建業實業有限公司

Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2006

RESULTS

The directors (the "Directors") of Chinney Investments, Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2006 together with comparative figures for the previous year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the year ended 31st March,	
		2006	2005 (Restated)
	Notes	***HK$'000***	*HK$'000*
Turnover		**2,361,233**	1,417,927
Cost of sales		**(1,969,443)**	(1,160,422)
Gross profit		**391,790**	257,505
Other income		**24,353**	23,439
Selling and distribution costs		**(55,359)**	(72,639)
Administrative expenses		**(223,324)**	(202,697)
Increase in fair value changes of investment properties		**244,159**	–
Recognition of fair value changes of completed properties upon transferred to investment properties		**207,259**	–
Finance costs	*5*	**(82,214)**	(32,258)
Share of results of associates		**837**	3,702
Share of results of jointly-controlled entities	*6*	**4,172**	9,655
Write off of debts due from a jointly-controlled entity	*6*	**–**	(3,873)
Gain on disposal of subsidiaries		**44,818**	233,662
Loss on disposal of associates		**(256)**	–
Write off of goodwill arising from acquisition of a subsidiary		**–**	(2,463)
Discount on acquisition of additional interests in a subsidiary		**9,626**	–
Release of negative goodwill of subsidiaries		**–**	59,507
Profit before taxation	*7*	**565,861**	273,540
Taxation (charge)/credit	*8*	**(147,768)**	1,403
Profit for the year		**418,093**	274,943
Attributable to:			
Equity holders of the parent		**189,838**	179,263
Minority interests		**228,255**	95,680
Net profit for the year		**418,093**	274,943
Dividend		**22,055**	16,541
Earnings per share – Basic	*9*	**34.4 cents**	32.5 cents

CONSOLIDATED BALANCE SHEET

		As at 31st March,	
		2006	2005
			(Restated)
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**222,461**	262,760
Properties under development		**1,209,884**	582,586
Prepaid lease payments		**15,035**	15,030
Investment properties		**1,987,092**	1,329,400
Interests in associates		**45,841**	51,123
Amounts due from associates		**–**	8,701
Interests in jointly-controlled entities		**43,934**	46,397
Amounts due from jointly-controlled entities		**–**	5,928
Negative goodwill		**–**	(69,426)
Deferred taxation assets		**6,760**	5,275
Investments in securities		**–**	53,015
Available-for-sale investments		**1,300**	–
Retention monies receivable		**–**	14,174
		3,532,307	2,304,963
CURRENT ASSETS			
Inventories		**16,881**	83,691
Properties held for sale		**1,012,275**	1,209,402
Prepaid lease payments		**397**	395
Investments in securities		**–**	635
Financial assets at fair value through profit and loss		**733**	–
Debtors and prepayments	*10*	**326,755**	259,701
Amounts due from customers for contract work		**55,446**	48,048
Retention monies receivable		**61,255**	30,736
Amounts due from associates		**–**	12,601
Amounts due from jointly-controlled entities		**129,483**	1,133
Loans to minority shareholders of subsidiaries		**86,114**	39,747
Taxation recoverable		**967**	6,565
Pledged bank balances		**65,948**	78,600
Bank balances and cash		**461,874**	376,597
		2,218,128	2,147,851
Assets classified as held for sale		**168,142**	–
		2,386,270	2,147,851

		As at 31st March,	
		2006	2005
			(Restated)
	Notes	***HK$'000***	*HK$'000*
CURRENT LIABILITIES			
Creditors and accrued charges	*11*	**311,118**	246,748
Customers' deposits		**12,298**	11,850
Sales deposits received		**114,570**	295,787
Amounts due to customers for contract work		**63,172**	32,076
Amount due to minority shareholders of subsidiaries		**99,930**	–
Taxation payable		**51,938**	5,858
Obligations under finance leases – amount due within one year		**2,227**	3,095
Bank borrowings – amount due within one year		**570,589**	400,364
		1,225,842	995,778
Liabilities associated with assets classified as held for sale		**159,519**	–
		1,385,361	995,778
NET CURRENT ASSETS		**1,000,909**	1,152,073
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,533,216**	3,457,036
NON-CURRENT LIABILITIES			
Obligations under finance leases – amount due after one year		**4,732**	6,840
Bank borrowings – amount due after one year		**1,841,807**	1,302,788
Amounts due to minority shareholders of subsidiaries		**–**	76,976
Deferred taxation liabilities		**127,563**	53,114
		1,974,102	1,439,718
		2,559,114	2,017,318
EQUITY			
Share capital		**137,842**	137,842
Reserves		**1,248,245**	995,295
Proposed final dividend		**22,055**	16,541
Equity attributable to equity holders of the parent		**1,408,142**	1,149,678
Minority interests		**1,150,972**	867,640
Total equity		**2,559,114**	2,017,318

