Deson Development International Holdings Limited

迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 262)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2006

The board of directors (the "Board") of Deson Development International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2006, together with the comparative figures for the year ended 31 March 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2006 HK$'000	2005 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	3	**617,414**	570,827
Cost of sales		**(509,177)**	(515,748)
Gross profit		**108,237**	55,079
Other income and gains	3	**13,201**	5,830
Administrative expenses		**(105,106)**	(116,316)
Gain on disposal of long term investments		–	3,181
Impairment for goodwill		**(4,000)**	(10,470)
Finance costs	4	**(2,369)**	(2,784)
Share of profits and losses of:			
A jointly-controlled entity		**55**	16
Associates		**101**	184
PROFIT/(LOSS) BEFORE TAX		**10,119**	(65,280)
Tax	5	**(1,656)**	(1,727)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**8,463**	(67,007)
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	6	–	120,054
PROFIT FOR THE YEAR		**8,463**	53,047
Attributable to:			
Equity holders of the Company		**10,181**	40,242
Minority interests		**(1,718)**	12,805
		8,463	53,047
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic			
– For profit for the year		**2.04 cents**	8.07 cents
– For profit/(loss) from continuing operations		**2.04 cents**	(16.01) cents
Diluted			
– For profit for the year		**2.04 cents**	7.98 cents
– For profit/(loss) from continuing operations		**2.04 cents**	(15.82) cents

CONSOLIDATED BALANCE SHEET
31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**63,151**	31,684
Prepaid land lease payments		**13,262**	13,512
Goodwill		–	–
Interest in a jointly-controlled entity		**11,691**	6,604
Interests in associates		**7,403**	6,220
Available-for-sale equity investment/long term investment		**16,174**	6,153
Long term receivable and deposits		**30,200**	46,355
Deferred tax assets		**413**	382
Total non-current assets		**142,294**	110,910
CURRENT ASSETS			
Amounts due from associates		**19,166**	8,690
Amounts due from minority shareholders		**7**	355
Properties held for sale		**228,446**	229,317
Gross amount due from contract customers		**23,149**	20,581
Inventories		**8,674**	5,275
Accounts receivable	8	**60,083**	106,321
Prepayments, deposits and other receivables		**52,390**	43,694
Cash and cash equivalents		**47,167**	60,551
Pledged time deposits		**68,300**	57,780
Total current assets		**507,382**	532,564
CURRENT LIABILITIES			
Gross amount due to contract customers		**32,853**	44,582
Accounts payable	9	**61,682**	79,869
Other payables and accruals		**93,313**	86,914
Amounts due to associates		**443**	443
Amounts due to minority shareholders		**3,984**	7,005
Tax payable		**4,980**	6,081
Interest-bearing bank and other borrowings		**44,662**	82,104
Total current liabilities		**241,917**	306,998
NET CURRENT ASSETS		**265,465**	225,566
TOTAL ASSETS LESS CURRENT LIABILITIES		**407,759**	336,476
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**28,800**	–
Deferred tax liabilities		**2,577**	671
Total non-current liabilities		**31,377**	671
Net assets		**376,382**	335,805
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**49,668**	51,675
Reserves		**324,439**	282,124
		374,107	333,799
Minority interests		**2,275**	2,006
Total equity		**376,382**	335,805

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular:

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates. The changes in presentation have been adopted 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/or prior accounting years are prepared and presented:

(a) HKAS 17-Leases and HK-Int 4-Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases

In prior years, leasehold land and buildings held for own use were stated at valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

The effects of the above changes are summarised in note 1.2 of this announcement.

The comparative amounts for the year ended 31 March 2005 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

Equity securities

In prior years, the Group classified its investments in equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 were designated as available-for-sale investment under the transitional provisions of HKAS 39 and accordingly, are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

In accordance with the transitional provisions of HKAS 39, the opening balance of investment revaluation reserve has been restated to reflect this change prospectively.

The effects of the above changes are summarised in note 1.2 of this announcement.

(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill and negative goodwill arising on acquisitions prior to 1 January 2001 were eliminated against the consolidated capital reserve in the year of acquisition and were not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

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

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 April 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1 April 2005 the carrying amounts of negative goodwill that remained in the consolidated capital reserve against retained profits. Goodwill previously eliminated against the consolidated capital reserve remains eliminated against the consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 1.2 of this announcement. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(d) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 March 2005 that had not yet vested as at 1 April 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 March 2004 and 2005. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

The effects of adopting HKFRS 2 are summarised in note 1.2 of this announcement.

