建業實業有限公司
Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

RESULTS

The directors (the "Directors") of Chinney Investments, Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2005 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September,	
		2005	2004
		(Unaudited)	(Unaudited and restated)
	Notes	***HK$'000***	*HK$'000*
Turnover	*4*	**1,243,153**	725,904
Cost of sales		**(1,025,556)**	(600,774)
Gross profit		**217,597**	125,130
Other operating income		**14,806**	13,817
Selling and distribution costs		**(26,186)**	(37,187)
Administrative expenses		**(84,385)**	(91,347)
Finance costs	*5*	**(30,593)**	(14,038)
Release of negative goodwill of subsidiaries		**–**	29,754
Share of results of associates		**227**	2,246
Share of results of jointly-controlled entities	*6*	**2,928**	7,370
Write off of debt due from a jointly-controlled entity		**–**	(3,873)
Profit before taxation	*7*	**94,394**	31,872
Taxation (charge)/credit	*8*	**(14,644)**	1,484
Profit for the period		**79,750**	33,356
Attributable to:			
Equity holders of the parent		**39,111**	30,644
Minority interests		**40,639**	2,712
		79,750	33,356
Earnings per share	*9*		
Basic		**7.1 cents**	5.6 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30th September, 2005 (Unaudited) HK$'000	As at 31st March, 2005 (Audited and restated) HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**247,007**	262,760
Prepaid premium for land lease	**15,095**	15,030
Properties under development	**804,804**	582,586
Investment properties	**1,330,527**	1,329,400
Interests in associates	**44,614**	59,824
Interests in jointly-controlled entities	**56,760**	52,325
Negative goodwill	**–**	(69,426)
Deferred taxation assets	**5,275**	5,275
Available-for-sale investments	**74,895**	53,015
Retention monies receivable	**–**	14,174
	2,578,977	2,304,963
CURRENT ASSETS		
Inventories	**69,388**	83,691
Properties held for sale	**1,320,341**	1,209,402
Prepaid premium for land lease	**395**	395
Amounts due from customers for contract work	**76,355**	48,048
Retention monies receivable	**46,273**	30,736
Debtors and prepayments	**418,304**	259,701
Amounts due from associates	**11,916**	12,601
Amounts due from jointly-controlled entities	**1,260**	1,133
Loans to minority shareholders of subsidiaries	**85,632**	39,747
Taxation recoverable	**4,437**	6,565
Investments at fair value through profit or loss	**733**	635
Pledged bank balances	**52,720**	78,600
Bank balances and cash	**308,842**	376,597
	2,396,596	2,147,851
CURRENT LIABILITIES		
Creditors and accrued charges	**311,840**	246,748
Customers' deposits	**12,996**	11,850
Sales deposits received	**107,763**	295,787
Amounts due to customers for contract work	**32,084**	32,076
Amount due to a minority shareholder of a subsidiary	**23,255**	–
Loans from minority interests	**68,527**	–
Amounts due to a related company	**30,000**	–
Taxation payable	**19,829**	5,858
Dividend payable	**16,541**	–
Obligations under finance leases		
– due within one year	**2,595**	3,095
Bank borrowings		
– due within one year	**968,135**	400,364
	1,593,565	995,778
NET CURRENT ASSETS	**803,031**	1,152,073
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,382,008**	3,457,036

	As at 30th September, 2005 (Unaudited)	As at 31st March, 2005 (Audited and restated)
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Obligations under finance leases		
– due after one year	**5,788**	6,840
Bank borrowings		
– due after one year	**1,115,859**	1,302,788
Deferred taxation liabilities	**47,853**	53,114
Amounts due to minority shareholders of subsidiaries	**–**	76,976
	1,169,500	1,439,718
	2,212,508	2,017,318
CAPITAL AND RESERVES		
Equity attributable to equity holders of the parent		
Share capital	**137,842**	137,842
Reserves	**1,118,810**	1,011,836
	1,256,652	1,149,678
Minority interests	**955,856**	867,640
	2,212,508	2,017,318

Notes:

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention except for investment properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements of the Group for the year ended 31st March, 2005, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005 with the exception of fair value assessment of investment properties as detailed in the accounting policy for investment properties below. The application of these new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business combination

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

Goodwill

In previous periods, goodwill/negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisition after 1st April, 2001 was capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition after 1st April, 2001 is presented as a deduction from assets and recognised as income based on an analysis of the circumstances from which the balance resulted. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually/ in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. Negative goodwill arising on acquisitions after 1st April, 2005 is recognised immediately in the profit and loss account. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period, goodwill held in reserves was fully impaired against retained profits and the carrying amount of negative goodwill including that remaining in consolidated capital reserve, was derecognised against retained profits. Comparative figures have not been restated (see Note 3 for the financial impact).