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain investments in securities.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005 with the exception of Hong Kong Interpretation 3 "Revenue – Pre-completion contract for the sale of development properties" ("HK-INT 3") which was early adopted in the consolidated financial statements for the year ended 31st March, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates and jointly-controlled entities have been changed as required by HKAS 1 "Presentation of financial statements". The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented.

Business combinations

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

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$6,720,000 has been transferred to the Group's retained profits on 1st April, 2005.

Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill").

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place.

In previous years, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in goodwill reserves, and negative goodwill arising on acquisitions after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised negative goodwill HK$69,426,000 which was previously presented as a deduction from assets with a corresponding increase in the Group's retained profits as at 1st April, 2005 (see note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases" ("HKAS 17"). Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Comparative figures have been restated (see note 3 for the financial impact). Alternatively, when the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Financial instruments

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

Classification and measurement of financial assets and financial liabilities

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

By 31st March, 2005, the Group classified and measured its investments 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 profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st April, 2005 onwards, the Group has classified and measured its investments or 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" or "loans and receivables" or "held-to-maturity financial assets". "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. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On 1st April, 2005, the Group classified and measured its investments and equity securities in accordance with the transitional provisions of HKAS 39. As a result of the adoption of HKAS 39, the Group has redesignated "investments in securities" amounting to HK$53,015,000 as "available-for-sale investments" and HK$635,000 as "financial assets at fair value through profit and loss" at 1st April, 2005, respectively.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. 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 carried at amortised cost using the effective interest method after initial recognition. These requirements of HKAS 39 did not have any material financial impact to the Group.

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 to transfers of financial assets from 1st April, 2005 onwards. As a result, the Group's bill receivables discounted with full recourse which were derecognised prior to 1st April, 2005 have not been restated. As at 31st March, 2006, the Group's bills receivables discounted with full recourse have not been derecognised. Instead, the related borrowings of HK$6,026,000 have been recognised on the balance sheet date. The relevant finance costs incurred in order to obtain such borrowings are included in the carrying amount of the borrowings on initial recognition and amortised over the terms of the borrowings using the effective interest method. This change in accounting policy has had no material effect on results for the current year.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property" ("HKAS 40"). 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 profit or loss for the year in which they arise. In previous years, investment properties under the predecessor 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 a 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 the investment property revaluation reserve of HK$37,602,000 at 1st April, 2005 has been transferred to the Group's retained profits (see note 3 for the financial impact).

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied Hong Kong Standing Interpretations Committee Interpretation 21 "Income taxes - recovery of revalued non-depreciable assets" ("HK(SIC) International 21") which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see note 3 for the financial impact).

3. FINANCIAL IMPACT

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	For the year ended 31st March,	
	2006	2005
	HK$'000	*HK$'000*
Increase in fair value changes of investment properties	**244,159**	–
Increase in fair value changes of completed properties	**207,259**	–
Decrease in release of negative goodwill of subsidiaries	**(59,507)**	–
Recognition of negative goodwill arising from acquisition of additional interest in a subsidiary	**9,626**	–
Increase in deferred taxation charge in respect of increase in fair value changes of investment properties	**(87,579)**	–
Increase in profit for the year	**313,958**	–

Attributable to:		
Equity holders of the parent	**164,118**	–
Minority interests	**149,840**	–
	313,958	–

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:

	At 31st March, 2005 (Originally stated) *HK$'000*	**Retrospective adjustments** *HK$'000*	**At 31st March, 2005** (Restated) *HK$'000*	**Prospective adjustments** *HK$'000*	**At 1st April, 2005** (Restated) *HK$'000*
Balance sheet items					
Impact of HKAS 17:					
Property, plant and equipment	278,185	(15,425)	262,760	–	262,760
Prepaid lease payments	–	15,425	15,425	–	15,425
Impact of HKAS 40:					
Interests in associates	59,824	–	59,824	(532)	59,292
Impact of HKFRS 3:					
Negative goodwill	(69,426)	–	(69,426)	69,426	–
Impact of HKAS 39:					
Investments in securities – non-current	53,015	–	53,015	(53,015)	–
Available-for-sale investments	–	–	–	53,015	53,015
Investments in securities – current	635	–	635	(635)	–
Financial assets at fair value through profit and loss	–	–	–	635	635
Impact of HK(SIC)-INT 21:					
Deferred taxation liabilities	(50,488)	(2,626)	(53,114)	–	(53,114)
Other assets and liabilities	1,748,199	–	1,748,199	–	1,748,199
Total effects on assets and liabilities	2,019,944	(2,626)	2,017,318	68,894	2,086,212
Share capital and other reserves	392,552	–	392,552	–	392,552
Goodwill reserve	(6,720)	–	(6,720)	6,720	–
Investment property revaluation reserve	39,121	(1,519)	37,602	(37,602)	–
Retained profits	726,244	–	726,244	99,776	826,020
Minority interests	–	867,640	867,640	–	867,640
Total effects on equity	1,151,197	866,121	2,017,318	68,894	2,086,212
Minority interests	868,747	(868,747)	–	–	–
	2,019,944	(2,626)	2,017,318	68,894	2,086,212

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

	As at 31st March, 2004 (Originally stated) *HK$'000*	**Reclassification** *HK$'000*	**As at 1st April, 2004** (Restated) *HK$'000*	**Adjustments** *HK$'000*	**As at 1st April, 2004** (Restated) *HK$'000*
Share capital and other reserves	373,965	–	373,965	–	373,965
Investment property revaluation reserve	4,459	–	4,459	(2,942)	1,517
Retained profits	563,522	–	563,522	–	563,522
Equity attributable to equity holders of the parent	941,946	–	941,946	(2,942)	939,004
Minority interests	–	622,920	622,920	(2,146)	620,774
Total equity	941,946	622,920	1,564,866	(5,088)	1,559,778
Minority interests	622,920	(622,920)	–	–	–

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		**Garment activities**		**Property development activities**		**Property investment activities**		**Others**		**Consolidated**	
	2006	2005 (Restated)	**2006**	2005 (Restated)	**2006**	2005 (Restated)	**2006**	2005 (Restated)	**2006**	2005 (Restated)	**2006**	2005 (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	**691,137**	561,022	**610,669**	680,693	**970,198**	99,827	**77,264**	70,061	**11,965**	6,324	**2,361,233**	1,417,927
Segment results	**(66,026)**	(10,904)	**(24,136)**	(3,314)	**376,827**	(20,697)	**292,367**	33,721	**5,251**	5,346	**584,283**	4,152
Net income from investments											**7,603**	2,886
Unallocated corporate expenses											**(3,008)**	(1,430)
Finance costs											**(82,214)**	(32,258)
Share of results of associates	**–**	–	**(155)**	1	**–**	–	**–**	–	**992**	3,701	**837**	3,702
Share of results of jointly-controlled entities	**(95)**	–	**4,048**	5,553	**503**	4,102	**–**	–	**(284)**	–	**4,172**	9,655
Write off of debts due from a jointly-controlled entity	**–**	–	**–**	–	**–**	(3,873)	**–**	–	**–**	–	**–**	(3,873)
Gain on disposal of subsidiaries											**44,818**	233,662
Loss on disposal of associates											**(256)**	–
Write off of goodwill arising from acquisition of a subsidiary											**–**	(2,463)
Negative goodwill arising from acquisition of additional interests in a subsidiary											**9,626**	–
Release of negative goodwill of subsidiaries											**–**	59,507
Profit before taxation											**565,861**	273,540
Taxation (charge)/credit											**(147,768)**	1,403
Profit for the year											**418,093**	274,943

Geographical segments

	Turnover	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong	**636,023**	716,114
North America	**350,491**	419,273
Europe	**238,896**	250,322
The People's Republic of China (other than Hong Kong)	**926,792**	11,820
Others	**209,031**	20,398
	2,361,233	1,417,927

5. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**98,007**	53,500
Bank borrowings wholly repayable after five years	**2,891**	1,094
Other borrowings wholly repayable within five years	**184**	2,202
Finance leases	**433**	86
Total borrowing costs	**101,515**	56,882
Less: Amount capitalised under property development projects	**(19,301)**	(24,624)
	82,214	32,258