(e) HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

The Group has applied HKFRS 5 prospectively in accordance with the transitional provisions of HKFRS 5, which has resulted in a change in accounting policy on the recognition of a discontinued operation. Under the previous Statement of Standard Accounting Practice ("SSAP") 33 "Discontinuing Operations", the Group would recognise a discontinued operation at the earlier of:

- the date the Group entered into a binding sale agreement; and
- the date the board of directors had approved and announced a formal disposal plan.

HKFRS 5 requires a component of the Group to be classified as discontinued when the criteria to be classified as held for sale have been met or when that component of the Group has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The principal impact of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than it would be under SSAP 33 due to the stricter criteria in HKFRS 5, and that the income statement for the year ended 31 March 2005 attributable to the discontinued operation have been reclassified to the "profit for the year from a discontinued operation" on the face of the consolidated income statement of the Group, details of which are set out in note 6 of this announcement.

The adoption of HKFRS 5 has no other impact on the financial statements of the Group.

1.2 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 April 2005 Effect of new policies Increase/(decrease)	Effect of adopting HKAS 17# Prepaid land lease payments *HK$'000*	Effect of adopting HKASs 32# and 39* Change in classification and measurement of equity investments *HK$'000*	Effect of adopting HKFRS 3* Derecognition of negative goodwill *HK$'000*	Total *HK$'000*
Assets				
Property, plant and equipment	(14,285)	–	–	(14,285)
Prepaid land lease payments	13,762	–	–	13,762
Available-for-sale equity investment	–	12,013	–	12,013
Long term investment	–	(6,153)	–	(6,153)
				5,337
Liabilities/equity				
Deferred tax liabilities	(259)	–	–	(259)
Property revaluation reserve	(3,283)	–	–	(3,283)
Investment revaluation reserve	–	5,860	–	5,860
Capital reserve	–	–	(13,380)	(13,380)
Retained profits	3,019	–	13,380	16,399
				5,337

\# Adjustments/presentation taken effect retrospectively

* Adjustments taken effect prospectively from 1 April 2005

At 31 March 2006 Effect of new policies Increase/(decrease)	Effect of adopting HKAS 17 Prepaid land lease payments *HK$'000*	Effect of adopting HKASs 32 and 39 Change in classification and measurement of equity investments *HK$'000*	Effect of adopting HKFRS 2 Equity share option arrangements *HK$'000*	Effect of adopting HKFRS 3 Derecognition of negative goodwill *HK$'000*	Total *HK$'000*
Assets					
Property, plant and equipment	(13,982)	–	–	–	(13,982)
Prepaid land lease payments	13,512	–	–	–	13,512
Interests in associates	–	1,455	–	–	1,455
Available-for-sale equity investment	–	16,174	–	–	16,174
Long term investment	–	(6,153)	–	–	(6,153)
					11,006
Liabilities/equity					
Deferred tax liabilities	(259)	–	–	–	(259)
Share option reserve	–	–	799	–	799
Capital reserve	–	–	–	(13,380)	(13,380)
Property revaluation reserve	(3,283)	–	–	–	(3,283)
Investment revaluation reserve	–	11,476	–	–	11,476
Retained profits	3,072	–	(799)	13,380	15,653
					11,006

(b) **Effect on the balances of equity at 1 April 2004 and at 1 April 2005**

Effect of new policies Decrease/(increase)	**Effect of adopting HKAS 17 Prepaid land lease payments** *HK$'000*	**HKAS 39 Designation of available-for-sale investment** *HK$'000*	**HKFRS 3 and HKAS 36 Derecognition of negative goodwill** *HK$'000*	**Total** *HK$'000*
1 April 2004				
Property revaluation reserve	(3,290)	–	–	(3,290)
Retained profits	3,011	–	–	3,011
				(279)
1 April 2005				
Property revaluation reserve	(3,283)	–	–	(3,283)
Investment revaluation reserve	–	5,860	–	5,860
Capital reserve	–	–	(13,380)	(13,380)
Retained profits	3,019	–	13,380	16,399
				5,596

(c) **Effect on the consolidated income statement for the years ended 31 March 2006 and 2005**

Effect of new policies	**Effect of adopting HKAS 17 Prepaid land lease payments** *HK$'000*	**HKFRS 2 Employee share option scheme** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2006			
Decrease/(increase) in administrative expenses	53	(799)	(746)
Total increase/(decrease) in profit	53	(799)	(746)
Year ended 31 March 2005			
Decrease in administrative expenses	8	–	8
Total increase in profit	8	–	8

There is no significant impact of the adoption of new HKFRSs on the Group's basic and dilutive earnings per share for the years ended 31 March 2006 and 2005.

