盈信 VANTAGE

VANTAGE INTERNATIONAL (HOLDINGS) LIMITED

盈 信 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code: 15

ANNUAL REPORT

2006-2007

Contents

Corporate Information

Corporate Information

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

EXECUTIVE DIRECTORS
Mr. NGAI Chun Hung *(Chairman)*
Mr. YAU Kwok Fai *(Deputy Chairman and Chief Executive Officer)*
Mr. LI Chi Pong

NON-EXECUTIVE DIRECTOR
Mr. SHEK Yu Ming Joseph

INDEPENDENT NON-EXECUTIVE DIRECTORS
Professor KO Jan Ming
Mr. IP Kwok Him, GBS, JP
Mr. FUNG Pui Cheung Eugene

AUDIT COMMITTEE
Professor KO Jan Ming
Mr. IP Kwok Him, GBS, JP
Mr. FUNG Pui Cheung Eugene

REMUNERATION COMMITTEE
Professor KO Jan Ming
Mr. IP Kwok Him, GBS, JP
Mr. FUNG Pui Cheung Eugene
Mr. YAU Kwok Fai

COMPANY SECRETARY
Ms. PANG Fung Ming

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
No. 155 Waterloo Road
Kowloon Tong
Kowloon
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

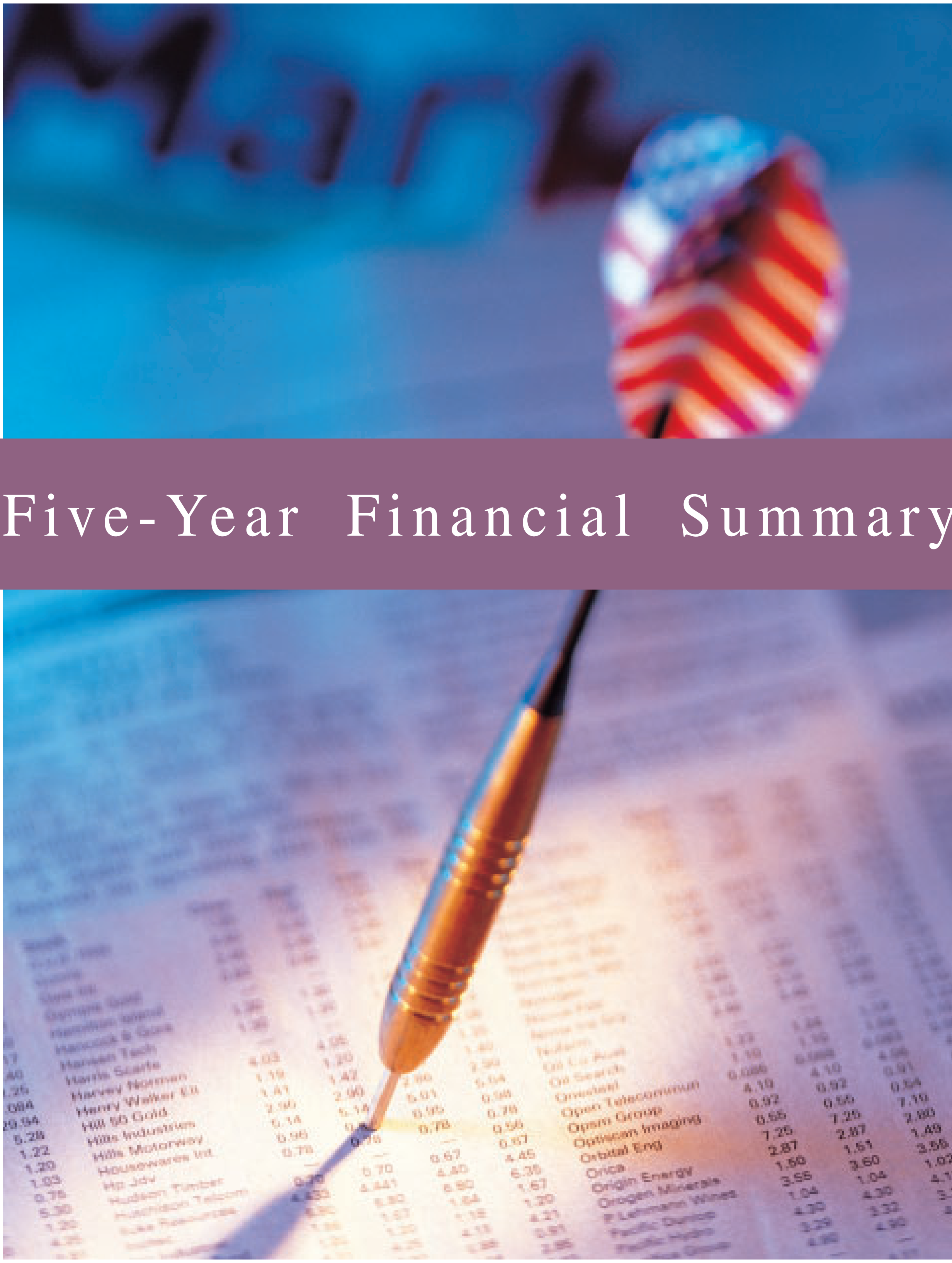
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tengis Limited
Level 25
Three Pacific Place
1 Queen's Road East
Hong Kong

AUDITORS
Ernst & Young

ORDINARY SHARE LISTING
Main Board of
The Stock Exchange of Hong Kong Limited
(stock code 15)

WEBSITE
www.vantageholdings.com

Five-Year Financial Summary



Five-Year Financial Summary

RESULTS

Year ended 31 March

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
TURNOVER					
Contract revenue	**1,510,651**	1,262,663	1,504,731	1,407,882	661,225
Property gross rental income	**18,545**	12,152	1,304	–	–
	1,529,196	1,274,815	1,506,035	1,407,882	661,225
Contract costs	**(1,447,906)**	(1,203,545)	(1,437,072)	(1,343,421)	(626,775)
Property expenses	**(1,441)**	(1,118)	(177)	–	–
Gross profit	**79,849**	70,152	68,786	64,461	34,450
Other income and gains	**36,322**	65,278	18,170	8,464	328
Administrative and other expenses	**(42,613)**	(55,669)	(35,948)	(24,942)	(20,928)
Finance costs	**(30,504)**	(20,903)	(980)	(1,872)	(1,688)
Share of profits and losses of jointly-controlled entities	**–**	–	(11)	258	7
Tax	**(5,914)**	(17,041)	(9,488)	(7,349)	(2,591)
NET PROFIT	**37,140**	41,817	40,529	39,020	9,578

BALANCE SHEETS

At 31 March

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Investment properties	**412,810**	518,790	229,800	16,800	12,260
Property, plant and equipment	**12,204**	20,504	17,840	4,118	3,565
Properties held for development	**115,586**	115,500	–	–	–
Other non-current assets	**9,709**	670	48,564	14,739	15,343
Current assets	**650,869**	371,320	395,294	446,997	341,633
Current liabilities	**(622,974)**	(370,257)	(326,108)	(283,988)	(251,126)
Non-current liabilities	**(269,627)**	(385,275)	(135,955)	(352)	(120)
Net assets	**308,577**	271,252	229,435	198,314	121,555
Issued capital	**23,519**	23,519	23,519	23,519	21,120
Reserves	**285,058**	247,733	205,916	170,091	96,211
Proposed final dividends	**–**	–	–	4,704	4,224
Total equity	**308,577**	271,252	229,435	198,314	121,555

Chairman's Statement

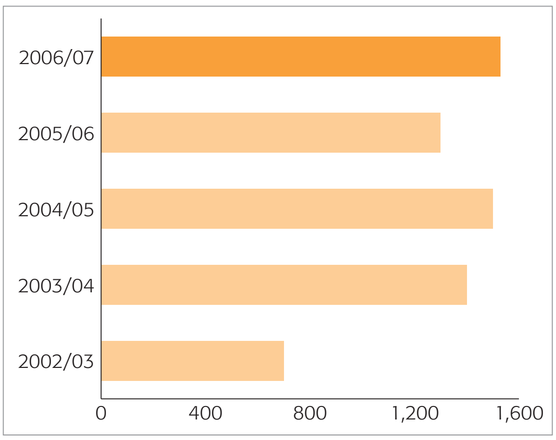
Chairman's Statement

FINANCIAL HIGHLIGHTS

- Turnover up 20% to HK$1,529 million from 2005/06 of HK$1,275 million
- Net profit down 11% to HK$37.1 million from 2005/06 of HK$41.8 million
- Earnings per share down to HK3.9 cents from 2005/06 of HK4.4 cents

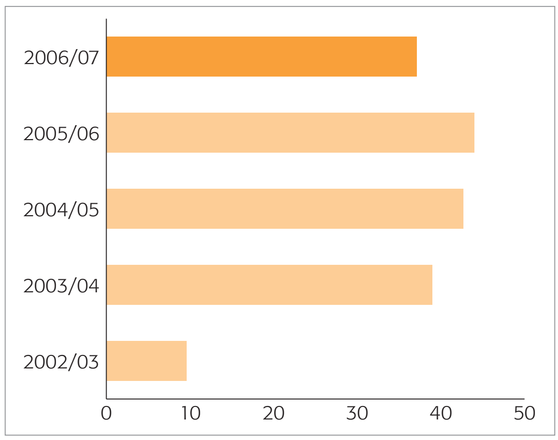
Turnover

HK$ million



Profit

HK$ million



PERFORMANCE

Net profit for the year attributable to shareholders was HK$37,140,000 (2006: HK$41,817,000). Earnings per share was HK3.9 cents (2006: HK4.4 cents).

The Board does not recommend the payment of a final dividend (2006: nil).

BUSINESS REVIEW

Property Investment

On 6 February 2007, we entered into an agreement to dispose of the property at No. 36 Jardine's Bazaar, Causeway Bay for a price of HK$113,000,000. The disposal was completed subsequent to the balance sheet date on 31 May 2007. As a result of this disposal, the Group has realised cash proceeds of around HK$49 million after payment of the related mortgage loan, commission and legal and professional fees, which has resulted in a positive effect on the Group's gearing position.

Chairman's Statement

Due to the exceptionally high premium offered by the HKSAR Government for the lease modification, we had been reviewing the redevelopment plan for the site at No. 9 Belfran Road, Kowloon. In the second half of the financial year under review, the Board has decided it is in the best interest of the Company to sell the property in its existing state. Therefore, we have appointed property agents and started a marketing plan.

Our investment properties (including No. 36 Jardine's Bazaar classified as held for sale) were valued at an aggregate value of HK$525,810,000 as of 31 March 2007 by independent professional valuers. As a result of the valuation, we recorded a gain of approximately HK$19,107,000.

As the retail property market in Hong Kong is experiencing a steady uptake, we have noted a remarkable increase of 53% in the Group's gross rental income from approximately HK$12,152,000 for the previous year to HK$18,545,000 for the year under review.

Property Development

After our acquisition of the whole block at Nos. 123-125 Tung Choi Street together with the whole block except Ground Floor at No. 127 Tung Choi Street, Mongkok, we have decided to acquire the remaining portion of No. 127 Tung Choi Street and pursue a redevelopment plan of the site at Nos. 123, 125 and 127 as a whole. Accordingly, we had submitted the application to the Lands Tribunal for an order under the Land (Compulsory Sales for Redevelopment) Ordinance to sell all the undivided shares in the lots at Nos. 125 & 127 for redevelopment purposes. The hearing of our application was completed in March 2007. Unfortunately, the Lands Tribunal dismissed our application. Nevertheless, we have already applied to the Lands Tribunal for a review of its decision and court hearings have been scheduled in the coming few months.

In the meantime, pending the legal proceedings, the shops on Ground Floor of Nos. 123-125 continue to be rented out on short-term leases.

