



**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 31 MARCH 2007**

**RESULTS**

The directors (the “Directors”) of Chinney Investments, Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007 together with comparative figures for the previous year as follows:

**CONSOLIDATED INCOME STATEMENT**

		For the year ended 31 March	
		2007	2006
	Notes	HK\$'000	HK\$'000
Revenue	2	<b>1,764,804</b>	2,361,233
Cost of sales		<b>(1,532,241)</b>	(1,969,443)
Gross profit		<b>232,563</b>	391,790
Other income and gains		<b>28,859</b>	24,353
Fair value gains of investment properties, net		<b>200,304</b>	244,159
Change in fair value of completed properties transferred to investment properties		-	207,259
Gain on disposal of subsidiaries		<b>1,472</b>	44,818
Gain on disposal of investment properties		<b>9,443</b>	-
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries		<b>86,685</b>	9,626
Loss on deemed partial disposal of subsidiaries		<b>(66,109)</b>	-
Selling and distribution costs		<b>(47,296)</b>	(55,359)
Administrative and other operating expenses		<b>(273,443)</b>	(223,580)
Finance costs	3	<b>(110,825)</b>	(82,214)
Share of profits and losses of:			
Associates		<b>4,746</b>	837
Jointly-controlled entities		<b>4,396</b>	4,172
Profit before tax	4	<b>70,795</b>	565,861
Tax	5	<b>(68,380)</b>	(147,768)
Profit for the year		<b>2,415</b>	418,093
Attributable to:			
Equity holders of the Company		<b>(26,975)</b>	189,838
Minority interests		<b>29,390</b>	228,255
		<b>2,415</b>	418,093
Dividend – proposed final		<b>22,055</b>	22,055
Earnings/(loss) per share attributable to ordinary equity holders of the Company			
Basic	6	<b>(4.89) cents</b>	34.4 cents
Diluted		<b>N/A</b>	N/A

## CONSOLIDATED BALANCE SHEET

		As at 31 March	
		2007	2006
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		202,549	222,461
Properties under development		1,533,280	1,209,884
Prepaid land lease payments		15,276	15,035
Investment properties		2,059,491	1,987,092
Investment deposits		187,847	-
Interests in associates		67,517	45,841
Interests in jointly-controlled entities		48,765	43,934
Available-for-sale investments		-	1,300
Deferred tax assets		155	6,760
Total non-current assets		<u>4,114,880</u>	<u>3,532,307</u>
<b>CURRENT ASSETS</b>			
Inventories		16,945	16,881
Properties held for sale		1,023,537	1,012,275
Prepaid land lease payments		410	397
Equity investments at fair value through profit and loss		681	733
Trade and bills receivables	7	107,875	220,785
Prepayments, deposits and other receivables		69,047	105,970
Amounts due from customers for contract work		45,228	55,446
Retention monies receivable		58,007	61,255
Amounts due from jointly-controlled entities		141,744	129,483
Loans to minority shareholders of subsidiaries		-	86,114
Tax recoverable		1,288	967
Pledged deposits		78,172	65,948
Cash and cash equivalents		489,515	461,874
		<u>2,032,449</u>	<u>2,218,128</u>
Assets of a disposal group classified as held for sale		-	168,142
Total current assets		<u>2,032,449</u>	<u>2,386,270</u>
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	8	312,590	290,517
Customer deposits		195,825	126,868
Retention monies payable		19,286	18,123
Amounts due to related companies		10,028	2,478
Amounts due to customers for contract work		64,705	63,172
Amounts due to minority shareholders of subsidiaries		39,532	99,930
Tax payable		73,562	51,938
Obligations under finance leases		2,376	2,227
Interest-bearing bank borrowings		796,797	570,589
		<u>1,514,701</u>	<u>1,225,842</u>
Liabilities directly associated with the assets classified as held for sale		-	159,519
Total current liabilities		<u>1,514,701</u>	<u>1,385,361</u>

## CONSOLIDATED BALANCE SHEET (Continued)

	As at 31 March	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CURRENT ASSETS	<u>517,748</u>	<u>1,000,909</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,632,628</u>	<u>4,533,216</u>
NON-CURRENT LIABILITIES		
Obligations under finance leases	2,354	4,732
Interest-bearing bank borrowings	1,386,195	1,841,807
Convertible bonds	262,361	-
Deferred tax liabilities	<u>167,837</u>	<u>127,563</u>
Total non-current liabilities	<u>1,818,747</u>	<u>1,974,102</u>
Net assets	<u>2,813,881</u>	<u>2,559,114</u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	137,842	137,842
Reserves	1,295,859	1,248,243
Proposed final dividend	<u>22,055</u>	<u>22,055</u>
	<u>1,455,756</u>	<u>1,408,140</u>
Minority interests	<u>1,358,125</u>	<u>1,150,974</u>
Total equity	<u>2,813,881</u>	<u>2,559,114</u>

Notes:

### 1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated. 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
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

## 2. SEGMENT INFORMATION

The Group is principally engaged in superstructure construction work, foundation piling, garment manufacturing and trading, property development and property investment activities.