2. SEGMENT INFORMATION

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

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

(a) the construction business segment is engaged in construction contract work as a main contractor as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services;

(b) the property development of residential and commercial properties; and

(c) the fitness centre operation and related business segment is engaged in the operation of fitness centres, trading of fitness and medical equipment and the provision of related installation and maintenance services.

In prior year, the Group through its non-wholly owned subsidiary, Chinese People Gas Holdings Company Limited ("CPG"), acquired the entire interest in Xin Hua Resources Investment Limited ("Xin Hua") for consideration of HK$96,772,000. Xin Hua and its subsidiaries are engaged in natural gas business in Mainland China. The segment of natural gas business is regarded as a new business of the Group upon the completion of acquisition. However, following the disposal of the Group's entire interest in CPG in prior year, the natural gas business was discontinued.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) **Business segments**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005.

Group

	Continuing operations: Construction business 2006 *HK$'000*	2005 *HK$'000* (Restated)	**Property development and investment** 2006 *HK$'000*	2005 *HK$'000* (Restated)	**Fitness centre and related business** 2006 *HK$'000*	2005 *HK$'000* (Restated)	**Discontinued operation: Natural gas business** 2006 *HK$'000*	2005 *HK$'000* (Restated)	**Consolidated** 2006 *HK$'000*	2005 *HK$'000* (Restated)
Segment revenue:										
Sales to external customers	**431,929**	427,994	**116,683**	67,403	**68,802**	75,430	–	77,051	**617,414**	647,878
Other income and gains	**2,869**	1,871	**3,767**	2,268	**1,074**	702	–	3,495	**7,710**	8,336
Total	**434,798**	429,865	**120,450**	69,671	**69,876**	76,132	–	80,546	**625,124**	656,214
Segment results	**15,510**	(30,435)	**16,217**	7,686	**(14,475)**	(16,954)	–	33,838	**17,252**	(5,865)
Interest income and dividend income									**5,491**	989
Gain on disposal of long term investments									–	3,181
Gain on disposal of discontinued operation							–	97,753	–	97,753
Unallocated expenses							–	–	**(6,411)**	(13,966)
Impairment of goodwill	–	–	–	–	**(4,000)**	(12,668)	–	–	**(4,000)**	(12,668)
Amortisation of goodwill	–	–	–	–	–	(529)	–	(2,198)	–	(2,727)
Finance costs							–	–	**(2,369)**	(2,784)
Share of profits and losses of:										
A jointly-controlled entity	**55**	16	–	–	–	–	–	–	**55**	16
Associates	**101**	184	–	–	–	–	–	2,784	**101**	2,968
Profit before tax									**10,119**	66,897
Tax							–	(12,123)	**(1,656)**	(13,850)
Profit for the year									**8,463**	53,047
Segment assets	**208,115**	269,178	**345,583**	247,879	**54,685**	33,504	–	–	**608,383**	550,561
Interest in a jointly-controlled entity	**11,691**	6,604	–	–	–	–	–	–	**11,691**	6,604
Interests in associates	**7,403**	6,220	–	–	–	–	–	–	**7,403**	6,220
Unallocated assets									**22,199**	80,089
Total assets									**649,676**	643,474
Segment liabilities	**(77,507)**	(107,391)	**(90,494)**	(81,174)	**(22,897)**	(20,639)	–	–	**(190,898)**	(209,204)
Unallocated liabilities									**(82,396)**	(98,465)
Total liabilities									**(273,294)**	(307,669)
Other segment information:										
Depreciation	**1,293**	891	**254**	378	**2,339**	2,441	–	1,518	**3,886**	5,228
Recognition of prepaid land lease payment	**250**	250	–	–	–	–	–	–	**250**	250
Loss on disposal of items of property, plant and equipment	–	123	–	–	**746**	–	–	1,941	**746**	2,064
Provision/(write-back) of provision for doubtful debts	**693**	(2,693)	**116**	947	**(1,266)**	9,575	–	–	**(457)**	7,829
Provision/(write-back) for other receivables	**5,798**	1,276	**(3,169)**	6,182	**12**	–	–	–	**2,641**	7,458
Provision/(write-back) for inventories	**(209)**	1	–	–	**1,114**	123	–	–	**905**	124
Capital expenditure	**481**	305	**242**	378	**6,864**	3,174	–	122,682	**7,587**	126,539

(b) **Geographical segments**

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005.