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

By 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the results for the prior period and no prior period adjustment is necessary.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. There were no material impact resulted from the classification and measurement.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1st April, 2005. As a result, the Group's bill receivables with full recourse which were derecognised prior to 1st April, 2005 have not been restated. As at 30th September, 2005, the Group's bills receivables with full recourse have not been derecognised. Instead, the related borrowings of HK$13,143,000 have been recognised on the balance sheet date. This change has had no material effect on the results for the current period.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. Under HKAS 17 "Leases", the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. The consideration paid is allocated between the land and buildings elements unless impracticable. The leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April, 2005 onwards. The amount held in investment property revaluation reserve at 1st April, 2005 has been transferred to the Group's retained profits (see Note 3 for the financial impact).

The Directors considered not meaningful to revalue all investment properties at each interim period end, as there could be significant ups and downs on the capital value of properties over a financial year, which ends up a high volatility of earnings in the income statement. So, the Group will follow the existing policy to assess the fair value of the investment properties at 31st March, 2006 and at each subsequent year end.

Deferred taxes related to revalued investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" which states that deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the deferred tax consequences of the revalued investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see Note 3 for the financial impact).

Interests in Jointly Controlled Entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 "Interests in Jointly Controlled Entities" allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue applying the equity method to account for its interests in jointly controlled entities. As a result, there has been no change in accounting policy in respect of the Group's interests in jointly controlled entities.

3. Financial impact

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

Balance sheet items	**31.3.2005**	**Adjustments**	**31.3.2005**	**Adjustments**	**1.4.2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(originally stated)		(restated)		(restated)
Property, plant and equipment	278,185	(15,425)	262,760	–	262,760
Prepaid premium for land lease	–	15,425	15,425	–	15,425
Interests in associates	59,824	–	59,824	(532)	59,292
Negative goodwill	(69,426)	–	(69,426)	69,426	–
Deferred tax liabilities	(50,488)	(2,626)	(53,114)	–	(53,114)
Total effects on assets and liabilities		(2,626)		68,894	
Total effects on shareholders' fund	(1,151,197)	1,519	(1,149,678)	(68,894)	(1,218,572)
Minority interests	(868,747)	1,107	(867,640)	–	(867,640)

Impact of the early adoption of HK Interpretation 3 – "Revenue – Pre-completion contracts for the sale of development properties" ("HK Int 3") on the results of the Group for same period last year:

As disclosed in the Group's financial statements for the year ended 31st March, 2005, the Group has early adopted HK Int 3 in the financial statements for the year ended 31st March, 2005. The Group has retrospectively applied HK Int 3 to pre-completion contracts for the sale of development properties entered into before 1st January, 2005.

HK Int 3 was re-issued in May 2005 after the Group published its unaudited condensed consolidated interim financial statements for the six months ended 30th September, 2004 and accordingly, the Group's profits arising on the pre-completion contracts for the sale of development properties for the six months ended 30th September, 2004 as previously reported, was recognised over the course of the development and was calculated on each project as a proportion of the total estimated profit to completion, after taking into account further costs to completion. The proportion used was the estimated construction costs of pre-sold units over the total estimated construction costs of the development properties. The profit per pre-sold unit so recognised was restricted to the amount of instalments received and receivable under legally binding contracts at the balance sheet date.

Upon the adoption of HK Int 3, revenue is to be recognised only when all of the criteria specified in paragraph 14 of HKAS 18 "Revenue" are met.

As a consequence, the early adoption of HK Int 3 impacted the Group's result for the period ended 30th September 2004 as previously reported, and resulted in a reduction of profit attributable to equity holders of the parent by HK$1,989,000. The comparative amounts had been restated accordingly.