### (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 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	<b>843,338</b>	691,137	<b>529,248</b>	610,669	<b>290,545</b>	970,198	<b>73,334</b>	77,264	<b>28,339</b>	11,965	<b>1,764,804</b>	2,361,233
Segment results	<b>(64,182)</b>	(66,026)	<b>30,749</b>	(24,392)	<b>49,970</b>	376,827	<b>143,565</b>	292,367	<b>(5,839)</b>	5,251	<b>154,263</b>	584,027
Net income from investments											<b>9,840</b>	7,603
Unallocated corporate expenses											<b>(13,673)</b>	(3,008)
Finance costs											<b>(110,825)</b>	(82,214)
Gain on disposal of subsidiaries											<b>1,472</b>	44,818
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries											<b>86,685</b>	9,626
Loss on deemed partial disposal of subsidiaries											<b>(66,109)</b>	-
Share of profits and losses of associates	-	-	<b>(200)</b>	(155)	-	-	-	-	<b>4,946</b>	992	<b>4,746</b>	837
Share of profits and losses of jointly-controlled entities	<b>(3)</b>	(95)	<b>4,276</b>	4,048	<b>138</b>	503	-	-	<b>(15)</b>	(284)	<b>4,396</b>	4,172
Profit before tax											<b>70,795</b>	565,861
Tax											<b>(68,380)</b>	(147,768)
Profit for the year											<b>2,415</b>	418,093

## Balance sheet

	Construction		Garment		Property development		Property investment		Others		Elimination		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>ASSETS</b>														
Segment assets	324,209	367,845	132,457	276,031	281,524	2,509,337	2,042,960	1,990,630	281,697	2,274,929	(281,237)	(2,281,141)	531,902	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													<u>6,147,329</u>	<u>5,918,577</u>
<b>LIABILITIES</b>														
Segment liabilities	192,290	188,649	40,619	134,283	1,725,850	1,598,837	1,086,933	985,338	138,197	148,577	(2,560,000)	(2,281,141)	623,889	774,543
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	-	2,709,559	2,584,920
Consolidated total liabilities													<u>3,333,448</u>	<u>3,359,463</u>
<b>OTHER INFORMATION</b>														
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 subsidiaries	-	-	-	-	-	159	-	-	-	-	-	-	-	159
Release of exchange fluctuation reserve upon disposal of business of foreign operations	-	-	-	-	-	-	60,834	-	-	-	-	-	60,834	-
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

## (b) Geographical segments

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

	Turnover	
	2007 HK\$'000	2006 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
	<u>1,764,804</u>	<u>2,361,233</u>

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 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong	2,359,135	2,249,404	13,236	12,518
Mainland China	2,313,991	2,192,605	2,413	6,747
North America	646,195	444,412	-	-
The Republic of Indonesia	-	108,203	-	699
Others	-	143,007	-	12
	<u>5,319,321</u>	<u>5,137,631</u>	<u>15,649</u>	<u>19,976</u>
Unallocated assets	828,008	780,946	-	-
	<u>6,147,329</u>	<u>5,918,577</u>	<u>15,649</u>	<u>19,976</u>

### 3. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on:		
Bank loans, overdrafts and other loans (including convertible bonds)		
wholly repayable within five years	146,643	98,008
Bank loans wholly repayable after five years	-	2,891
Amounts due to related companies	480	184
Finance leases	394	433
	<u>147,517</u>	<u>101,516</u>
Less: Amounts capitalised under property development projects	<u>(36,692)</u>	<u>(19,302)</u>
	<u>110,825</u>	<u>82,214</u>

#### 4. PROFIT BEFORE TAX

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of inventories sold	434,796	496,275
Depreciation	38,915	43,676
Less: Amount capitalised in contract costs	<u>(3,814)</u>	<u>(4,399)</u>
	<u>35,101</u>	<u>39,277</u>
Amortisation of prepaid land lease payments	410	397
Minimum lease payments under operating leases on land and buildings	4,117	4,385
Auditors' remuneration	3,820	3,814
Employee benefits expense (including directors' remuneration)		
Wages, salaries, allowances and benefits in kind	198,028	198,098
Pension scheme contributions	6,024	2,801
Less: Forfeited contributions	<u>(24)</u>	<u>-</u>
	<u>204,028</u>	<u>200,899</u>
Less: Amount capitalised in contract costs	<u>(69,174)</u>	<u>(59,456)</u>
	<u>134,854</u>	<u>141,443</u>
Gross rental income	(100,348)	(86,540)
Less: Outgoing expenses	<u>47,263</u>	<u>34,859</u>
	<u>(53,085)</u>	<u>(51,681)</u>
Impairment of trade receivables	7,220	22,768
Write-down of inventories to net realisable value	-	16,180
Write-down of properties held for sales to net realisable value	7,000	-
Release of exchange fluctuation reserve upon disposal of business of foreign operations	60,834	-
Loss on disposal of associates	-	256
Other interest income	-	(70)
Loss/(gain) on disposal of items of property, plant and equipment	26	(770)
Interest income	<u>(9,866)</u>	<u>(3,857)</u>