Group

	Hong Kong 2006 *HK$'000*	2005 *HK$'000* (Restated)	**Mainland China** 2006 *HK$'000*	2005 *HK$'000* (Restated)	**Consolidated** 2006 *HK$'000*	2005 *HK$'000* (Restated)
Segment revenue:						
Sales to external customers	**333,769**	346,423	**283,645**	301,455	**617,414**	647,878
Attributable to a discontinued operation	–	–	–	(77,051)	–	(77,051)
Revenue for continuing operations	**333,769**	346,423	**283,645**	224,404	**617,414**	570,827
Other segment information:						
Segment assets	**214,840**	312,558	**434,836**	330,916	**649,676**	643,474
Capital expenditure:						
Capital expenditure for continuing operations	**4,559**	3,857	**3,028**	–	**7,587**	3,857
Attributable to a discontinued operation	–	–	–	122,682	–	122,682
	4,559	3,857	**3,028**	122,682	**7,587**	126,539

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross revenue earned from construction work and the net amount of maintenance work invoiced, property development and investment business, fitness centre operations and related business and natural gas business.

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

	Note	**Group** 2006 *HK$'000*	2005 *HK$'000*
Revenue			
Income from construction contracting and related business		**431,929**	427,994
Income from property development and investment business		**116,683**	67,403
Income from fitness centre operation and related business		**68,802**	75,430
Attributable to continuing operations reported in the consolidated income statement		**617,414**	570,827
Income from natural gas business attributable to a discontinued operation	6	**–**	77,051
		617,414	647,878
Other income and gains			
Bank interest income		**1,017**	812
Other interest income		**1,964**	–
Release of discounted amount of long term receivable arising from the passage of time		**2,318**	–
Gross rental income		**2,161**	1,097
Dividend income from available-for-sale equity investment/long term investment		**194**	177
Gain on disposal of subsidiaries		**1,768**	–
Others		**3,779**	3,744
Attributable to continuing operations		**13,201**	5,830
Attributable to a discontinued operation	6	**–**	3,495
		13,201	9,325

4. FINANCE COSTS

	2006 *HK$'000*	2005 *HK$'000*
Interest on bank loans, overdrafts and other borrowings:		
wholly repayable within five years	**4,651**	3,362
wholly repayable after five years	**–**	413
Total interest	**4,651**	3,775
Less: Interest capitalised on properties under development	**(2,282)**	(991)
	2,369	2,784

5. TAX

No Hong Kong profits tax has been provided as the Group did not generated any assessable profits arising in Hong Kong during the year (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group 2006 *HK$'000*	2005 *HK$'000* (Restated)
Current – Hong Kong		
Under/(over) – provision in prior years	**79**	(530)
Current – Elsewhere	**1,608**	2,186
Deferred	**(31)**	71
Total tax charge for the year	**1,656**	1,727

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

	Group 2006 *HK$'000*	2005 *HK$'000* (Restated)
Profit before tax (including profit from a discontinued operation)	**10,119**	66,897
Tax at the statutory tax rate of 17.5% (2005: 17.5%)	**1,770**	11,706
Effect of different rates for companies operating in other jurisdictions	**(537)**	7,838
Adjustments in respect of current tax of previous periods	**(79)**	(530)
Profits and losses attributable to associates	**(101)**	(145)
Income not subject to tax	**(7,134)**	(19,685)
Expenses not deductible for tax	**6,481**	10,921
Tax loss utilised from previous periods	**(4,622)**	(293)
Tax losses not recognised	**5,878**	4,038
Tax charge at the Group's effective rate	**1,656**	13,850
Tax charge attributable to a discontinued operation *(note 6)*	**–**	(12,123)
Tax charge attributable to continuing operations reported in the consolidated income statement	**1,656**	1,727

The share of tax attributable to associates amounting to HK$580,000 (2005: HK$830,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

6. DISCONTINUED OPERATION

	Notes	2006 *HK$'000*	2005 *HK$'000*
Gain on disposal of a discontinued operation	*(i)*	–	97,753
Profit for the year from a discontinued operation	*(ii)*	–	22,301
		–	120,054

Notes:

(i) In prior year, the Group disposed of the entire interest in CPG, which was engaged in natural gas business and following the disposal, the Group ceased to have any interest in CPG. The business segment of natural gas was regarded as discontinued operation. The details of the transactions are set out as follows:

On 30 April 2004, the Group acquired 49% equity interest in Xin Hua. The consideration was satisfied by way of issuing 295,000,000 shares in CPG. On the same date, the Group placed 400,000,000 new shares of CPG to third parties at HK$0.10 each. The placement of new shares resulted in a deemed disposal gain of approximately HK$15,908,000.