4. Segment information

An analysis of the Group's turnover and contribution to profit from operations by business segments and turnover by geographical segments is as follows:

Business segments

	Construction activities Six months ended 30th September,		**Garment activities Six months ended 30th September,**		**Property development activities Six months ended 30th September,**		**Property investment activities Six months ended 30th September,**		**Others Six months ended 30th September,**		**Consolidated Six months ended 30th September,**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	(Unaudited)	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)
	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	**267,730**	271,936	**326,513**	334,820	**609,195**	80,533	**37,589**	34,712	**2,126**	3,903	**1,243,153**	725,904
Segment results	**(8,424)**	3,349	**17,242**	(3,737)	**88,856**	(12,587)	**23,910**	21,245	**998**	2,910	**122,582**	11,180
Net income from investments											**2,067**	2,502
Unallocated corporate expenses											**(2,817)**	(3,269)
Finance costs											**(30,593)**	(14,038)
Release of negative goodwill of subsidiaries											**–**	29,754
Share of results of associates	**–**	–	**74**	741	**–**	–	**–**	–	**153**	1,505	**227**	2,246
Share of results of jointly-controlled entities	**(36)**	–	**2,811**	3,482	**161**	3,873	**–**	–	**(8)**	15	**2,928**	7,370
Write off of debt due from a jointly-controlled entity	**–**	–	**–**	–	**–**	(3,873)	**–**	–	**–**	–	**–**	(3,873)
Profit before taxation											**94,394**	31,872
Taxation (charge)/credit											**(14,644)**	1,484
Profit for the period											**79,750**	33,356

Geographical segments

	Turnover Six months ended 30th September, 2005 (Unaudited) HK$'000	2004 (Unaudited and restated) HK$'000
Hong Kong	**348,167**	375,348
North America	**194,120**	189,575
Europe	**120,711**	125,906
The People's Republic of China (other than Hong Kong)	**565,224**	12,330
Others	**14,931**	22,745
	1,243,153	725,904

5. Finance costs

	Six months ended 30th September, 2005 (Unaudited) HK$'000	2004 (Unaudited and restated) HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**42,531**	25,067
Bank borrowings wholly repayable after five years	**1,354**	773
Finance leases	**199**	38
	44,084	25,878
Less: Amounts capitalised under property development projects	**13,491**	11,840
	30,593	14,038

6. Share of results of jointly-controlled entities

	Six months ended 30th September, 2005 (Unaudited) HK$'000	2004 (Unaudited and restated) HK$'000
Operating profit, net	**2,928**	3,497
Waiver of debts	**–**	3,873
	2,928	7,370

During the last corresponding period, the Group and its joint venture partner wrote off the debts which were non-recoverable from a jointly-controlled entity. The corresponding debit of HK$3,873,000 was recognised as write off of debt due from a jointly-controlled entity whilst the corresponding credit of HK$3,873,000 was recognised as share of profits of jointly-controlled entities.

7. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30th September, 2005 (Unaudited) *HK$'000*	2004 (Unaudited and restated) *HK$'000*
Depreciation of property, plant and equipment		
Owned assets	**21,176**	23,527
Assets held under hire purchase contracts	**683**	242
	21,859	23,769
Less: Amount capitalised in contract costs	**2,180**	2,134
	19,679	21,635
Staff costs (including directors' emoluments)	**82,331**	97,139
Less: Amount capitalised in contract costs	**22,690**	31,351
	59,641	65,788
Unrealised loss on investments in securities	**–**	15
and after crediting:		
Unrealised gain on investments in securities	**(98)**	–
Bank interest income	**(1,955)**	(2,189)

8. Taxation charge/(credit)

	Six months ended 30th September, 2005 (Unaudited) *HK$'000*	2004 (Unaudited and restated) *HK$'000*
Hong Kong profits tax		
Current period	**1,080**	1,389
Over provision in prior periods	**(39)**	(45)
	1,041	1,344
Other jurisdictions	**18,893**	1,932
	19,934	3,276
Deferred taxation credit	**(5,290)**	(4,760)
	14,644	(1,484)

Hong Kong profits tax is calculated at 17.5% on the estimated assessable profits of the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. **Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of HK$39,111,000 (2004 (restated): HK$30,644,000) and on 551,368,153 (2004: 551,368,153) shares in issue during the period.

There has been no dilutive effect on the basic earnings per share for the periods ended 30th September, 2005 and 30th September, 2004 as the exercise prices of outstanding share options of an associate of the Group were higher than the average market price of its shares during both periods.

10. **Comparative amounts**

As explained in Notes 2 and 3, due to the adoption of new and revised HKFRSs during the current period, the presentation of certain items and balances in the condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2005 (2004: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September, 2005, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions By Directors

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 of all directors, the directors have complied with the required standard set out in the Model Code during the six months ended 30th September, 2005.