In July 2005, we acquired a land in Tai Po with a site area of about 1,000 m^2 and having a view of the Tolo Harbour. We plan to develop a two-storey luxury residential house of a total floor area of about 400 m^2 and with spacious gardens and a swimming pool. Building plans have been submitted to Buildings Department and were approved. Site investigation has been completed. Piling work will commence in September 2007. However, as the design and planning stage has taken a longer period than previously expected, the expected completion date will extend from 2007 to the fourth quarter of 2008.

Construction and Engineering Work

We are pleased to report that our construction segment's expansion to the private sector has noted remarkable results during the year under review. We successfully secured a contract to construct 5 blocks of 52 to 56-storey residential towers with a total number of 2,096 flat units sitting on a 5-storey podium at the mass residential development, Dream City in Tseung Kwan O and a contract to construct 6 blocks of 18-storey residential towers at Tung Chung Station Development. The aggregate value of these two contracts amounts to HK$1,155 million.

In addition, during the year under review, our engineering segment has secured from the Water Supplies Development two significant contracts for the replacement and rehabilitation of water mains with an aggregate value of HK$426 million.

Chairman's Statement

China Business

We experienced a setback in one JV project in the mainland China. As announced in the Company's circular dated 17 November 2006, we entered into a cooperation agreement with China Radio and TV International Techno-Economic Cooperation Co. ("China Radio and TV") regarding a property development project in Beijing. However, due to the undue delay in obtaining the necessary government approval for the establishment of a property joint venture company in Beijing, that was essential to kicking off the project, we agreed with China Radio & TV to terminate the cooperation agreement with effect from 17 May 2007, which has been considered in mutual interests.

PROSPECT

We will continue to bid contracts of new works as well as maintenance works from the Government of the HKSAR. It is expected that more opportunities will arise from the public sector. On 1 July 2007, the Government set up the Development Bureau and has announced that it will spend HK$29 billion per year in infrastructure development. Furthermore, in preparation of the East Asian Games 2009 to be held in Hong Kong, the Government is upgrading various existing sport and recreation facilities. Subsequent to 31 March 2007, we have secured the contract for improvement works to Kowloon Park Swimming Pool and Hong Kong Stadium with a contract value of HK$170 million. We anticipate that the Group will further benefit from the increasing public spending in construction works.

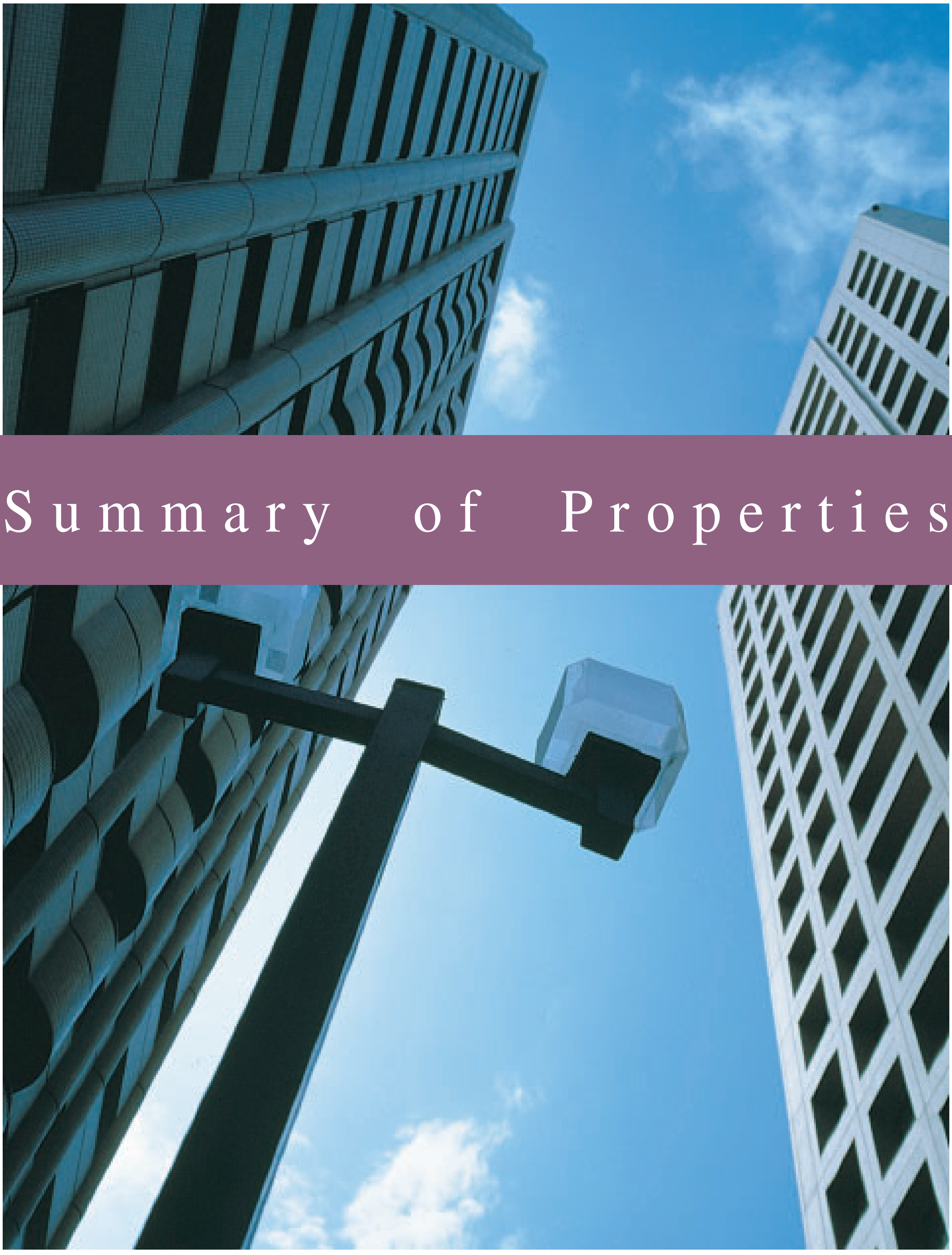
APPRECIATION

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members of the Group for their hard work and dedication and all the shareholders of the Company for their support.

On behalf of the Board

Ngai Chun Hung
Chairman

Hong Kong, 23 July 2007



Summary of Properties

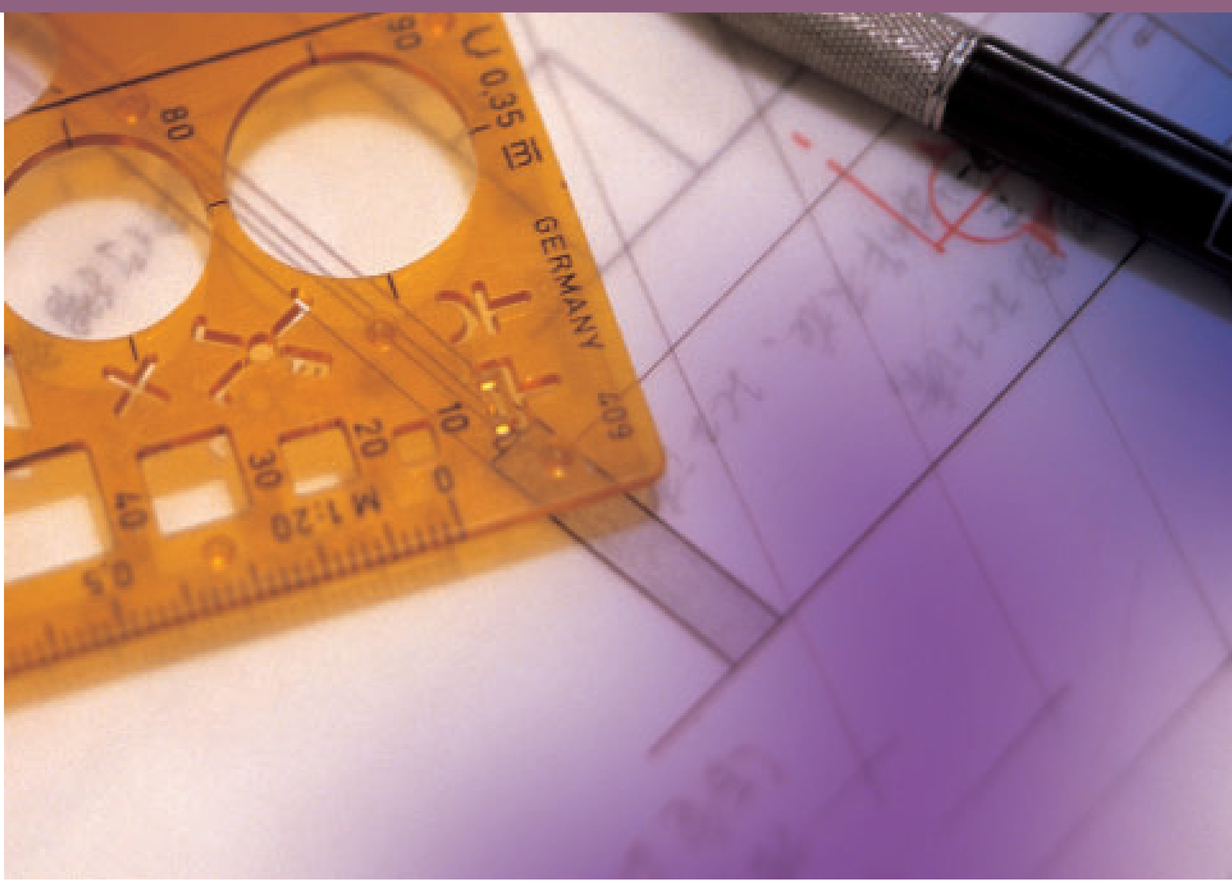
Summary of Properties

	Address	Use	Tenure	Percentage held by the Group
PROPERTIES HELD BY THE GROUP AT 31 MARCH 2007				
I.	**PROPERTIES IN HONG KONG**			
1.	Shop Nos. G29A2, G28, G65, G64A and G64B, G27A and G27B, G26A and G26B on Ground Floor of Portion B, Argyle Centre, Phase 1, No. 688 Nathan Road, No. 65 Argyle Street, Mongkok, Kowloon	Shops	Long lease	100%
2.	Shop Nos. 5 and 6 and Storeroom 3, 1st Floor, Fou Wah Centre, No. 210 Castle Peak Road, Tsuen Wan, New Territories	Shops	Medium term lease	100%
3.	No. 36 Jardine's Bazaar, Causeway Bay	Shops/ Commercial	Long lease	100%
4.	Duplex Flat B on 12th and 13th Floors of Block 16 and Car Parking Space No. 36 on Upper Carpark Floor, Villa Rhapsody, Symphony Bay, No. 533 Sai Sha Road, Ma On Shan, Shatin, New Territories	Residential	Medium term lease	100%
5.	Garden Suite No. 37B of House 37 and Car Parking Space No. 78 on Platform A of Forest Hill, No. 31 Lo Fai Road, Tai Po, New Territories	Residential	Medium term lease	100%
6.	Flat E, 17th Floor, Tower 2, The Greenwood (Phase 1), Laguna Verde, No. 8 Laguna Verde Ave, Hung Hom, Kowloon	Residential	Medium term lease	100%
7.	Car Parking Space Nos. 54 and 56 on Ground Floor, Oxford Court, Nos. 24-26 Braemar Hill Road, North Point, Hong Kong	Car park	Medium term lease	100%
8.	Unit B including carport (s) and the garden, Riverain Bayside, No. 3985 Tai Po Road Yuen Chau Tsai, Tai Po, New Territories	Residential	Medium term lease	100%