On 11 August 2004, the Group disposed of 175,000,000 shares of CPG of HK$0.10 each to third parties at HK$0.30 each. The disposal resulted in a gain of approximately HK$40,194,000.

On 15 March 2005, the Group disposed of its remaining interest in CPG of approximately 52.08%, to a third party for a consideration of HK$136,172,000 (before expenses). The disposal resulted in a gain of approximately HK$41,651,000.

(ii) The results of CPG for the prior year are presented below:

	Notes	2005 *HK$'000*
Revenue	3	77,051
Cost of sales		(33,479)
Other income and gains	3	3,495
Administrative expenses		(13,229)
Impairment of goodwill		(2,198)
Share of profits of associates		2,784
Profit before tax from the discontinued operation		34,424
Tax	5	(12,123)
Profit for the year from the discontinued operation		22,301

The net cash flows incurred by CPG for the prior year are as follows:

	2005 *HK$'000*
Operating activities	(28,167)
Investing activities	30,397
Financing activities	10,674
Net cash inflow	12,904
Earnings per share:	
Basic, from the discontinued operation	HK24.08 cents
Diluted, from the discontinued operation	HK23.80 cents

The calculations of basic and diluted earnings per share for the prior year from the discontinued operation are based on:

	2005
Net profit attributable to ordinary equity holders of the Company from the discontinued operation	HK$120,054,000
Weighted average number of ordinary shares in issue during the prior year used in the basic earnings per share calculation, as adjusted to the share consolidation during the year ended 31 March 2006	498,383,800
Weighted average number of ordinary shares used in the diluted earnings per share calculation, as adjusted to the share consolidation during the year ended 31 March 2006	504,420,800

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to the share consolidation during the year ended 31 March 2006.

The calculation of diluted earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Earnings		
Net profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**10,181**	40,242
Attributable to:		
Continuing operations	**10,181**	(79,812)
Discontinued operation *(note 6)*	–	120,054
	10,181	40,242
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**499,790,777**	498,383,800
Effect of dilution – weighted average number of ordinary shares:		
Warrants	–	6,037,000
Share options	**255,573**	–
	500,046,350	504,420,800

8. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 60 days for sale of trading goods and a period of 180 days, for sale of completed properties held for sale. For retention receivables in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of accounts receivable as at the balance sheet date, based on the invoice date and net of provision is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Current to 90 days	**29,743**	49,631
91 to 180 days	**8,037**	23,512
181 to 360 days	**11,564**	22,558
Over 360 days	**6,282**	2,907
	55,626	98,608
Retention money receivable	**4,457**	7,713
Total	**60,083**	106,321

9. ACCOUNTS PAYABLE

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

	Group	
	2006 *HK$'000*	2005 *HK$'000*
Current to 90 days	**53,929**	67,976
91 to 180 days	**2,186**	4,098
181 to 360 days	**1,128**	3,650
Over 360 days	**4,439**	4,145
	61,682	79,869

The accounts payable are non-interest-bearing and are normally settled on 30-day terms.

DIVIDENDS

No interim dividend was paid during the year and the Directors do not recommend the payment of final dividend in respect of the year (2005: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17 August 2006 to 22 August 2006, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on 22 August 2006, all transfer of shares in the Company accompanied by the relevant share certificates must lodged with the Company's branch shares registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 16 August 2006.

BUSINESS REVIEW

The Group's turnover for the year for continuing operations was HK$617,414,000 which represented an increase of 8% as compared with last year. The net profit attributable to equity holders of the Company amounted to approximately HK$10,181,000 representing a decrease of 75% as compared with last year. Earnings per share is approximately HK2.04 cent.

The Group's major business segment during the year comprises (i) construction, as a main contractor, as well as the provision of contracting intelligent building engineering, and electrical and mechanical ("E&M") services; (ii) property development and investment; and (iii) the operation of fitness club and trading of fitness equipment business.