Compliance with Code on Corporate Governance Practices

In the opinion of the directors, 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 six months ended 30th September, 2005, except for the CG Code provision C.2 on internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005) and the following deviations:

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. However, all the existing non-executive directors of the Company are not appointed for specific term 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 Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

2. CG Code provision A.4.2 stipulates that (a) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; and (b) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the articles of association of the Company, (a) any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election; (b) at each annual general meeting, 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, shall retire from office, provided that no director holding office as executive chairman or as a managing director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

The Board will ensure the retirement of each director, other than the one who holds the office as chairman and managing director, by rotation at least once every three years in order to comply with the CG Code provisions. The Board considered that the continuity of office of the chairman and managing director provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

3. CG Code provision A.5.4 stipulates that the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in the securities of the issuer.

   A Code for Securities Transactions for Relevant Employees which is on no less exacting terms than the Model Code has been adopted by the Board on 16th December, 2005.

4. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference of the remuneration committee on 16th December, 2005 with certain deviation from the CG Code provisions. Pursuant to the terms of reference, the remuneration committee should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of Executive Directors only but not senior management.

5. CG Code provisions B.1.4 and C.3.4 stipulate that the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website.

   At present, the Company does not maintain a website. However, the terms of reference of the two committees are available from the Company Secretary on request.

Audit committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30th September, 2005 has not been audited, but has been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$2,092 million as at 30th September, 2005 (as at 31st March, 2005: HK$1,713 million), of which approximately 46% of the debts were due and repayable within one year. Total cash on hand was approximately HK$362 million as at 30th September, 2005 (as at 31st March, 2005: HK$455 million). Total shareholders' fund as at 30th September, 2005 was approximately HK$1,257 million (as at 31st March, 2005 (restated): HK$1,150 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK$1,730 million over the total shareholders' fund plus minority interests of approximately HK$2,213 million, was 78% as at as at 30th September, 2005 (as at 31st March, 2005: 62%). The Group's apparent high gearing is primarily due to consolidating all debts of Hon Kwok, a 59% owned but separately listed subsidiary of the Group. Had Hon Kwok been equity accounted for as an associate in previous years, the pro forma gearing of the Group at period end would have been 18%.

The Group had a total of HK$694 million committed but undrawn banking facilities at period end available for its working capital purpose.

Funding and treasury policies

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

Pledge of assets

Inventories, trade debts, bank balances, properties and shares of an associate with an aggregate book value of HK$2,267 million as at 30th September, 2005 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

Contingent liabilities

As at 30th September, 2005, the Group has no contingent liability in respect of guarantees provided for banking facilities utilised by a jointly-controlled entity (as at 31st March 2005: HK$92,701,000). During the period, the guarantees were released upon replacement by new banking facilities granted to the jointly-controlled entity without guarantees by the Group.

Save for the above, there was no significant change to the contingent liabilities of the Group as disclosed in the annual report of the Group for the year ended 31st March, 2005.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 2,800 people as at 30th September, 2005. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONSOLIDATED RESULTS

The Group was profitable for the six months ended 30th September, 2005. The net profit after minority interests was HK$39 million (2004 (restated): HK$31 million) against increased turnover to HK$1,243 million (2004 (restated): HK$726 million) in the period.

Hon Kwok Land Investment Company, Limited ("Hon Kwok"), the property company within the Group delivered satisfactory results. City Square (城市天地廣場), a residential and commercial project developed by Hon Kwok in the Mainland China, was completed in June 2005. The recognition of pre-sales proceeds as turnover boosted up the turnover of Hon Kwok and thus of the Group in the period.

The Company acted as an underwriter for the Hon Kwok's rights issue in May 2003 and acquired additional shareholding in Hon Kwok at a price of HK$1 per share. The price represented a discount to the fair asset value of Hon Kwok, thus creating a negative goodwill being amortised to the profit and loss account for a period of three years commencing from June 2003. The negative goodwill so amortised to the profit and loss account in the last period was HK$30 million. To conform to the new accounting standard, the Group derecognised the outstanding negative goodwill of HK$69 million as at 31st March, 2005 and transferred the entire balance to the opening balance of retained earnings. The profit growth of the Group was therefore not as apparent, as there was an income of HK$30 million arising from negative goodwill amortisation in the last period and was not reported in the same period this year.

REVIEW OF OPERATIONS

Property

The Hon Kwok shares were trading at attractive discount to its net assets. As such, the Company accumulated further shares in Hon Kwok, increasing its shareholding from 58% to 59% subsequent to the period end. Hon Kwok reported a satisfactory results in the period. Turnover and profit after minority interests went up to HK$649 million (2004 (restated): HK$119 million) and HK$91 million (2004 (restated): HK$2.7 million), respectively. The profit momentum came mainly from City Square (城市天地廣場), a residential and commercial development in the Luo Hu District of Shenzhen, the PRC, which was completed in June 2005.