6. SHARE OF RESULTS OF JOINTLY-CONTROLLED ENTITIES

	2006	2005
		(Restated)
	HK$'000	*HK$'000*
Share of operating profit	**4,172**	5,782
Waiver of debts	**–**	3,873
	4,172	9,655

In the prior year, a non wholly-owned subsidiary of the Company and its joint venture partner wrote off the debts which were non-recoverable from jointly-controlled entities. The corresponding debit of HK$3,873,000 was recognised as write-off of debts due from jointly-controlled entities whilst the corresponding credit of HK$3,873,000 was recognised as share of results of jointly-controlled entities.

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2006	2005 (Restated)
	HK$'000	*HK$'000*
Depreciation and amortisation of property, plant and equipment:		
Owned assets	**42,327**	45,781
Assets held under finance leases	**1,349**	496
	43,676	46,277
Less: Amount capitalised in contract costs	**(4,399)**	(4,488)
	39,277	41,789
Amortisation of prepaid lease payments	**397**	392
Staff costs (including directors' emoluments)	**200,890**	199,536
Less: Amount capitalised in contract costs	**(59,456)**	(65,957)
	141,434	133,579
Auditors' remuneration	**3,814**	2,814
Loss on disposals of property, plant and equipment	**–**	466
Minimum lease payment paid in respect of land and buildings	**4,385**	3,406
Unrealised loss on investments in securities	**–**	127
Share of tax of associates (included in share of results of associates)	**1,071**	1,170
Share of tax of jointly-controlled entities (included in share of results of jointly-controlled entities)	**39**	226
Allowance for bad and doubtful debts	**22,768**	10,069
Allowance for inventories	**16,180**	516

and after crediting:

Bank interest income	**3,787**	2,787
Other interest income	**70**	45
Exchange gain	**3,693**	6,864
Fair value gain on financial assets at fair value through profit and loss	**98**	–
Gain on disposal of property, plant and equipment	**770**	–
Gain on disposal of permanent textile quota entitlements	**–**	352
Gross rental income from investment properties (included in turnover and other operating income)	**86,540**	74,403
Less: Direct operating expenses from investment properties that generated rental income during the year	**(34,859)**	(22,667)
	51,681	51,736

8. TAXATION (CHARGE)/CREDIT

	2006	2005 (Restated)
	HK$'000	*HK$'000*
The (charge)/credit for the year comprises:		
Hong Kong Profits Tax		
Current year	**(1,425)**	(1,032)
Underprovision in prior years	**(488)**	(3,261)
Other jurisdictions	**(63,080)**	(1,630)
	(64,993)	(5,923)
Deferred taxation (charge)/credit	**(82,775)**	7,326
	(147,768)	1,403

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profits of the year. 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 for the year attributable to the equity holders of the parent of HK$189,838,000 (2005: HK$179,263,000) and on 551,368,153 (2005: 551,368,153) shares in issue during the year.

There has been no dilutive effect on the basic earnings per share for the current year and prior year as the exercise prices of outstanding share options of an associate of the Group were higher than the average market price of its shares.

10. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$255,059,000 (2005: HK$102,830,000). The aging analysis of trade debtors is as follows:

	As at 31st March	
	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**217,385**	75,785
31 to 60 days	**8,791**	13,379
61 to 90 days	**10,554**	6,136
Over 90 days	**18,329**	7,530
Total	**255,059**	102,830

The Group allows an average credit period of 30 days to its trade customers.

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided in full in case of non-recoverability.

11. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK$91,464,000 (2005: HK$99,359,000). The aging analysis of trade creditors is as follows:

	As at 31st March	
	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**55,478**	52,701
31 to 60 days	**18,879**	28,933
61 to 90 days	**6,026**	6,086
Over 90 days	**11,081**	11,639
Total	**91,464**	99,359

12. COMPARATIVE AMOUNTS

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

DIVIDEND

The Directors recommend the payment of a final dividend of 4 cents per share for the year ended 31st March, 2006 (2005: 3 cents) to shareholders whose names appear on the Company's register of members on 20th September, 2006. It is expected that the dividend cheques will be despatched to shareholders on or before 10th October, 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 15th September, 2006 to 20th September, 2006 (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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 14th September, 2006.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares during the year ended 31st March, 2006.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 ended 31st March, 2006.