Summary of Properties

	Address	Use	Tenure	Percentage held by the Group
I.	**PROPERTIES IN HONG KONG** (Continued)			
9.	No. 9 Belfran Road, Ho Man Tin, Kowloon	Residential	Long lease	100%
II.	**PROPERTY IN THE PEOPLE'S REPUBLIC OF CHINA**			
1.	Block M-K39, Sunshine Holiday Villas Yingchengzi Village, Badaling Town Yangqing Country, Beijing People's Republic of China	Residential	Long lease, subject to obtaining the ownership certificate	100%
III.	**PROPERTIES FOR / UNDER DEVELOPMENT IN HONG KONG**			
1.	Ground, 1st to 5th Floors and the roof of Nos. 123-125 Tung Choi Street, 1st Floor and portion of landing on Ground Floor, 2nd to 5th Floors of No. 127 Tung Choi Street, Mongkok, Kowloon (The Remaining Portion of Kowloon Inland Lot Nos. 1702 and 1703 and 5/6th shares of and in the Remaining Portion of Kowloon Inland Lot No. 1704) Saleable area: 1,179.95 m^2 Stage of development: Pending results of judicial review of dismissal of application made to Lands Tribunal for compulsory sale for redevelopment	Shops/ Commercial	Long lease	100%
2.	Tai Po Town Lot No. 180, Tai Po Kau, Tai Po, New Territories Site area: 1,000 m^2 Stage of completion: Building plan approved and site investigation completed Expected completion date: 2008	Residential	Medium term lease	100%

Summary of Significant Contracts on Hand



Summary of Significant Contracts on Hand

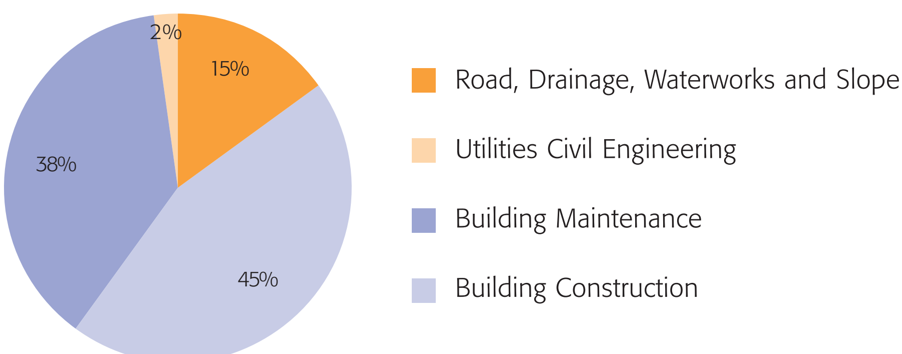
At 31 March 2007, the gross and outstanding values of the Group's substantial contracts on hand amounted to approximately HK$3,051 million and HK$1,972 million respectively. Details of these substantial contracts are set out below:

Projects	**Approximate contract value** HK$ million
ROAD AND DRAINAGE WORKS, WATERWORKS AND SLOPE WORKS	
Design and Build of a Footbridge for Rhine Garden, Sham Tseng, New Territories	15
Proposed Elevated Walkway Linking The Hong Kong Polytechnic University to the Existing Footbridge Over Cross Harbour Tunnel Toll Plaza	10
The Construction of Permanent Public Transport Terminus At Tin Yan Road For the Proposed G.I.C./Public Carpark and Residential Development at Tin Shui Wai Lot No. 24, Area 33, New Territories	107
Replacement and Rehabilitation of Water Mains Stage 1 Phase 2 – Mains on Hong Kong Islands	223
Roadwork (R1, Portion of R2 & R6A) Direct Contract for Proposed Residential Development (Package One) at T.K.O.T.L. No. 70, Area 86, Site F, Tseung Kwan O	37
BUILDING CONSTRUCTION	
Carcass work contract for the residential development at T.K.O.T.L. No. 70, Area 86, Site F, Tsueng Kwan O	737
Main contract for the construction of a residential development at T.C.T.L. No. 4, Tung Chung Station Development Package 2, Phase 4	418
Interior Fitting-out Works Direct Contract for Proposed Residential Development at Lot No. 2081 in D.D. 109, Kam Tin, Yuen Long	45
Fitting-out Works for the Proposed Hotel and Serviced Apartment at 33 Wo Yi Hop Road, Kwai Chung	100
Fitting-out Works of Clubhouse, Main Entrance Lobby & Lift Car for the Proposed Residential Development at Nos. 880-886 King's Road, Hong Kong	7

Summary of Significant Contracts on Hand

Projects	**Approximate contract value** HK$ million
BUILDING MAINTENANCE	
Term Repair Contract for Urban Renewal Project at Fuk Wing Street/ Hing Wah Street/Castle Peak Road at Sham Shui Po	2
Hospital Authority Term Contract for Minor Works 2005	102
Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the ASD is Responsible (Designated Area: Kwun Tong, Mongkok and Yaumatei)	229
Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the ASD is Responsible (Designated Area: Sham Shui Po, Tsuen Wan and Kwai Tsing)	218
Term Contract for Design and Construction of Minor Works to Government and Subvented Properties for which the Architectural Services Department is responsible at Hong Kong, Kowloon, New Territories and Outlying Islands	683
Building Repairs and Maintenance Term Contract 2005/2008, The Hong Kong Polytechnic University	23
Repair Works to A/C Hoods and Installation of A/C Drain Pipes to External Walls of Lotus Tower 1 to 4, Kwun Tong Garden Estate	5
UTILITIES CIVIL ENGINEERING WORKS	
Civil Engineering Works Term Contract No. CWT E/29/2005 for PCCW	60
Outline Agreement No. 4600002385 for Distribution Cable Trenching and Laying Works in the CLP Power, North Region for CLP Power Hong Kong Ltd.	30

Outstanding Contract Value
By project category



Management Discussion and Analysis

Management Discussion and Analysis

REVIEW OF OPERATIONS

Our construction and engineering works are principally carried out by the Company's two major subsidiaries, Able Engineering Company Limited ("Able") and Excel Engineering Company Limited ("Excel").

Able Engineering Company Limited

Substantial contracts completed by Able during the year under review included:

- Construction of Second Primary School & Second Primary School in Area 104, and a primary school at Junction of Tin Shing Road and Tin Pak Road, Tin Shui Wai
- Conversion Works of Kom Tong Hall into Dr Sun Yat Sen Museum at Castle Road, Central Mid-levels, Hong Kong
- Fitting Out Works for International Christian Quality Music Secondary and Primary Schools
- Construction of Canopies and Covered Walkway at Lotus Tower & Kwun Tong Garden Estate, Kowloon
- Construction of a Joint-User Complex at Tseng Choi Street, Area 10, Tuen Mun, New Territories
- T.W.T.L. 394, Yeung Uk Road, Tsuen Wan, N.T. (Urbal Renewal Project K17) Phase II Excavation and Basement Construction Works
- Retro-fitting of Air-conditioning and General Improvement Works to San Hui Market, Tuen Mun

During the year under review, Able was awarded the following substantial contract with an aggregate contract value of approximately HK$1,207 million:

- Carcass work for the residential development at TKOTL No. 70, Area 86, Site F, Tseung Kwan O, which comprises 5 blocks of 52 to 56-storey residential towers with a total number of 2,096 flat units sitting on a 5-storey podium
- Main contract for the construction of a residential development at TCTL No. 4, Tung Chung Station Development Package 2, Phase 4, which comprises 6 blocks of 18-storey residential towers with a total number of 533 flat units
- Interior fitting-out work for the residential development at Lot No. 2081 in D.D. 109, Kam Tin, Yuen Long, which comprises 244 three-storey houses
- Fitting-out works of clubhouse, main entrance lobby & lift car for the proposed residential development at Nos. 880-886 King's Road, Hong Kong

Subsequent to the balance sheet date and up to the date of this report, Able was awarded the following substantial contract with an aggregate value of HK$234 million:

- Fitting-out works of clubhouse, Tiu Keung Leng Station Development at TKOTL No. 73, Area 73B, Tseung Kwan O
- Alteration and addition works at shopping arcade for Metro Town at TKOTL No. 73, Area 73B, Tseung Kwan O
- External wall repair works to the residential towers of Tierra Verde, Tsing Yi
- Improvement to Kowloon Park Swimming Pool and Hong Kong Stadium
- Landscape features for the proposed hotel and serviced apartment at Kwai Chung Town Lot 467, 33 Wo Yi Hop Road

Management Discussion and Analysis

Excel Engineering Company Limited

Substantial contracts completed by Excel during the year under review included:

- Main contract for the renovation works to swimming pool and changing rooms at Jat Ming Chuen, Shatin
- Contract No. 03/8006 for the construction and maintenance of cable works in the areas of Hong Kong, Ap Lei Chau, Lamma Islands and any outlying islands for HEC Ltd.

During year under review, Excel was awarded the following substantial contracts with an aggregate contract value of approximately HK$265 million:

- Replacement and rehabilitation of water mains stage 1 phase 2 – mains on Hong Kong Islands
- Repair works to A/C hoods and installation of A/C drain pipes to external walls of Lotus Towers 1 to 4, Kwun Tong Garden Estate
- Roadwork (R1, Portion of R2 & R6A) direct contract for proposed residential development (package one) at TKOTL No. 70, Area 86, Site F, Tseung Kwan O

Subsequent to the balance sheet date and up to the date of this report, Excel was awarded the contract for replacement and rehabilitation of water mains, stage 2 – mains in Tsuen Wan with a contract value of HK$45 million.

Property investment

The Group has noted a satisfying growth by 53% in rental income from its investment properties. The gross rental income was approximately HK$18,545,000 for the year under review (2006: HK$12,152,000).

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 March 2007, the Group's cash and cash equivalents amounted to HK$49,550,000 (excluding pledged deposits of HK$8,445,000), representing a decrease by 36% from 2006 of HK$77,010,000 (excluding pledged deposits of HK$8,180,000). Current ratio, measured as total current assets divided by total current liabilities, was 1.0 as of 31 March 2007, as compared to 2006 of 1.0.

Meanwhile, bank overdrafts and loans at 31 March 2007 increased by 16% to approximately HK$560,544,000, as compared to 2006 of HK$484,461,000. At 31 March 2007, the Group's net gearing was 163% (2006: 147%), measured as total bank borrowings and finance lease payables less pledged deposits and cash and cash equivalents, divided by total shareholders' equity.

At 31 March 2007, the Group's bank borrowings are all denominated in Hong Kong dollars. Whilst the Group's borrowings are principally on a floating rate basis, in order to mitigate the risk of interest rate upward trends, we entered into interest rate swaps with a bank for an aggregate notional amount of HK$150 million.

Due to the increase in bank borrowings over the year, interest expenses increased by 46% to HK$30,504,000 for the year under review (2006: HK$20,903,000 excluding interest capitalised). No interest was capitalised during the year under review (2006: HK$897,000)

Management Discussion and Analysis

Our banking facilities, comprising primarily bank loans and overdrafts, amounted to approximately HK$887 million at 31 March 2007 (2006: HK$873 million), of which approximately HK$198 million (2006: HK$306 million) was unutilised.

Charges on Assets

At 31 March 2007, fixed deposits of approximately HK$8,445,000 (2006: HK$8,180,000), investment properties (including No. 36 Jardine's Bazaar classified as held for sale) with an aggregate carrying value of HK$523,550,000 (2006: HK$518,450,000), building and prepaid land lease payments with carrying values of approximately HK$3,881,000 and HK$9,965,000 respectively (2006: HK$14,432,000 classified as leasehold land and building), properties held for development of HK$115,586,000 (2006: HK$115,500,000) and properties held for sale of HK$44,833,000 (2006: HK$44,730,000 classified as properties held for development) were pledged in favour of certain banks to secure the banking facilities granted by those banks to the Group. In addition, accounts receivable of certain construction contracts of the Group were assigned in favour of certain banks to secure the banking facilities at 31 March 2007.

Capital commitment

On 28 October 2006, the Group entered into a cooperation agreement ("Cooperation Agreement") with an independent party whereby the Group had committed to pay for the construction costs of approximately HK$17,943,000 for the development of certain properties in Beijing (the "Beijing Property Project"). However, subsequent to the balance sheet date, the Group entered into another agreement with that independent party to terminate the Cooperation Agreement with effect from 17 May 2007. As a result, the Group's commitment under the Cooperation Agreement has been released with effect from 17 May 2007. The Group has not paid any amount in respect of the Beijing Property Project.

