52.62
20. Hon Kwok TST Centre (漢國尖沙咀中心) 5–9 Observatory Court Tsim Sha Tsui Kowloon	Commercial/ Office	59,608	—	Medium term lease	52.62
MAINLAND CHINA					
21. City Square (城市天地廣場) Jiabin Road Luohu District Shenzhen Guangdong Province	Commercial podium	218,515	—	Medium term lease	52.62

GROUP IV — CARPARKS HELD FOR INVESTMENT

Location	Car parking spaces	Ownership status	Attributable interest of the Group *(%)*
HONG KONG			
22. Provident Centre (和富中心) 21–53 Wharf Road North Point Hong Kong	336	Long term lease	52.62
23. Lido Garden (麗都花園) 41–63 Castle Peak Road Sham Tseng Tsuen Wan New Territories	115	Medium term lease	52.62
24. Shining Court (順寧居) 439 Shun Ning Road Cheung Sha Wan Kowloon	26	Medium term lease	52.62