During the year, the Group already completed projects such as the fitting out for Sogo New Department Store at 12 Salisbury Road, Tsim Sha Tsui, Kowloon, main contractor for office fitting out works including E&M works at Two International Finance Centre, and main contractor for construction of a 7-storey secondary school at Nam Fung Road, Aberdeen, Hong Kong. Segment result achieved in this year increased by HK$46 million as compared to last year, to HK$16 million.

More to note, during the year, the Group sold certain units in Phase II and Phase III, Asian Villas, Haikou, Hainan Province, and certain villas in Parkview Garden, Shanghai, which contributed a meaningful turnover and profit to the Group. Also, the Group started to recognise sales for the residential units at Phase I of Asian Villas City Square, Haikou, Hainan Province since its completion during the year, which the enthusiastic sales response was demonstrated by the 73% and 111% increase in the segment turnover and segment results as compared to last year.

On the other hand, the fitness club and related business generated a meaningful turnover totalling HK$69 million to the Group during the year. In July 2005, a new fitness centre was opened at Hong Kong New World Tower (Shanghai), Shanghai, PRC. In addition, the Group had purchased the 5th floor of Fortune-King Plaza in Chengdu, PRC in September 2005, for the purpose of opening a new fitness club, the trial opening of this new fitness club was May 2006. Positive feedback was received since the trial opening of this fitness club.

PROSPECTS

Construction business (including E&M works)

The Group will uphold an on-going parallel development of its construction business (including E&M works) in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, in April 2006, the Group had been promoted from "List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the HKSAR" to "List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR". Together with the license in Group II under the "Turn-key Interior Design and Fitting-out Works" under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" and the 11 licenses held under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR", enables the Group to take an active part in the construction business development (including E&M works).

During the year, new projects such as main contractor for construction of four residential houses at 10 Pollock's Path, The Peak, Hong Kong, main contractor for construction of a residential building at no.1, the Peak, Hong Kong, building services installation for the construction of a direct subsidy scheme school in Shatin, Hong Kong, two years' team contract for inspection, repair, overhaul and testing of E&M installations at various sewage treatment works and pumping station in the New Territories, Hong Kong, and a three years' team contract for telemetry and plant control installation of Water Supplies Department were awarded. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK$679 million.

Property development and investment

The development of high-class residential property development project, Parkview, near the Botanical Gardens in Shanghai with a gross floor area of approximately 56,000 sq. metres was completed in December 2003. Certain units of the Parkview project were sold at a total contractual sum of over RMB311 million. As Shanghai is now vigorously developing into a metropolis serving as an international financial, information and logistic center, the Directors believe that this project has great market potential and bright prospects by virtue of its unique Botanical Gardens surroundings.

In addition, Southern Area of Asian Villas, Haikou, Hainan Province (also known as "Asian Villas City Square"), will be developed into a residential and commercial complex with a total gross floor area of approximately 130,000 sq. metres, construction is on schedule and 8 blocks of residential building of Phase I was completed during the year, and it is expected the whole development will be completed by the end of 2006. During the year under review, the above mentioned blocks had contributed RMB87 million to the turnover of the Group. Up to the date of this report, the total contract sum achieved amounted to approximately RMB122 million.

On 9 June 2005, the Group has been obtained through an open auction the land use rights of a development site in Long Ting District of the City of Kai Feng. The Directors intends to develop a commercial complex on the site with an estimated gross floor area of approximately 177,000 sq. metres. Up to now, the development is at the removal and demolish stage, and is processing according to schedule, it is expected to contribute return to the Group commencing year 2007.

Although the residual effect of the macro-economic tightening measures have added uncertainties to the growth of the PRC economy, however, the Directors believe that the austerity measure had only a moderate and short term impact on the property market in PRC. With strong sustained economic growth in PRC, coupled with the expected appreciation of RMB, the PRC property market offers tremendous opportunities, and the Directors are now looking for property development projects in PRC prime cities and may acquire additional land bank for property development purpose, however, the Group has no specific investment plan in relation to any particular project.

Noteworthy is the fact that Directors believe the hosting of the World Expo in 2010 which will have a positive impact on the PRC property market and the property development and investment segment will continue to provide a sizable contribution to the Group's operating results in the coming years.