## 5. TAX

	2007 HK\$'000	2006 HK\$'000
Group:		
Current tax		
Hong Kong profits tax	3,677	1,425
Overseas profits tax	1,496	310
Mainland China corporate income tax	11,858	27,141
Mainland China land appreciation tax	9,441	35,629
(Over)/under provision in prior year	(1,036)	488
	<u>25,436</u>	<u>64,993</u>
Deferred tax		
Hong Kong profits tax	31,351	16,377
Overseas profits tax	(3,718)	(11,529)
Mainland China corporate income tax	15,311	21,675
Mainland China land appreciation tax	-	56,252
	<u>42,944</u>	<u>82,775</u>
Total tax charge for the year	<u>68,380</u>	<u>147,768</u>

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.

## 6. 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 earnings assuming there is a full conversion of the convertible bonds of a subsidiary, where applicable (see below). 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.

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

	2007 HK\$'000	2006 HK\$'000
<u>Earnings/(loss)</u>		
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	<u>(26,674)*</u>	<u>189,838</u>

\* 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.



## 7. 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:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 1 month	<b>82,643</b>	191,438
1 to 2 months	<b>9,810</b>	4,908
2 to 3 months	<b>5,292</b>	9,503
Over 3 months	<b>10,130</b>	14,936
Total	<b>107,875</b>	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.

## 8. 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:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 1 month	<b>36,978</b>	39,617
1 to 2 months	<b>16,942</b>	10,859
2 to 3 months	<b>7,663</b>	3,412
Over 3 months	<b>13,458</b>	10,858
Total	<b>75,041</b>	64,746

## 9. POST BALANCE SHEET EVENT

- a. On 11 May 2007, a wholly-owned subsidiary of Hon Kwok Land Investment Company Limited ("Hon Kwok") entered into two separate agreements to acquire the entire issued share capital of Unity Wise International Limited ("Unity Wise") and the related shareholders' loans for a cash consideration of HK\$90 million and 50% of the issued share capital of Ample Joy International Limited ("Ample Joy") and the related shareholder's loan for a cash consideration of HK\$12 million. The assets of significance held by Unity Wise and Ample Joy are two adjacent pieces of land in Chongqing, the PRC. Both acquisitions constitute connected transactions for the Company and Hon Kwok under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as Enhancement Investments Limited, the vendor in both agreements, is deemed as a connected person of the Company and Hon Kwok. The acquisitions were completed on 4 July 2007.
- b. On 22 May 2007, the Group entered into an agreement to dispose the entire issued share capital of Apex Curtain Wall and Windows Company Limited to Chinney Alliance Group Limited ("Chinney Alliance") for a cash consideration of HK\$298,000. The disposal constituted a connected transaction for the Company under the Listing Rules as Chinney Alliance is deemed as a connected person of the Company. The disposal was completed on 1 June 2007.

## 10. COMPARATIVE AMOUNTS

Certain comparative amounts in the financial statements have been reclassified to conform with the current year's presentation.

## **DIVIDEND**

The Directors recommend the payment of a final dividend of 4 Hong Kong cents per share for the year ended 31 March 2007 (2006: 4 Hong Kong 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.

## **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.

## **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.

## **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, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2007.

### **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 31 March 2007, except for 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 31 March 2007, the Board met twice for approving the final results of the Company for the year ended 31 March 2006 and the interim results for the period ended 30 September 2006. 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 31 March 2007.

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 16 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. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

### **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 31 March 2007.

## **FINANCIAL REVIEW**

### **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).

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 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\$4,140 million as at 31 March 2007 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

### **Contingent liabilities**

Apart from the litigation in relation to a subsidiary of the Group which has ceased to be of any effect following the dissolution of the plaintiff, 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 31 March 2006.

### **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.

## **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 HK 5 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.

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.

## **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.

In May 2007, the Group entered into an agreement to dispose Apex Curtain to Chinney Alliance, a 29.1% owned associate of the Group, for a cash consideration of HK\$298,000. Apex 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. The transaction was categorized as a connected transaction to the Company subject to reporting and announcement requirements under 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 23 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.

## *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 rationalized 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, the 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 those investments with no favorable prospects. This policy is expected to continue. Hon Kwok, the Company's major subsidiary, continue 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 the Mainland China.

## **PUBLICATION OF FINANCIAL INFORMATION**

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Companies Information" and on the website of the Company at [www.chinney.com.hk](http://www.chinney.com.hk). The Company's annual report for 2006/2007 will be despatched to the shareholders of the Company and available on the above websites in due course.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 12 July 2007

*As 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.*