Compliance with the 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 year ended 31st March, 2006, except for the CG Code provision C.2 in respect of 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.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

   During the year ended 31st March, 2006, the Board met twice for approving the final results of the Company for the year ended 31st March, 2005 and the interim results for the period ended 30th September, 2005. 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, only two regular board meetings were held for the year ended 31st March, 2006.

2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election 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 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 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.

3. 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 on 16th December, 2005 with certain deviations 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 of directors (as opposed to directors and senior management).

4. 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 Audit Committee has reviewed with management and the external auditors the final results of the Group for the year ended 31st March, 2006.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$2,419 million (2005: HK$1,713 million), of which approximately 24% of the debts were due and repayable within one year. Total cash on hand was approximately HK$528 million (2005: HK$455 million).

Total shareholders' fund as at 31st March, 2006 was approximately HK$1,408 million (2005 (restated): HK$1,150 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK$1,891 million over the total shareholders' fund plus minority interests of approximately HK$2,559 million, was 74% as at 31st March, 2006. The Group's apparent high gearing is primarily due to consolidating all debts of Hon Kwok Land Investment Company, Limited ("Hon Kwok" and together with its subsidiaries, the "Hon Kwok Group"), 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 year end would have been 7%.

The Group had a total of 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 and United States dollars and bear interest at floating rates, except for the Renminbi loan facilities.

Pledge of assets

Inventories, trade debts, bank balances, properties and shares of an associate with an aggregate book value of HK$3,013 million as at 31st March, 2006 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

Contingent liabilities

At 31st March, 2006, the Group has given guarantees to a maximum extent of approximately HK$28 million to banks for housing loans extended by the banks to the purchasers of the Group's properties. The entire guarantees were released subsequent to the balance sheet date.

As at 31st March, 2006, the Group had no contingent liabilities in respect of guarantees provided for banking facilities utilised by jointly-controlled entities (2005: HK$92,701,000) and in respect of bills discounted with recourse (2005: HK$3,408,000).

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 3,600 people as at 31st March, 2006. 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.

CHAIRMAN'S STATEMENT

CONSOLIDATED RESULTS

I am pleased to report that the Group's audited consolidated profit attributable to shareholders for the year ended 31st March, 2006 amounted to HK$190 million (2005: HK$179 million). Earnings per share were 34.4 cents (2005: 32.5 cents). Audited net asset value per share increased to HK$2.55 as compared with HK$2.09 last year.

REVIEW OF OPERATIONS

Property

During the year, the Company acquired additional shares of Hon Kwok from the market and increased its shareholding in Hon Kwok from 57.83% as at 1st April, 2005 to 58.81% as at 31st March, 2006. On 27th June, 2006, Hon Kwok issued convertible bonds due June 2011 to five institutional investors for a principal amount of HK$280 million at par. The bonds, being unlisted and guaranteed by Hon Kwok, bear interest at the rate of 3.5% per annum payable semi-annually in arrears and are convertible into the shares of Hon Kwok at an initial conversion price of HK$4 per share, subject to adjustments. In the event that the bonds are fully converted, the Company's shareholding in Hon Kwok will be diluted to 50.05%.

Hon Kwok showed a record performance for the year ended 31st March, 2006. Net profit attributable to shareholders was HK$520 million (2005: HK$230 million) against increase in turnover to HK$1,059 million (2005: HK$176 million). The profit momentum came from the contribution of Hon Kwok's property development activities in Mainland China and revaluation surplus from Hon Kwok's investment properties. **City Square (城市天地廣場)**, a residential and commercial development in the Luo Hu District of Shenzhen, commenced its contribution to the earnings of Hon Kwok when the project was completed in June 2005.

Interested shareholders are referred to the Hon Kwok's results announcement for further details.

Construction

The Group's Construction Division continues to engage in sub-structure and superstructure building construction. The Construction Division reported turnover of HK$691 million (2005: HK$561 million) and a net loss of HK$50.6 million (2005: net loss of HK$5.9 million). The loss has widened, as there was margin pressure in our substructure business and continued loss of our superstructure business in Hong Kong and the Middle East. The substructure business invested heavily in advanced machinery, equipment and plant accessories, such capital investment has kept us in the forefront of the market but necessitated high depreciation charge year by year. Related depreciation charge amounted to HK$28 million in the year (2005: HK$30 million).