Contingent liabilities

At 31 March 2007, the Group had provided guarantees in respect of performance bonds in favour of contract customers amounting to HK$129,125,000 (2006: HK$82,698,000). In addition, at 31 March 2007, the Company had provided guarantees given to banks against the facilities granted to subsidiaries of the Company utilised to the extent of approximately HK$689 million (2006: HK$567 million).

STAFF AND REMUNERATION POLICY

At 31 March 2007 the Group employed 300 full-time staff in Hong Kong. The Group remunerates its staff based on their performance and work experience and the prevailing market rates. Staff benefits include mandatory provident fund, medical insurance and training programmes.

The Company also maintains a share option scheme. The purposes of the share option scheme are to provide incentives for the full-time employees and executives, to recognise their contributions to the growth of the Group and to provide more flexibility for the Group in formulating its remuneration policy.

On 7 December 2006, the Company granted options to various employees to subscribe for an aggregate of 6,900,000 shares of the Company. The vesting period of these options is 7 December 2006 to 6 June 2007. These options can be exercised within 5 years from 7 June 2007 through 6 June 2012 at a subscription price of HK$0.165.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. NGAI Chun Hung (魏振雄先生), aged 44, is the Chairman of the Company. Mr. Ngai has extensive experience in the construction industry. He is responsible for the management of the Board and the strategic planning of the Group. Mr. Ngai and Mr. Yau Kwok Fai, Deputy Chairman and Chief Executive Officer of the Company, are brothers-in-law.

Mr. YAU Kwok Fai (游國輝先生), aged 41, is the Deputy Chairman and Chief Executive Officer of the Company. Mr. Yau graduated with First Class Honours Degree in Civil Engineering from the Hong Kong Polytechnic and obtained a Master of Science Degree with Distinction in Structural Steel Design from the University of London and a Diploma of the Imperial College of the United Kingdom. He is a Chartered Engineer and a corporate member of the Institution of Civil Engineers, the Institution of Structural Engineers and the Hong Kong Institution of Engineers, a Registered Professional Engineer (Civil & Structural) and a Registered Structural Engineer. Mr. Yau is responsible for formulating the policy and overall development and the day-to-day management and administration of the Group's operations. Mr. Yau and Mr. Ngai, Chairman of the Company, are brothers-in-law.

Mr. LI Chi Pong (李治邦先生), aged 50, is an Executive Director of the Company. Mr. Li is responsible for estimation, contract managements, subcontracting and procurement of Excel Engineering Company Limited. He graduated from the Hong Kong Polytechnic with a Higher Diploma in Civil Engineering in 1979. He has over 25 years' extensive experience in various public and private construction works. He is the Authorised Signatory for foundation, site formation works and general building contractor of Buildings Department.

Non-executive Directors

Mr. SHEK Yu Ming Joseph (石雨明先生), aged 62, is currently a Non-executive Director of the Company. Due to personal reasons, Mr. Shek had resigned as an Executive Director of the Company with effect from 1 January 2007, on which date he was re-appointed as a Non-executive Director. Mr. Shek holds a Bachelor Degree in Civil Engineering from the University of Hong Kong. He is a Fellow of the Hong Kong Institution of Engineers, a Fellow of the Institution of Civil Engineers, an Authorised Person (Engineer) and a Registered Structural Engineer. He has over 20 years experience in the executive role in construction companies and has completed a large number of contracts for the Hong Kong Government and the private sector. Mr. Shek is a member of the Appeal Tribunal (Buildings Ordinance Chapter 123), a member of the Registered Contractors' Disciplinary Board, a member of Review Panel under the Land (Miscellaneous Provisions) (Amendment) Ordinance, a member of the Planning Sub-Committee of the Land and Building Advisory Committee of the Development Bureau and a Council Member of the Hong Kong Construction Association.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Professor KO Jan Ming (**高贊明教授**), aged 64, is an Independent Non-executive Director of the Company. He is the Vice President and the Chair Professor of Structural Engineering of The Hong Kong Polytechnic University. He holds a Bachelor Degree in Civil Engineering (Hon) and a Doctorate Degree in Structural Engineering from the University of Hong Kong. Professor Ko is a Fellow of the Hong Kong Institution of Engineers, the Institution of Structural Engineers of United Kingdom and the American Society of Civil Engineers. He was the Chairman of the Accreditation Board (2001-2006) and the Past Chairman of the Structural Discipline Advisory Committee and the representative of the Hong Kong Institution of Engineers on the Engineering Education and Training Committee of the Federation of Engineering Institutions of Southeast Asia and the Pacific. He is also the Chairman of Hong Kong Asia-Pacific Economic Cooperation (APEC) and Engineering Mobility Forum (EMF) Monitoring Committees. He is a Governing Council Member of Construction Industry Institute (Hong Kong) and a Council Member of The Hong Kong Institute of Science (2002-2006). He was the President of The Hong Kong Society of Theoretical and Applied Mechanics (1999/2000) and the President of The Hong Kong Association for the Advancement of Science and Technology (2000/01). He was also a Panel Member of the Appeal Tribunal in Buildings of the HKSAR (1997-2004) and the Advisor of the Beijing-Hong Kong Academic Exchange Centre. Professor Ko is a Guest Professor of the Southern University, Beijing Polytechnic University, Zhejiang University and Xian Jiaotong University, Hohai University, an Advisory Professor of the Northern Jiaotong University and Beijing University of Aeronautics & Astronautics, PRC. and a Chair Professor (Disaster Reduction Technology) of National Chung Hsing University (2006-2009), the Editor-in-Chief of an International Journal – Advances in Structural Engineering (1997-2003), Editor-in-Chief (Asia-Pacific) of an International Journal – Smart Structures & Systems, the Senior Consultant of the Editorial Board of the Journal of Spatial Structures, a member of the Editorial Board of the Journal of Engineering Mechanics, South China Journal of Seismology, Journal of Earthquake Engineering and Engineering Vibration, and Journal of Hazards Prevention and Mitigation Engineering. He was the Vice President of the Board of Directors of Structural Engineers World Congress 2002 and Co-Chair of SPIE International Symposia on Smart Structures and Materials 2002-2005. Professor Ko is the President of Asian-Pacific Network of Centres for Earthquake Engineering Research (2005-2007), a Vice-President of the International Society for Structural Health Monitoring of Intelligent Infrastructures, and a Management Board Member of the Asian-Pacific Network of Centres for Research in Smart Structures Technology.

Mr. IP Kwok Him, GBS, JP (**葉國謙先生**), aged 55, is an Independent Non-executive Director of the Company. Mr. Ip is the Vice-chairman of Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), Deputy to the 10th National People's Congress of the People's Republic of China. He is a member of Standing Committee on Disciplined Services Salaries and Conditions of Services, a member of Transport Advisory Committee, Non-executive directors of Urban Renewal Authority Board. Mr IP was a member of the Legislative Council of Hong Kong (1995-1997), a member of the Legislative Council of Hong Kong, SAR (2000-2004), a member of the Central & Western District Council (1991-2003).

Biographical Details of Directors and Senior Management

Mr. FUNG Pui Cheung Eugene (馮培漳先生), aged 58, is an Independent Non-executive Director of the Company. Mr. Fung is a Certified Public Accountant, a fellow member of Hong Kong Institute of Certified Public Accountants and a member of both The Institute of Chartered Accountants in England & Wales and The Certified General Accountants' Association of Canada. He holds a Master of Arts Degree from Antioch University of USA. Presently, Mr. Fung is a director of CCIF CPA Limited as well as practicing as a sole proprietor in the name of P. C. Fung & Company, Certified Public Accountants. Previously, he served in senior and managerial positions in large local and international accounting firms. In addition, Mr. Fung is currently an Honorary Associate of Baptist University, School of Business, a standing committee member of The Hong Kong Chinese Importers' & Exporters' Association, a Standing Committee member of Democratic Alliance for the Betterment and Progress of Hong Kong and a Standing Committee member of the Jiangxi Provincial Overseas Liaison Association. Effective 16 July 2007, Mr. Fung was appointed a member of the Financial Reporting Review Panel, under the Financial Reporting Council.

SENIOR MANAGEMENT

Mr. YAM Kui Hung (任鉅鴻先生), aged 48, is a Director of Able Engineering Company Limited, a major subsidiary of the Company. He graduated with a Higher Certificate in Building Studies from the Hong Kong Polytechnic and a Postgraduate Diploma in Construction Management from the Construction Industry Training Authority. He is a corporate member of the Hong Kong Institution of Engineers, a Registered Professional Engineer (Building) and has over 26 years' experience in the construction field. He is responsible for overall management and operations of building projects.

Mr. POON Yan Min (潘潤棉先生), aged 45, is a Director of Excel Engineering Company Limited. Mr. Poon holds a Bachelor Degree in Civil Engineering from University of Hong Kong and a Master Degree in Engineering Management from City University of Hong Kong. He is a corporate member of the Hong Kong Institution of Engineers and a Registered Professional Engineer (Civil). He has over 20 years experience in the construction of road and drainage, site formation, waterworks and building works including 10 years working in Mass Transit Railway Corporation for tunnel and railway works. He is responsible for the engineering techniques, implementation of works and the overall management of contracts. He is the Engineer Supervisor of the HKIE Scheme A Training for Graduate Engineers and is responsible for the design works of the graduate engineers.

Mr. HO Chi Ming Wilson (何志明先生), aged 45, is the Assistant General Manager of Able Engineering Company Limited. Mr. Ho holds a Bachelor Degree in Construction Management and Economic from the Curtin University of Technology, a National Diploma in Building Studies from the Business & Technician Education Council and a Higher Certificate in Building Studies and Proficiency Certificate in Industrial Safety from the Hong Kong Polytechnic. He is a corporate member of the Chartered Institute of Building, has registered as an Authorized Signatory from the Buildings Department and has over 24 years' experience in the project management in the construction field and a wide background of working experience in residential, commercial and institutional developments. He is responsible for providing full range of building project management and contract administration works of contracts.

Biographical Details of Directors and Senior Management

Mr. KWOK Kwok Yuen (郭覺源先生), aged 49, is the Safety, Health & Environmental Manager of Able Engineering Company Limited. Mr. Kwok holds an Honours Degree in Building Surveying from Leicester Polytechnic of United Kingdom, a Postgraduate Diploma in Construction Law and Arbitration from the University of Hong Kong (SPACE) and a Safety Officer Certificate from Construction Industry Training Authority. He is Corporate Member of the Hong Kong Institute of Surveyors (Building Surveying Division), a Corporate Member of the Hong Kong Institute of Surveyors (Property and Facility Management Division), a Corporate Member of the Royal Institution of Chartered Surveyors, a Registered Professional Surveyor (Building Surveying), a Member of Chartered Institute of Arbitrators and a Listed Arbitrator of Hong Kong Institute of Architects and The Hong Kong Institute of Surveyors. He has over 27 years' experience in the construction industry. He is responsible for providing full range of building project planning, management and contract administration works of contracts. He is also responsible for the review, maintenance and implementation of Company Safety Management System.

Mr. NG Kai Chow (吳啟洲先生), aged 39, is the Contract Manager of Able Engineering Company Limited. Mr. Ng holds a Post-graduated Diploma in Construction Law & Arbitration and a Diploma in Construction (CEM) in the College of Estate Management. He is an Incorporate Member of the Chartered of Building, a Member of the Chartered Institute of Arbitrators and Authorized Signatory from Buildings Department. He also has about 22 years' experience in construction field and working in different positions in the construction industry. He is responsible for providing full range of building project management and contract administration works of contracts.