Operation of sports club, fitness and spa centres and related business

In the past few years, several fitness and spa centres were opened in various locations in the PRC including Shanghai, Xian, Wuhan, Urumqi and Shenzhen. In May 2004, one of the biggest sport club in the PRC was opened in Jinqaio, Shanghai, PRC, this sports club has a total gross floor area of approximately 11,000 square meters equipped with swimming pool, tennis court, spa and gym facilities. In addition, one new fitness centre was opened at Hong Kong New World Tower (Shanghai), Shanghai, PRC during the year, and another one with a gross floor area of approximately 4,933.73 square meters was at Fortune-King Plaza, Chengdu, PRC under trial opening in May 2006. There are currently 10 fitness clubs which are operating under the brand name "Megafit" and 1 fitness and spa center operating under the brand name "Sensation". The Group currently has over 10,500 members. As Beijing has won the right to host the 2008 Olympic Games, the Directors believe that such event will stimulate the public's enthusiasm in fitness and sports and this business segment will provide a favourable contribution to the Group's revenue in the future.

Subsequent to the year end, the Group had signed an agreement to open another fitness club at Xinjiangwan, Shanghai, PRC, the theme of this fitness club is high-class and leisure, it will have a gross floor area of approximately 4,500 square metres, fine-equipped with indoor heated swimming pool, squash field, gymnasium and aerobic exercise equipment etc.. It is expected this new fitness club will be open by August 2006.

Hotel

Subsequent to year end, in April 2006, the Group had purchased a hotel in Haikou, the capital of Hainan Province, PRC through the acquisition of a subsidiary. The hotel is a three-star hotel with a total of 208 guest rooms and suites with a gross floor area of 22,739.05 square meters. In view of the great potential which Hainan Province has as an upscale tourist destination, the Group intends to make use of the acquisition as a stepping stone for the Group to participate in the hotel business in Hainan, as the Directors consider the growth prospects of this business to be promising.

MAJOR TRANSACTIONS

As stated in the Company's circular dated 2 August 2005, the Board proposes to consolidate every 10 ordinary shares of HK$0.01 each ("Old Share") into one consolidated share of HK$0.10 each ("Existing Share"), and change the board lot size from 10,000 Old Shares to 5,000 Existing Shares. The share consolidation and change of board size were approved by the shareholders of the Company on 31 August 2005 and became effective on 1 September 2005.

POST BALANCE SHEET EVENT

On 4 April 2006, Sparta Assets Limited (the "Sparta Assets"), a company incorporated in the British Virgin Islands with limited liability, which holds approximately 45.55% of the Company shares, has entered into a placing agreement with Penta Investment Advisers Limited ("Penta"), a company incorporated in British Virgin Islands with limited liability. Pursuant to the placing agreement, Sparta Assets agreed to place 15,000,000 placing Shares with Penta at a price of HK$0.34 per Share. On the same day, Sparta Assets entered into a share subscription agreement with the Company pursuant to which, Sparta Assets conditionally agreed to subscribe for 15,000,000 subscription shares at the same price of HK$0.34 per share.

On 4 April 2006, the Company and Penta entered into a convertible note subscription agreement under which, subject to certain conditions, the Company agreed to issue, and Penta agreed to subscribe for, convertible notes with an aggregate principal amount of HK$15,750,000.

The convertible notes are convertible into shares at a conversion price at an initial conversion price of HK$0.45 per share. The notes and conversion shares to be issued pursuant to the convertible notes will be issued under General Mandate.

On 1 April 2006, the Group acquired a 100% interest in Winsome Properties Limited, which is engaged in the investment holding business. The purchase consideration of HK$10,096,154 for the acquisition was in the form of cash and was paid up to acquisition date. The major asset held by Winsome Properties Limited is a 70% interest in a hotel property located in Mainland China. Because the acquisition of Winsome Properties Limited was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March, 2006, the Group had total assets of HK$649,676,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK$241,917,000, HK$31,377,000, HK$374,107,000 and HK$2,275,000, respectively.

The gearing ratio for the group is at 7.7% (31 March 2005: 0.2%). It was calculated based on the long term borrowings of HK$31,377,000 (31 March 2005: HK$671,000) and long term capital of HK$407,759,000 (31 March 2005: HK$336,476,000).

The bank borrowings and cash and bank balances were principally denominated in Hong Kong dollars and Renminbi. Hence, there is no significant exposure to foreign exchange rate fluctuations. In view of the fact that Hong Kong dollars interest rate had risen in the past few months to a level similar to Renminbi interest rate, the Group have increase its Renminbi borrowings to an appropriate level in line with our actual need.