Going forward, the Construction Division will tightly control its costs to maintain competitiveness and explore for more job opportunities in Macau where there are projects with healthier profit margin. In Hong Kong, we have seen more tender opportunities from the private sector and hope the same will also happen in the public sector.

Garment

The Garment Division comprises two distinct operations, (i) the J.L. Chinney Group, which produces fashionable garment in Mainland China for customers mainly in Europe; and (ii) the Gateway Group, which produces woven and knitted garment mainly in Indonesia for customers in the United States. The Gateway Group has a 50% interest in SGA Holdings Limited, which produces outerwear, suits and pants in Mainland China for customers in North America.

Turnover for the Garment Division was HK$611 million (2005: HK$681 million) but with loss widened to HK$30 million (2005: HK$10 million). The disappointing result was due to persistent loss suffered in the Gateway Group. The Gateway Group lost its competitive advantage, as the quota system became abolished effective 1st January, 2005 and the labour law in Indonesia became more stringent and unfavourable to investors. Your Directors have initiated changes, including reorganizing the management team, downsizing the factory operation in Indonesia, relocating production to lower cost area in Indonesia and subcontracting the factory operation. Despite all these, the Gateway Group posted a third-year consecutive loss of HK$49 million (2005: HK$27 million), resulting mainly from the Indonesian operation.

The net profit of J.L. Chinney increased to HK$19 million (2005: HK$17 million), against turnover of HK$308 million (2005: HK$302 million). The savings in quota cost and tight control of selling expenses accounted mainly for the profit growth.

Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29.1% associate of the Group, remained profitable for the year ended 31st December, 2005. Turnover and net profit for the year amounted to HK$1,015 million (2004: HK$1,044 million) and HK$3.4 million (2004: HK$12.7 million), respectively. The profit drop was mainly due to increased loss in Shun Cheong Holdings Limited ("Shun Cheong"), a 29.9% owned associate of Chinney Alliance for the year ended 31st December, 2005, and higher finance costs in a rising interest rate environment.

On 26th January, 2006, Chinney Alliance entered into an agreement to acquire the electrical and mechanical contracting business (the "Contracting Business") from Shun Cheong for a cash consideration of HK$35 million. Shun Cheong had difficulties in retaining and expanding the Contracting Business as it lacked the banking support and other financing means. Chinney Alliance, in contrast, has the financial resources to support and expand the Contracting Business. The transaction was approved by the shareholders of Chinney Alliance and Shun Cheong and completed on 31st March, 2006.

On 12th April, 2006, Chinney Alliance disposed 32 million Shun Cheong shares, representing 27.6% interest in the issued share capital of Shun Cheong, to Upsky Enterprises Limited for a cash consideration of HK$9.6 million. The disposal constituted a discloseable and connected transaction to Chinney Alliance and was subjected to reporting and announcement requirements. On 3rd July, 2006, Chinney Alliance further disposed its remaining 2.3% interest in Shun Cheong for a cash consideration of about HK$0.8 million, pursuant to a general offer from Upsky Enterprises Limited.

Following all these, Chinney Alliance realized its investment in Shun Cheong and gained the full control over the Contracting Business. It is hoped that Chinney Alliance can build the Contracting Business with its resources and expertise and realize the synergy in combining the Contracting Business with the engineering business under Chinney Alliance.

OVERVIEW

The Hong Kong economy continues its growth momentum, with annual GDP growth now at 8% and unemployment rate at 5%. Across the border, the Mainland economy has been booming with the second quarter GDP jumped 11.3% from a year earlier. As a result, the Central Government has introduced austerity measures to cool the otherwise overheated economy.

Your Group has been streamlining its operation by disposing non-profitable businesses so that the Group can concentrate its resources in businesses with brighter prospects and greater value to the shareholders of the Company. The recent austerity measures should pave the way for the Mainland economy to grow in a healthy manner, avoiding any detriments that may be created from a bubble economy. Hong Kong, as the gateway to Mainland China, shall benefit from the continuous economic growth of its motherland. Under such premises, your Directors remain optimistic on the future prospects of the Group, which principally now operates in Hong Kong, Macau and the Mainland China.

James Sai-Wing Wong
Chairman

Hong Kong, 24th July, 2006

At the date hereof, the directors of the Company are Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Mr. William Chung-Yue Fan and Mr. Herman Man-Hei Fung and the independent non-executive directors of the Company are 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"