Mr. KAN Kwok Kit (簡國傑先生), aged 44, is the Contract Manager of Able Engineering Company Limited. Mr. Kan graduated as Master of Science in Engineering Business Management and is a Chartered Engineer. He is a Branch Committee of the Institute of Plumbing & Heating Engineering and Institution of Engineering and Technology in Hong Kong. Mr. Kan is also a member of the Guangzhou Haizhu District Standing Committee of The CPPCC National. He has over 19 years' experience in Construction Industry and Building Services Engineering. He is responsible for tendering, providing full range of building project management and contract administration works of contracts. He is also the Head of the Building Services Department that responsible for all matters relating to BS/E&M provisions for all projects.

Ms. PANG Fung Ming (彭鳳鳴小姐), aged 37, is the qualified accountant and company secretary of the Company. Ms. Pang is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants of the U.K. She has over 15 years' accounting and related experience. She holds a Bachelor Degree in Business Administration from the Chinese University of Hong Kong.

Mr. WONG Kei Leung (黃杞良先生), aged 56, is the accounting manager of the Group and the chief accountant of Able Engineering Company Limited. He has over 29 years' accounting experience. He holds a Bachelor Degree in Commercial Science and Business Administration from Chu Hai College.

Corporate Governance Report

The Group recognises the importance in maintaining high standards of corporate governance and believes that good corporate governance is fundamental to enhancing the confidence of the investors and minimising our exposure to risks.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2007.

BOARD OF DIRECTORS

The Board is now made up of seven Directors including three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Board has a balance of skills and experience appropriate for the requirements of the Group's business. All Directors have separate and independent access to the advice and services of the senior management and the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Independent Non-executive Directors are appointed for a fixed specific term. The Company confirmed that it has received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and they are considered to be independent.

The types of decisions which are to be taken by the Board include those relating to:

- the strategic plans and directions, and financial objectives of the Group;
- monitoring the performance of the management;
- implementing and monitoring an effective framework of internal controls and risk management;
- ensuring that the Company has good corporate governance and is in compliance with applicable laws and regulations.

Responsibilities over day-to-day operations are delegated to the management under the leadership of the Executive Directors.

The Board meets regularly to review the overall strategy and to monitor the operation as well as the financial performance of the Group. For all of the Board meetings, proper and sufficient notices, adequate information including agenda and accompanying board papers are supplied and sent to all Directors in reasonable time.

Corporate Governance Report

Directors' Attendance at Board and Committee Meetings for Year 2006/07

	Board	Remuneration Committee	Audit Committee
Executive Directors			
Mr. Ngai Chun Hung	4/4	N/A	N/A
Mr. Yau Kwok Fai	4/4	1/1	N/A
Mr. Li Chi Pong	4/4	N/A	N/A
Non-executive Director			
Mr. Shek Yu Ming Joseph	4/4	N/A	N/A
Independent Non-Executive Directors			
Professor Ko Jan Ming	4/4	1/1	2/2
Mr. Ip Kwok Him, *GBS, JP*	4/4	1/1	2/2
Mr. Fung Pui Cheung, Eugene	4/4	1/1	2/2

APPOINTMENT OF DIRECTORS

Pursuant to the Company's existing bye-laws, all directors (including those appointed for a specific term, chairman and managing director) are subject to retirement by rotation and re-election at each annual general meeting at least once every three years. In addition, directors appointed during the year as an addition to the Board or to fill a casual vacancy on the Board are subject to retirement and election by shareholders at the first general meeting following their appointment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer (CEO) of the Company are separately performed by Mr. Ngai Chun Hung and Mr. Yau Kwok Fai respectively. Mr. Ngai Chun Hung and Mr. Yau Kwok Fai are brothers-in-law.

This segregation ensures a clear division of the Chairman's responsibilities for the management of the Board and the CEO's responsibilities for the day-to-day management of the Company's business.

The Chairman is responsible for providing leadership for the Board, and ensuring that all Directors are properly briefed on issues arising at board meetings and that Directors receive adequate, complete and reliable information in a timely manner. The Chairman has an additional or casting vote in the event of an equality of votes on any matter to be decided by the Board.

The CEO is appointed by the Board and is responsible for providing leadership for the management, implementing and reporting to the Board on the Group's strategy, overseeing the day-to-day operations of the Group and providing all such information to the Board as is necessary to enable the Board to monitor the performance of the management.

Corporate Governance Report

AUDIT COMMITTEE

The Company's Audit Committee was established on 8 September 2000 with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The Audit Committee's terms of reference are available on the Company's website.

The Audit Committee is now made up of three Independent Non-executive Directors, namely Professor Ko Jan Ming, Mr. Ip Kwok Him, GBS, JP, and Mr. Fung Pui Cheung, Eugene. Professor Ko Jan Ming is currently the chairman of the Audit Committee. Mr. Fung Pui Cheung, Eugene is a certified public accountant and possesses the appropriate accounting qualifications and experiences in financial matters.

The Audit Committee holds regular meetings at lease twice a year to review the Company's annual and interim reports and accounts. The Audit Committee meets with the Company's external auditors at least once a year to review the Company's annual report and accounts.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established on 16 December 2005 with written terms of reference and consists of a majority of Independent Non-executive Directors. The purpose of the Remuneration Committee is to set policy on executive directors' remuneration and for fixing remuneration packages for all directors. The Remuneration Committee's terms of reference are available on the Company's website.

The Remuneration Committee is now made up of three Independent Non-executive Directors, namely Professor Ko Jan Ming, Mr. Ip Kwok Him, GBS, JP, and Mr. Fung Pui Cheung, Eugene, and one Executive Director, namely Mr. Yau Kwok Fai. Professor Ko Jan Ming is currently the chairman of the Remuneration Committee.

The Remuneration Committee meets at least once a year. During the year under review, the Remuneration Committee held a meeting on 23 March 2007 with full attendance and, at that meeting, reviewed the remuneration of Executive Directors in respect of the financial year ending 31 March 2008 and made recommendations to the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding the Directors' securities transactions. Following specific enquiry made by the Company, the Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

DIRECTORS' INTERESTS

Full details of the Directors' interests in the shares of the Company are set out in the Reports of the Directors on page 32.

Corporate Governance Report

AUDITORS' REMUNERATION

For the year ended 31 March 2007, the remuneration paid to the Company's external auditors, Ernst & Young, is set out below:

	HK$'000
Audit services	1,380
Non-audit services:	
Taxation services	115
Agreed-upon procedures relating to major transactions	100

INTERNAL CONTROL

The Board recognises its responsibility for maintaining a sound and effective system of internal control to safeguard the shareholders' investment and the Company's assets, and for reviewing its effectiveness.

The Board reviews the effectiveness of the internal control system of the Company on a continuous and regular basis.

COMMUNICATIONS WITH SHAREHOLDERS

The Company endeavours to maintain a high level of transparency in communication with shareholders and investors in general. The various channels via which the Company communicates with its shareholders include interim and annual reports, information on the Stock Exchange's and the Company's website, and general meetings.

Shareholders are encouraged to attend the Company's general meetings where the Chairman and the Executive Directors of the Board are available to answer questions. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors.

SHAREHOLDERS' RIGHTS

The Company's bye-laws provide that shareholders holding not less than one-tenth of the Company's paid-up capital carrying voting rights have at all times the right to request the Board to call a special general meeting to discuss specified business transactions. The Board is required to call such meeting within two months after the deposit of a written notice by such shareholders.

Procedures for demanding a poll are included in the circular to shareholders despatched together with the annual report.

RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 March 2007, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year.

The external auditors of the Company acknowledge their reporting responsibilities in their auditors' report on the financial statements for the year ended 31 March 2007 as set out in the Report of the Auditors on pages 36 to 37.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of corporate management services. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 38 to 110.

The directors do not recommend the payment of any dividend for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 5 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 16 to the financial statements. Further details of the Group's investment properties are set out on pages 11 to 12.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2007 are set out in notes 30 and 31 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorised or issued share capital during the year. Movements in the share options of the Company and the reasons therefor are set out in note 34 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 35(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$67,936,000. In addition, the Company's share premium account, in the amount of approximately HK$75,391,000 at 31 March 2007, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions of approximately HK$177,000 (2006: HK$350,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, contract revenue earned from the Group's five largest customers accounted for approximately 91% (2006: 93%) of the total contract revenue for the year and contract revenue earned from the largest customer included therein accounted for approximately 56% (2006: 67%).

Subcontracting charges paid to the Group's five largest suppliers accounted for approximately 30% (2006: 39%) of the total subcontracting charges and material costs incurred for the year. Subcontracting charges paid to the largest supplier included therein accounted for approximately 8% (2006: 15%).

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

Report of the Directors

DIRECTORS

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

Executive directors:

Mr. Ngai Chun Hung *(Chairman)*
Mr. Yau Kwok Fai *(Deputy Chairman and Chief Executive Officer)*
Mr. Li Chi Pong

Non-executive Director:

Mr. Shek Yu Ming Joseph *(resigned as an Executive Director and re-appointed as a Non-executive Director, both with effect from 1 January 2007)*

Independent non-executive directors:

Professor Ko Jan Ming
Mr. Ip Kwok Him, *GBS, JP*
Mr. Fung Pui Cheung Eugene

In accordance with the Company's bye-laws, Mr. Ngai Chun Hung, Mr. Ip Kwok Him, GBS, JP and Mr. Shek Yu Ming Joseph will retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The appointment of each of Professor Ko Jan Ming, Mr. Ip Kwok Him, GBS, JP, and Mr. Fung Pui Cheung, Eugene, as extended based on the respective agreement between them and the Company, is for a term of two years ending on 31 August 2008.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of Professor Ko Jan Ming, Mr. Ip Kwok Him, GBS, JP, and Mr. Fung Pui Cheung Eugene an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and the Company considers all of the independent non-executive directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 20 to 23 of the annual report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ngai Chun Hung and Mr. Yau Kwok Fai has entered into a service contract with the Company for an initial period of three years commencing from 1 September 2000 and such contracts continue thereafter until terminated by either party by giving a six-month written notice.

Mr. Li Chi Pong has entered into a service contract with the Group that commenced from 17 May 2004 and continues without a fixed period until terminated by either party by giving a six-month written notice.

The service contract between Mr. Shek Yu Ming Joseph ("Mr. Shek") and the Company in relation to his role as an Executive Director was terminated with effect from 1 January 2007. On the same date, Mr. Shek was re-appointed as a Non-executive Director. Mr. Shek has not entered into any service contract with the Company in relation to his role as a Non-executive Director.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

The directors' emoluments are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

On 28 February 2006, the Group entered into a tenancy agreement with Frason Holdings Limited ("Frason"), a company wholly-owned by Mr. Ngai Chun Hung ("Mr. Ngai"), whereby the Group leased office premises at a monthly rental of HK$300,000 from Frason for a three-year term from 1 March 2006 to 28 February 2009. Further information is provided under "Continuing connecting transactions" below and in note 40 to the financial statements.

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Ngai is a director and substantial shareholder of Winflower Investment Limited, Win Source Investment Limited, Key Fame Limited, Key Fund Limited, Frason Holdings Limited and Win Extra Limited, which are companies incorporated in Hong Kong and engaged in property investment.

Report of the Directors

DIRECTORS' INTERESTS IN A COMPETING BUSINESS (continued)

The power to make material business decisions for the Group is vested in the Board. Whenever the Board considers that there may be a conflict of interest between the Group and any director, such director (including Mr. Ngai who is the Chairman of the Board and a substantial shareholder of the Company) will be required to abstain from voting. Therefore, the Board is capable of carrying on the Group's business independently of and at arm's length from the business of Mr. Ngai.

Save as disclosed above, none of the Directors or their respective associates is interested in any business which is considered to compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Ngai Chun Hung	*(a)*	As founder and beneficiary of a discretionary trust	490,934,400	52.185%
		Personal	5,406,000	0.575%
			496,340,400	52.76%
Mr. Yau Kwok Fai ("Mr. Yau ")	*(b)*	Through a controlled corporation	30,888,000	3.28%
Mr. Li Chi Pong		Personal	7,347,200	0.78%

Notes:

(a) These shares are legally and beneficially owned by Winhale Ltd. ("Winhale"), which is a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by Xyston Trust. Xyston Trust is a discretionary family trust set up by Mr. Ngai for the benefits of Mr. Ngai and his family members.