In preparing the financial statements for the year ended 31st March, 2005, Hon Kwok early adopted the new accounting standard on recognition of turnover and profit arising from pre-sale of properties. The early adoption has resulted in revenue of HK$50 million and net profit of HK$2 million attributable to the Group previously recognised for pre-sale of City Square (城市天地廣場) in the first half of last year being booked into the first half of this year. As a result, prior year comparatives have been restated accordingly to reflect the change.

Investment properties held for rental purpose play a significant part in the assets of Hon Kwok. The new accounting standard requires all investment properties being measured at fair value at each reporting period end in case an entity chooses the fair value model for its investment properties. The frequency of revaluation is in contrast to the Hon Kwok's present policy that all investment properties are revalued annually to their open market values at the end of each financial year. Having evaluated the characteristics of the property market, the Hon Kwok directors determine that it would be more appropriate to revalue investment properties at each year end as before to minimize the volatility of earnings in the profit and loss account.

Construction

The Group's Construction Division continues to engage in sub-structure and superstructure building construction. The Construction Division reported turnover of HK$268 million (2004: HK$272 million) and a net loss of approximately HK$10.7 million (2004: profit of HK$6.6 million) in the period. The unsatisfactory operating results of the Construction Division is a reflection of the prolonged contraction in public expenditure in housing and infrastructure related projects.

The construction industry is experiencing a period of consolidation with smaller players becoming increasingly difficult to remain in business. The beginning of this process may however signal the end of a major restructuring in the industry. With the financial and management strengths, the Division will benefit when the market begins to revive. In Macau, the economy is experiencing a phenomenal growth with many projects coming on stream. The Division has established its presence over there and to date has been awarded construction contracts of about HK$220 million.

Garment

The Garment Division registered turnover of HK$327 million (2004: HK$335 million) and a net profit of HK$14.8 million (2004: net loss of HK$4.5 million) in the period. J.L. Chinney Group, wholly owned by the Group, and SGA Holdings Limited, a 50% jointly-controlled entity, continued to trade profitably despite a rather chaotic year for the apparel industry. After years of losses which dampened the overall performance of the Division, our Indonesian operation achieved operational breakeven during the period.

China and the European Union as well as the USA have reached agreement on temporary quota for key textile/apparel categories for the next two and three years respectively. These developments helped to restore some stability and predictability to the apparel industry although the market remains highly competitive. Increasingly, the industry players are competing on strengths in terms of service and operational efficiency. To meet this challenge, the Indonesian management team has recently relocated its management center to Hong Kong, which is closer to the customers. In order to reduce operating cost, the Indonesian factory PT. Prefash has moved the manufacturing facilities away from Jakarta to Sukabumi. J.L. Chinney Group has broadened its customer base and market and achieved higher turnover and profit over same period last year. SGA Group delivered a steady performance and contributed a net profit of HK$2.8 million (2004: HK$3.5 million) to the Group.

Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29% owned associate of the Group, remained profitable for the six months ended 30th June, 2005. The net profit after minority interests was HK$0.5 million (2004: HK$5.2 million), against increased turnover to HK$535 million (2004: HK$496 million).

The plastics and chemical business under Chinney Alliance posted a 21% increase in turnover as plastic resin prices went up in tandem with oil prices. Operating profit of the plastic trade was HK$21.7 million against the increase in turnover to HK$466 million for the six months ended 30th June, 2005. The net profit of Chinney Alliance was however dampened by the loss suffered in the trading of industrial products and the sharing of loss in Shun Cheong Holdings Limited ("Shun Cheong"), a 29% owned associate of Chinney Alliance. Shun Cheong was hard hit by the slowdown in the local construction industry, resulting in erosion of turnover and more significantly gross profit margin in a highly competitive market with limited jobs opportunities. Disregarding the share of net loss of Shun Cheong, Chinney Alliance would have reported a net profit after minority interests of HK$6.9 million for the six months ended 30th June, 2005.

OVERVIEW

The local economy continued to improve with higher GDP and lower unemployment rate during this period. The Group's diverse business activities in property, construction, garment manufacturing and trading are expected to achieve improved performance in the coming year.

James Sai-Wing Wong
Chairman

Hong Kong, 16th December, 2005

As at the date hereof, the board of directors of the Company comprises Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Mr. William Chung-Yue Fan, Mr. Herman Man-Hei Fung, Mr. Clement Kwok-Hung Young, Mr. Johnny Chung-Ah Wong and Mr. Peter Man-Kong Wong.

"Please also refer to the published version of this announcement in The Standard"