CAPITAL STRUCTURE

The Group's long-term capital mainly comprised of shareholders' equity which is confirmed with the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Since Renminbi is relatively stable, we consider the exchange risk is not significant.

CONTINGENT LIABILITIES

At the balance sheet date, there is no significant contingent liabilities for the Group.

EMPLOYEE SCHEMES

As at 31 March 2006, 469 employees, 306 of whom were based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

CAPITAL COMMITMENTS

	Group	
	2006 *HK$'000*	2005 *HK$'000*
Capital commitments contracted, but not provided for, in respect of acquisition of properties	**16,503**	–

CHARGES ON GROUP ASSETS

The bank loans and the Group's banking facilities are secured by:

(i) the pledge of certain of the Group's leasehold land and leasehold buildings situated in Hong Kong, which had an aggregate net book value at the balance sheet date of approximately HK$13,512,000 (2005: HK$13,762,000) and HK$45,398,000 (2005: HK$17,325,000), respectively;

(ii) the pledge of the Group's time deposits of HK$68,300,000 (2005: HK$57,780,000); and

(iii) the pledge of certain of the Group's properties held for sale situated in PRC, which had an aggregate net book value at the balance sheet date of approximately HK$74,306,000 (2005: Nil)

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and these shares were subsequently cancelled by the Company, accordingly the issued share capital was decreased by the nominal value of these shares. The premium payable on repurchase was charged against the share premium account. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them.

Month of purchase	**Number of ordinary share of HK$0.01 each**	**Price per share Highest** *HK$*	**Lowest** *HK$*	**Aggregate consideration paid** *HK$'000*
April 2005	76,430,000	0.065	0.063	4,935
May 2005	37,290,000	0.062	0.057	2,200
June 2005	56,080,000	0.052	0.049	2,848
August 2005	13,010,000	0.038	0.036	481
Total	182,810,000			10,464

Month of purchase	**Number of ordinary share of HK$0.10 each**	**Price per share Highest** *HK$*	**Lowest** *HK$*	**Aggregate consideration paid** *HK$'000*
November 2005	970,000	0.320	0.295	304
December 2005	820,000	0.280	0.265	221
Total	1,790,000			525

CORPORATE GOVERNANCE

The director consider that the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March, 2006, with the following deviations:

Code Provision A1.1

Code Provision A1.1 stipulates that the Company should hold as least four regular Board meetings a year at approximately quarterly intervals with active participation of a majority of directors, either in person or through other electronic means of communication.

Regular Board meetings were held twice during the year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. As the Company did not announce its quarterly results hence did not hold quarterly meetings. In order to meet the Code Provision, the Company plans to hold at least four regular Board meetings in the future. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

Code Provision A2.1

Under Code Provision A2.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Company does not have a position of Chief Executive Officer but the Managing Director performs similar function as Chief Executive Officer. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

Code Provision A4.1 and A4.2

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. 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. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The independent non-executive directors are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

To comply with Code Provision A4.2, relevant amendments to the Company's Bye-Laws were proposed and approved by the shareholders at the Company's annual general meeting held on 31 August 2005. Under the Company's existing Bye-Laws, every director, including those appointed for specific terms, should be subject to retirement by rotation at least once every three years. All directors appointed to fill a casual vacancy should be subject to election at the first and subsequent general meeting.

AUDIT COMMITTEE

The Company has an audit committee which were established in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the results for the year ended 31 March 2006. The audit committee comprises the three independent non-executive directors of the Company.

REMUNERATION COMMITTEE

The Company has a remuneration committee which was established in accordance with the requirements of the Code for the purpose of reviewing the remuneration policy and fixing the remuneration package for all Directors. The remuneration committee currently comprises two executive Directors, namely Mr.Tjia Boen Sien, Mr. Wang Jing Ning, and the three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors on terms no less exactly than the required standard set out in the Model Code. Having made specific enquiry of the Directors, all Directors has complied with, for any part of the accounting period under review, the required standard set out in the Model Code and its code of conduct regarding directors securities transactions.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this announcement and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE HKEX TRANSACTIONS

The annual report containing all the information required under Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong, 21 July 2006.

As at the date of this announcement, the executive Directors of the Company are Mr. Wang Ke Duan, Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Mr. Keung Kwok Cheung, and Mr. Ong Chi King, and the independent non-executive Directors are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po, and Mr. Wong Shing Kay, Oliver.