(b) These shares are legally and beneficially owned by Business Success Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yau.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the previous minimum company membership requirements of the Hong Kong Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares in a subsidiary which practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution on the winding-up of the subsidiary.

Save as disclosed above, as at 31 March 2007, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

At the annual general meeting of the Company held on 5 August 2002, the shareholders of the Company approved the adoption of a new share option scheme ("2002 Option Scheme") and the termination of the share option scheme adopted by the Company on 17 August 2000.

Particulars of the share option schemes of the Company are disclosed in note 34 to the financial statements.

OUTSTANDING SHARE OPTIONS

At 31 March 2007, options to subscribe for an aggregate of 6,900,000 shares of the Company granted pursuant to the 2002 Option Scheme were outstanding, details of which are set out below:

		Number of share options					
	Date of grant	Outstanding at 1 April 2006	Granted during the year	Outstanding at 31 March 2007	Vesting period	Exercise period	Subscription price
Employees	7/12/2006	–	6,900,000	6,900,000	7/12/2006 to 6/06/2007	7/06/2007 to 6/06/2012	HK$0.165

The closing price of the Company's shares immediately before 7 December 2006, the date of grant of the above options, was HK$0.165.

Report of the Directors

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

At 31 March 2007, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Winhale	*(a)*	Directly beneficially owned	490,934,400	52.185%
Braveway Limited	*(b)*	As a trustee	490,934,400	52.185%
HSBC International Trustee Limited	*(c)*	As a trustee	490,934,400	52.185%

Notes:

(a) The above interest in the name of Winhale was also disclosed as the interest of Mr. Ngai under the heading "Directors' interests and short positions in shares and underlying shares" above. In addition, these shares are ultimately beneficially owned by Xyston Trust.

(b) Winhale is wholly-owned by the Braveway Unit Trust. Braveway Limited being the trustee of the Braveway Unit Trust is deemed to be interested in the 490,934,400 shares in the Company held by Winhale.

(c) HSBC International Trustee Limited being the trustee of Xyston Trust is deemed to be interested in the 490,934,400 shares in the Company held by Xyston Trust.

Save as disclosed above, as at 31 March 2007, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

On 28 February 2006, Able Engineering Company Limited, a subsidiary of the Company, entered into a tenancy agreement with Frason Holdings Limited ("Frason"), which is wholly-owned by Mr. Ngai, Chairman of the board of directors of the Company, to lease No.155, Waterloo Road, Kowloon Tong for a three-year term from 1 March 2006 to 28 February 2009 at a monthly rental of HK$300,000 ("Tenancy Agreement"). The Tenancy Agreement constituted a continuing connected transaction of the Company under the Listing Rules, and an announcement was published on 28 February 2006 in accordance with the requirements of Chapter 14A of the Listing Rules. At 31 March 2007, Frason held a rental deposit of HK$900,000 from the Group. During the year ended 31 March 2007, the Company paid rental of HK$3,300,000 to Frason (2006: nil) according to the terms of the Tenancy Agreement.

CONTINUING CONNECTED TRANSACTIONS (continued)

The independent non-executive directors of the Company have reviewed the continuing connected transactions under the Tenancy Agreement for the year ended 31 March 2007 and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms with reference to prevailing market conditions; and (iii) in accordance with the Tenancy Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details about other related party transactions undertaken in the normal course of business but not constituting a discloseable connected transaction as defined under the Listing Rules are set out in note 40 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

POST BALANCE SHEET EVENT

Details of the significant post balance sheet events of the Group are set out in note 42 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ngai Chun Hung
Chairman

Hong Kong
23 July 2007

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

To the shareholders of
Vantage International (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Vantage International (Holdings) Limited set out on pages 38 to 110, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditors' Report

OPINION

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

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

23 July 2007

Consolidated Income Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**1,529,196**	1,274,815
Contract costs		**(1,447,906)**	(1,203,545)
Property expenses		**(1,441)**	(1,118)
Gross profit		**79,849**	70,152
Other income and gains	5	**36,322**	65,278
Administrative expenses		**(38,776)**	(32,870)
Other expenses		**(3,837)**	(22,799)
Finance costs	7	**(30,504)**	(20,903)
PROFIT BEFORE TAX	6	**43,054**	58,858
Tax	10	**(5,914)**	(17,041)
PROFIT FOR THE YEAR		**37,140**	41,817
Attributable to:			
Equity holders of the parent	11	**37,140**	41,817
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK3.9 cents**	HK4.4 cents
Diluted		**HK3.9 cents**	N/A

Consolidated Balance Sheet

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**12,204**	20,504
Properties held for development	15	**115,586**	115,500
Investment properties	16	**412,810**	518,790
Prepaid land lease payments	17	**9,709**	–
Deposits for purchases of properties		**–**	670
Total non-current assets		**550,309**	655,464
CURRENT ASSETS			
Gross amount due from customers for contract work	21	**157,391**	35,055
Properties under development	22	**17,021**	61,730
Property held for sale	23	**44,833**	–
Accounts receivable	24	**192,759**	138,235
Prepayments, deposits and other receivables	25	**66,221**	50,342
Amount due from a jointly-controlled entity	20	**120**	–
Derivative financial instruments	29	**680**	–
Tax recoverable		**849**	768
Pledged deposits	26	**8,445**	8,180
Cash and cash equivalents	26	**49,550**	77,010
		537,869	371,320
Non-current assets classified as held for sale	27	**113,000**	–
Total current assets		**650,869**	371,320
CURRENT LIABILITIES			
Accounts payable	28	**262,370**	194,055
Gross amount due to customers for contract work	21	**44,133**	51,392
Tax payable		**1,286**	1,387
Other payables and accruals		**9,627**	9,836
Derivative financial instruments	29	**–**	752
Interest-bearing bank and other borrowings	30	**305,558**	112,835
Total current liabilities		**622,974**	370,257
NET CURRENT ASSETS		**27,895**	1,063

Consolidated Balance Sheet

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**578,204**	656,527
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*30*	**255,015**	371,676
Finance lease payable	*31*	**–**	29
Deferred tax liabilities	*32*	**14,612**	13,570
Total non-current liabilities		**269,627**	385,275
Net assets		**308,577**	271,252
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*33*	**23,519**	23,519
Reserves	*35(a)*	**285,058**	247,733
Total equity		**308,577**	271,252

Ngai Chun Hung
Director

Yau Kwok Fai
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

	Issued capital	Share premium account	Contributed surplus	Goodwill reserve	Share option reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2005	23,519	75,391	11,421	(5,035)	–	124,139	229,435
Profit for the year	–	–	–	–	–	41,817	41,817
At 31 March 2006	23,519	75,391*	11,421*	(5,035)*	–*	165,956*	271,252
At 1 April 2006	23,519	75,391	11,421	(5,035)	–	165,956	271,252
Profit for the year	–	–	–	–	–	37,140	37,140
Equity-settled share option arrangements *(note 34)*	–	–	–	–	185	–	185
At 31 March 2007	23,519	75,391*	11,421*	(5,035)*	185*	203,096*	308,577

* These reserve accounts comprise the consolidated reserves of HK$285,058,000 (2006: HK$247,733,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**43,054**	58,858
Adjustments for:			
Finance costs	7	**30,504**	20,903
Interest income	5	**(7,455)**	(3,276)
Depreciation	6	**3,861**	2,676
Amortisation of prepaid land lease payments	6	**256**	–
Impairment of properties held for development	6	**–**	5,883
Impairment of properties under development	6	**171**	1,251
Gain on disposals of items of property, plant and equipment, net	5	**(6,440)**	(5)
Write-off of items of property, plant and equipment	6	**685**	–
Write-off of an interest in a jointly-controlled entity	6	**–**	15
Changes in fair value of investment properties, net	5	**(19,107)**	(58,797)
Changes in fair value of derivative financial instruments	6	**(1,432)**	752
Impairment of goodwill	6	**–**	14,717
Equity-settled share option expense	34	**185**	–
		44,282	42,977
Increase in an amount due from a jointly-controlled entity		**(120)**	–
Decrease in an amount due to a jointly-controlled entity		**–**	(4)
Increase in properties held for development		**(86)**	(109,817)
(Increase)/decrease in gross amount due from customers for contract work		**(122,336)**	5,423
Increase in properties under development		**(295)**	(19,729)
(Increase)/decrease in accounts receivable		**(54,524)**	22,880
Increase in prepayments, deposits and other receivables		**(15,623)**	(15,374)
Increase/(decrease) in accounts payable		**68,315**	(33,673)
Increase/(decrease) in gross amount due to customers for contract work		**(7,259)**	22,620
Increase/(decrease) in other payables and accruals		**(209)**	4,057
Cash used in operations		**(87,855)**	(80,640)
Interest received		**7,455**	3,276
Interest paid		**(30,504)**	(21,798)
Interest element on finance lease rental payments		**–**	(2)
Hong Kong profits tax paid		**(5,054)**	(7,085)
Net cash outflow from operating activities		**(115,958)**	(106,249)

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(8,782)**	(5,346)
Purchases of investment properties		**(1,443)**	(204,593)
Proceeds from disposals of items of property, plant and equipment		**22,955**	11
(Increase)/decrease in pledged time deposits		**(206)**	22,038
Acquisition of subsidiaries	36	**–**	(2,464)
Net cash inflow/(outflow) from investing activities		**12,524**	(190,354)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**462,663**	437,547
Repayment of bank loans		**(389,085)**	(168,845)
Capital element of finance lease rental payments		**(50)**	(50)
Net cash inflow from financing activities		**73,528**	268,652
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(29,906)**	(27,951)
Cash and cash equivalents at beginning of year		**59,725**	87,676
CASH AND CASH EQUIVALENTS AT END OF YEAR		**29,819**	59,725
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**44,541**	27,703
Non-pledged time deposits with original maturity of less than three months when acquired		**5,009**	49,307
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	26	**2,101**	2,042
Bank overdrafts	30	**(21,832)**	(19,327)
		29,819	59,725

Balance Sheet

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**164,608**	162,944
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	**11**	–
Pledged deposits	26	**4,155**	4,020
Cash and cash equivalents	26	**214**	222
Total current assets		**4,380**	4,242
CURRENT LIABILITIES			
Other payables and accruals		**1,755**	1,814
Tax payable		**202**	262
Total current liabilities		**1,957**	2,076
NET CURRENT ASSETS		**2,423**	2,166
Net assets		**167,031**	165,110
EQUITY			
Issued capital	33	**23,519**	23,519
Reserves	35(b)	**143,512**	141,591
Total equity		**167,031**	165,110

Ngai Chun Hung
Director

Yau Kwok Fai
Director

Notes to Financial Statements

31 March 2007

1. CORPORATE INFORMATION

Vantage International (Holdings) Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong.

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

- a wide range of construction, civil engineering, renovation and other contract works in public and private sectors in Hong Kong
- property investment
- property development

The Company is a public company with its shares listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors, the parent and the ultimate holding company of the Company is Winhale Ltd. ("Winhale"), a company incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, 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.

Basis of consolidation

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

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

Notes to Financial Statements

31 March 2007

2.2 IMPACT OF NEW AND REVISED HKFRSs

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 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 39 *Financial Instruments: Recognition and Measurement*
Amendment for financial guarantee contracts

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

(b) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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

Notes to Financial Statements

31 March 2007

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

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

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

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11, HK(IFRIC)-Int 12 and HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

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

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

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

Jointly-controlled entity

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

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

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

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

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

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

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

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

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

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

Impairment of non-financial assets other than goodwill

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Leasehold improvements	Over the shorter of the lease term and 20%
Leasehold land	Over the remaining term of the lease
Building	Over the shorter of the remaining term of the land lease and 40 years
Machinery and equipment	20% to 24%
Furniture, fixtures and office equipment	20% to 24%
Motor vehicles	30%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use.

Properties held for development

Properties held for development are stated at cost less impairment losses. These properties are reclassified as properties under development when they are substantially ready for development.

Properties under development

Properties under development for re-sale are included under current assets and are stated at the lower of cost and net realisable value. Cost comprises acquisition cost, construction costs, interest and other direct attributable costs. Net realisable value is determined by reference to the estimated selling price less estimated total cost of the development and the estimated costs necessary to make the sale of the property.

Property held for sale

Property held for sale is stated in the balance sheet at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

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

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

Leases

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

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

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

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

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement.

Loans and receivables

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

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction, renovation and other contracts

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

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of certified value of work performed to the contract sum for each contract.

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

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

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

Cash and cash equivalents

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

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

Income tax

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

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

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

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

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

(a) from construction, renovation and other contracts, based on the percentage of completion basis, as further explained in the accounting policy for "Construction, renovation and other contracts" above;

(b) from work orders of contracts for alterations, additions, repairs and maintenance, based on the value of individual work orders certified by relevant employers;

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

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

(e) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 34 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked for the price of the shares of the Company ("market conditions"), if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and the end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

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

The Group also operates a Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance ("ORSO") retirement benefits scheme for those employees who are eligible to participate in the ORSO scheme. This scheme operates in a way similar to the MPF scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer's contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

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

Notes to Financial Statements

31 March 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends (continued)

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Properties held for development

The Group has leased out certain properties on a short term basis even it is the Group's intention to redevelop these properties at some stage for higher value and/or higher returns. Accordingly, these properties are stated as properties held for development in the balance sheet. At 31 March 2007, these properties had an aggregate carrying amount of HK$115,586,000 (2006: HK$115,500,000).

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Construction, renovation and other contracts

As explained in note 2.4 to the financial statements, revenue and profit recognition on an incomplete project is dependent on the estimation of the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. As a result, until this point is reached, the amounts due from customers for contract work as disclosed in note 21 to the financial statements will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the estimated amounts recorded to date.

Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value of investment properties

As disclosed in note 16 to the financial statements, investment properties are revalued at the balance sheet date on market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the balance sheet date are used.

Notes to Financial Statements

31 March 2007

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments, which is chosen as the primary reporting format.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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 building construction segment engages in construction contract work as a main contractor or subcontractor, primarily in respect of building construction;

(b) the renovation, repairs and maintenance segment engages in repairs, maintenance, renovation and fitting out works;

(c) the civil engineering works segment engages in roadworks, drainage and sewerage works, water supply works, utilities engineering works and landslip preventive and remedial works to slopes and retaining walls;

(d) the property investment segment invests in retail, commercial and residential premises for their rental income potential; and

(e) the property development segment engages in the development of properties.

There were no intersegment sales and transfers during the year (2006: Nil).

4. SEGMENT INFORMATION (continued)

Business segments

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

Group

	Building construction		Renovation, repairs and maintenance		Civil engineering works#		Property investment*		Property development**		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**577,034**	681,619	**796,021**	506,710	**137,596**	74,334	**15,165**	8,837	**3,380**	3,315	**1,529,196**	1,274,815
Segment results	**19,453**	33,214	**32,581**	21,286	**10,710**	(10,099)	**31,483**	65,133	**2,876**	(4,209)	**97,103**	105,325
Interest and unallocated income and gains											**17,215**	6,481
Unallocated expenses											**(40,760)**	(32,045)
Finance costs											**(30,504)**	(20,903)
Profit before tax											**43,054**	58,858
Tax											**(5,914)**	(17,041)
Profit for the year											**37,140**	41,817

\# For the year ended 31 March 2006, the segment results of the civil engineering works segment included the impairment loss on goodwill of HK$14,717,000.

* The segment results of the property investment segment include the net gain on changes in fair value of investment properties of HK$19,107,000 (2006: HK$58,797,000).

** The segment results of the property development segment include the impairment loss on properties under development of HK$171,000 (2006: HK$1,251,000). For the year ended 31 March 2006, the segment results of the property development segment also included the impairment loss on properties held for development of HK$5,883,000.

Notes to Financial Statements

31 March 2007

4. SEGMENT INFORMATION (continued)

Business segments (continued)

Group

	Building construction		Renovation, repairs and maintenance		Civil engineering works		Property investment		Property development		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities												
Segment assets	**161,053**	139,910	**156,918**	61,089	**51,860**	17,009	**525,999**	519,602	**177,440**	177,288	**1,073,270**	914,898
Unallocated assets											**127,908**	111,886
Total assets											**1,201,178**	1,026,784
Segment liabilities	**185,607**	145,596	**94,807**	92,229	**25,594**	7,261	**3,736**	3,553	**1,130**	1,108	**310,874**	249,747
Unallocated liabilities											**581,727**	505,785
Total liabilities											**892,601**	755,532
Other segment information:												
Capital expenditure	**-**	–	**-**	–	**-**	–	**2,113**	226,193	**-**	–	**2,113**	226,193
Unallocated capital expenditure											**8,782**	5,346
											10,895	231,539
Depreciation on unallocated assets											**3,861**	2,676
Amortisation of prepaid land lease payments – unallocated											**256**	–
Impairment of accounts receivable	**1,688**	–	**-**	–	**-**	–	**-**	–	**-**	–	**1,688**	–
Impairment of goodwill	**-**	–	**-**	–	**-**	14,717	**-**	–	**-**	–	**-**	14,717
Impairment of properties held for development	**-**	–	**-**	–	**-**	–	**-**	–	**-**	5,883	**-**	5,883
Impairment of properties under development	**-**	–	**-**	–	**-**	–	**-**	–	**171**	1,251	**171**	1,251
Gain on changes in fair value of investment properties, net	**-**	–	**-**	–	**-**	–	**19,107**	58,797	**-**	–	**19,107**	58,797

Notes to Financial Statements

31 March 2007

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the appropriate proportion of contract revenue from construction, renovation and other contracts, and the gross rental income received and receivable from properties during the year.

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

		Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
Revenue			
Contract revenue		**1,510,651**	1,262,663
Property gross rental income		**18,545**	12,152
		1,529,196	1,274,815
Other income and gains			
Interest income		**7,455**	3,276
Net interest received on derivative financial instruments – transactions not qualifying as hedges		**1,126**	–
Sundry income		**762**	2,212
Gain on changes in fair value of investment properties, net	*16*	**19,107**	58,797
Gain on changes in fair value of derivative financial instruments, net – transactions not qualifying as hedges	*29*	**1,432**	–
Gain on disposals of items of property, plant and equipment, net		**6,440**	5
Exchange gains, net		**–**	988
		36,322	65,278

Notes to Financial Statements

31 March 2007

6. PROFIT BEFORE TAX

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

		Group	
	Notes	**2007** **HK$'000**	2006 HK$'000
Depreciation	*14*	**3,861**	2,676
Auditors' remuneration		**1,380**	1,200
Employee benefits expense (exclusive of directors' remuneration – note 8):			
Wages and salaries		**61,234**	49,920
Equity-settled share option expense	*34*	**185**	–
Pension scheme contributions (defined contribution schemes)		**1,582**	1,224
Less: Forfeited contributions**		**(99)**	(274)
Net pension scheme contributions		**1,483**	950
		62,902	50,870
Minimum lease payments under operating leases:			
Land and buildings		**4,449**	963
Equipment		**8,166**	7,843
		12,615	8,806
Impairment of goodwill*		**–**	14,717
Impairment of properties held for development*		**–**	5,883
Impairment of properties under development*		**171**	1,251
Impairment of accounts receivable*		**1,688**	–
Amortisation of prepaid land lease payments	*17*	**256**	–
(Gain)/loss on changes in fair value of derivative financial instruments – transactions not qualifying as hedges	29	**(1,432)**	752
Write-off of items of property, plant and equipment		**685**	–
Write-off of an interest in a jointly-controlled entity		**–**	15
Government subsidies***		**(428)**	(77)
Exchange (gains)/losses, net		**1,292**	(988)
Net rental income		**(17,104)**	(11,034)

6. PROFIT BEFORE TAX (continued)

* Impairment losses are included in "Other expenses" on the face of the consolidated income statement.

** At 31 March 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in the future years (2006: Nil).

*** Subsidies have been received from the Hong Kong Vocational Training Council, an institution established by the Hong Kong SAR Government, for providing on-the-job training for graduate engineers. There are no unfulfilled conditions or contingencies relating to these subsidies.

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**30,504**	21,798
Interest on finance leases	**–**	2
Total interest	**30,504**	21,800
Less: Interest capitalised	**–**	(897)
	30,504	20,903

Notes to Financial Statements

31 March 2007

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**504**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**7,063**	6,254
Discretionary performance related bonuses	**5,658**	5,393
Pension scheme contributions (defined contribution schemes)	**84**	84
	12,805	11,731
	13,309	12,181

(a) Independent non-executive directors

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

	2007	2006
	HK$'000	HK$'000
Professor Ko Jan Ming	**168**	150
Mr. Ip Kwok Him, GBS, JP	**168**	150
Mr. Fung Pui Cheung Eugene	**168**	150
	504	450

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

Notes to Financial Statements

31 March 2007

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

	Salaries, allowances and benefits in kind	Discretionary performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2007				
Executive directors:				
Mr. Ngai Chun Hung	**2,500**	**2,500**	**12**	**5,012**
Mr. Yau Kwok Fai	**2,107**	**1,500**	**12**	**3,619**
Mr. Li Chi Pong	**1,045**	**158**	**48**	**1,251**
	5,652	**4,158**	**72**	**9,882**
Non-executive director:				
Mr. Shek Yu Ming Joseph	**1,411**	**1,500**	**12**	**2,923**
	7,063	**5,658**	**84**	**12,805**
2006				
Executive directors:				
Mr. Ngai Chun Hung	1,903	2,000	12	3,915
Mr. Yau Kwok Fai	1,868	1,500	12	3,380
Mr. Shek Yu Ming Joseph	1,523	1,500	12	3,035
Mr. Li Chi Pong	960	393	48	1,401
	6,254	5,393	84	11,731

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

During the year, no share option of the Company was granted to the directors in respect of their services to the Group (2006: Nil).

Notes to Financial Statements

31 March 2007

9. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**840**	840
Discretionary performance related bonuses	**–**	70
Employee share option benefits	**5**	–
Pension scheme contributions	**12**	12
	857	922

The remuneration of the remaining one (2006: one) non-director, highest paid employee for the year fell within the band of nil to HK$1,000,000.

During the year, share options of the Company were granted to the non-director, highest paid employee in respect of his service to the Group (2006: Nil), further details of which are included in the disclosures in note 34 to the financial statements. The fair value of such options, which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employee's remuneration disclosures.

Notes to Financial Statements
31 March 2007

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2007	2006
	HK$'000	HK$'000
Group		
Current – Hong Kong		
Charge for the year	**4,919**	6,025
Overprovision in prior years	**(47)**	–
Deferred *(note 32)*	**1,042**	11,016
Total tax charge for the year	**5,914**	17,041

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Profit before tax	**43,054**	58,858
Tax at the Hong Kong statutory tax rate of 17.5% (2006: 17.5%)	**7,534**	10,300
Adjustments in respect of current tax of previous periods	**(47)**	–
Income not subject to tax	**(781)**	(74)
Expenses not deductible for tax	**857**	4,325
Tax losses utilised from previous periods	**(1,497)**	–
Tax losses not recognised	**476**	657
Others	**(628)**	1,833
Tax charge at the Group's effective rate	**5,914**	17,041

There is no share of tax attributable to the Group's jointly-controlled entity during the year included in the consolidated income statement (2006: Nil).

Notes to Financial Statements

31 March 2007

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2007 includes a profit of approximately HK$1,736,000 (2006: HK$957,000) which has been dealt with in the financial statements of the Company (note 35(b)).

12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2006: Nil).

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average 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 per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No diluted earnings per share for the year ended 31 March 2006 has been disclosed as the Company's outstanding share options did not have a dilutive effect for that year.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

	2007	2006
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**37,140**	41,817

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**940,758,000**	940,758,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**177,217**	–
	940,935,217	940,758,000

Notes to Financial Statements

31 March 2007

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and building HK$'000	Leasehold improve-ments HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2007						
At 31 March and 1 April 2006:						
Cost	15,411	3,644	3,531	10,784	4,727	38,097
Accumulated depreciation and impairment	(979)	(1,591)	(3,215)	(8,897)	(2,911)	(17,593)
Net carrying amount	14,432	2,053	316	1,887	1,816	20,504
At 1 April 2006, net of accumulated depreciation and impairment	14,432	2,053	316	1,887	1,816	20,504
Additions	1,952	3,668	1,001	1,499	662	8,782
Transfer from investment properties (note 16)	3,979	–	–	–	–	3,979
Disposals	(16,167)	(348)	–	–	–	(16,515)
Write-off during the year	–	(685)	–	–	–	(685)
Depreciation provided during the year	(315)	(1,161)	(335)	(1,023)	(1,027)	(3,861)
At 31 March 2007, net of accumulated depreciation and impairment	3,881	3,527	982	2,363	1,451	12,204
At 31 March 2007:						
Cost	5,175	6,056	3,733	11,935	5,389	32,288
Accumulated depreciation and impairment	(1,294)	(2,529)	(2,751)	(9,572)	(3,938)	(20,084)
Net carrying amount	3,881	3,527	982	2,363	1,451	12,204

Notes to Financial Statements
31 March 2007

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and building HK$'000	Leasehold improve-ments HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2006						
At 31 March and 1 April 2005:						
Cost	15,309	1,989	3,521	9,663	2,651	33,133
Accumulated depreciation and impairment	(609)	(1,176)	(2,969)	(8,226)	(2,313)	(15,293)
Net carrying amount	14,700	813	552	1,437	338	17,840
At 1 April 2005, net of accumulated depreciation and impairment	14,700	813	552	1,437	338	17,840
Additions	102	1,655	15	1,168	2,406	5,346
Disposals	–	–	–	(6)	–	(6)
Depreciation provided during the year	(370)	(415)	(251)	(712)	(928)	(2,676)
At 31 March 2006, net of accumulated depreciation and impairment	14,432	2,053	316	1,887	1,816	20,504
At 31 March 2006:						
Cost	15,411	3,644	3,531	10,784	4,727	38,097
Accumulated depreciation and impairment	(979)	(1,591)	(3,215)	(8,897)	(2,911)	(17,593)
Net carrying amount	14,432	2,053	316	1,887	1,816	20,504

Notes to Financial Statements

31 March 2007

14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2007, the Group's leasehold land and building with a net book value of approximately HK$3,881,000 (2006: HK$14,432,000) is pledged to secure general banking facilities granted to the Group (note 30).

At 31 March 2007, the Group's building is situated on the leasehold land in Hong Kong. Details of the leasehold land are disclosed in note 17 to the financial statements.

At 31 March 2006, the Group's leasehold land and building were situated in the United Kingdom and the leasehold land is held under a long term lease.

At 31 March 2006, the net book value of a motor vehicle of the Group held under a finance lease included in the total amount of motor vehicles amounted to approximately HK$24,000.

15. PROPERTIES HELD FOR DEVELOPMENT

At 31 March 2007 and 2006, all of the Group's properties held for development are pledged to secure certain bank loans and general banking facilities of the Group.

The leasehold land included in properties held for development is situated in Hong Kong and is held under long term leases.

16. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at beginning of year	**518,790**	229,800
Additions	**2,113**	226,193
Acquisition of subsidiary	**–**	4,000
Transfer to owner-occupied property *(note 14)*	**(3,979)**	–
Transfer to prepaid land lease payments *(note 17)*	**(10,221)**	–
Transfer to non-current assets classified as held for sale	**(113,000)**	–
Gain on fair value changes, net	**19,107**	58,797
Carrying amount at end of year	**412,810**	518,790

16. INVESTMENT PROPERTIES (continued)

An analysis of the Group's investment properties is as follows:

	2007 HK$'000	2006 HK$'000
Long term leases:		
Hong Kong	**260,000**	260,000
Elsewhere	**1,920**	–
	261,920	260,000
Medium term leases:		
Hong Kong	**150,890**	258,790
	412,810	518,790

At the balance sheet date, whilst the application is in progress, the certificate of ownership with respect to one of the Group's investments properties with a carrying value of HK$1,920,000 (2006: nil) at 31 March 2007 has not been issued by the relevant government authorities.

The Group's investment properties were revalued on 31 March 2007 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$412,810,000 (2006: HK$518,790,000) on market value, existing use basis.

Notes to Financial Statements

31 March 2007

16. INVESTMENT PROPERTIES (continued)

Certain of the Group's investment properties are leased to third parties under operating leases, further details of which are included in note 38(a) to the financial statements. The gross rental income received and receivable by the Group and related expenses in respect of these investment properties are summarised as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Gross rental income	**15,165**	8,837
Direct expenses	**(1,214)**	(1,118)
Net rental income	**13,951**	7,719

At 31 March 2007, the Group's investment properties with an aggregate carrying value of HK$410,550,000 (2006: HK$518,450,000) were pledged to secure general banking facilities granted to the Group (note 30).

Further particulars of the Group's investment properties are included on page 11 to 12 of the annual report.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at beginning of year	**–**	–
Transfer from investment properties *(note 16)*	**10,221**	–
Amortised during the year	**(256)**	–
Carrying amount at end of year	**9,965**	–
Current portion included in prepayments, deposits and other receivables	**(256)**	–
Non-current portion	**9,709**	–

At 31 March 2007, the Group's prepaid land lease payments are pledged to secure general banking facilities granted to the Group (note 30).

The leasehold land is held under a medium term lease and is situated in Hong Kong.

18. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of minority interests of certain subsidiaries after 1 April 2001 is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At beginning of year:		
Cost	**14,717**	14,717
Accumulated impairment	**(14,717)**	–
Net carrying amount	**–**	14,717
Cost at beginning of year, net of accumulated impairment	**–**	14,717
Impairment during the year	**–**	(14,717)
At end of year	**–**	–
At end of year:		
Cost	**14,717**	14,717
Accumulated impairment	**(14,717)**	(14,717)
Net carrying amount	**–**	–

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against consolidated reserves.

The amount of goodwill remaining in consolidated goodwill reserve, arising from the acquisition of subsidiaries prior to 1 April 2001, was approximately HK$5,035,000 as at 1 April 2006 and 31 March 2007. Such amount of goodwill is stated at its cost.

Notes to Financial Statements

31 March 2007

18. GOODWILL (continued)

Impairment testing of goodwill (for the year ended 31 March 2006)

Goodwill acquired through business combinations has been allocated to the civil engineering works cash-generating unit, which is a reportable segment, for impairment testing.

Due to the fierce competition and significant drop in revenue of the civil engineering works cash-generating unit, the directors, by estimating the recoverable amount of the civil engineering works cash-generating unit, considered the goodwill of HK$14,717,000 was fully impaired during the year ended 31 March 2006.

The recoverable amount of the civil engineering works cash-generating unit had been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 10%.

The net carrying amount of goodwill allocated to the civil engineering works cash-generating unit is as follows:

	2007 HK$'000	2006 HK$'000
Cost	**14,717**	14,717
Less: Accumulated impairment	**(14,717)**	(14,717)
Net carrying amount	**–**	–

Key assumptions were used in the value-in-use calculation of the civil engineering works cash-generating unit for 31 March 2006. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, adjusted for expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Notes to Financial Statements

31 March 2007

19. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**64,147**	64,147
Due from subsidiaries	**100,461**	98,797
	164,608	162,944

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Profit Chain Investments Limited	British Virgin Islands/ Hong Kong	US$70,000 Ordinary	100	–	Investment holding
Able Engineering Company Limited	Hong Kong	HK$3,789,000 Ordinary HK$11,211,000 Non-voting deferred *(Note)*	–	100	Building construction, maintenance and civil engineering works
Gold Vantage Limited	Hong Kong	HK$100 Ordinary	–	100	Property holding

Notes to Financial Statements

31 March 2007

19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Excel Engineering Company Limited	Hong Kong	HK$13,000,000 Ordinary	–	100	Building construction, maintenance and civil engineering works
Gadelly Construction Company Limited	Hong Kong	HK$3,700,000 Ordinary	–	100	Construction and plant hiring
Able Contractors Limited	Hong Kong	HK$10,000 Ordinary	–	100	Building construction
Able Maintenance Company Limited	Hong Kong	HK$10,000 Ordinary	–	100	Building construction and maintenance works
Covalla Limited	Hong Kong	HK$10,000 Ordinary	–	100	Property development
Excelskill Limited ("Excelskill")	Hong Kong	HK$1 Ordinary	–	100	Property holding
Good Trader Limited	Hong Kong	HK$1 Ordinary	–	100	Property holding
Great Business Limited	Hong Kong	HK$1 Ordinary	–	100	Property holding
Jeva Limited	Hong Kong	HK$1 Ordinary	–	100	Property holding

19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Comfort Home Properties Limited	Hong Kong	HK$1 Ordinary	–	100	Property development
Win Glories Limited ("Win Glories")	Hong Kong	HK$9,600 Ordinary	–	100	Property holding

Note: The non-voting deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding-up.

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

20. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2007 HK$'000	Group 2006 HK$'000
Share of net assets	**–**	–
Due from a jointly-controlled entity	**120**	–

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Notes to Financial Statements

31 March 2007

20. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

Particulars of the jointly-controlled entity are as follows:

			Percentage of			
Name	Business structure	Place of registration	Ownership interest	Voting power	Profit sharing	Principal activity
Excel-China Harbour Joint Venture	Body unincorporate	Hong Kong	70	50	70	Engineering contractor

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

	2007 HK$'000	2006 HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**10,608**	–
Current liabilities	**(10,608)**	–
Net assets	**–**	–
Share of the jointly-controlled entity's results:		
Revenue	**8,879**	–
Other income	**1,391**	–
Total revenue	**10,270**	–
Total expenses	**(10,270)**	–
Profit after tax	**–**	–

21. CONSTRUCTION, RENOVATION AND OTHER CONTRACTS

	Group	
	2007	2006
	HK$'000	HK$'000
Gross amount due from customers for contract work	**157,391**	35,055
Gross amount due to customers for contract work	**(44,133)**	(51,392)
	113,258	(16,337)
Contract costs incurred plus recognised profits less recognised losses to date	**2,476,657**	2,528,354
Less: Progress billings	**(2,363,399)**	(2,544,691)
	113,258	(16,337)

22. PROPERTIES UNDER DEVELOPMENT

At 31 March 2006, the carrying amount of the properties under development included capitalised interest of HK$1,300,000. At 31 March 2006, certain of the Group's properties under development with a carrying amount of HK$44,730,000 were pledged to secure certain bank loans of the Group (note 30).

The Group's properties under development as at 31 March 2007 and 2006 are expected to be recovered after more than twelve months.

The Group's properties under development are situated in Hong Kong and an analysis of the lease terms is as follows:

	2007	2006
	HK$'000	HK$'000
Long term leases	**–**	44,730
Medium term leases	**17,021**	17,000
	17,021	61,730

Notes to Financial Statements

31 March 2007

23. PROPERTY HELD FOR SALE

At 31 March 2007, the Group's property held for sale is pledged to secure general banking facilities granted to the Group (note 30).

The Group's property held for sale is situated in Hong Kong and is held under a long term lease.

24. ACCOUNTS RECEIVABLE

Accounts receivable consists of receivables from contract works and rentals under operating leases. The payment terms of contract works are stipulated in the relevant contracts. Rentals are normally payable in advance.

An aged analysis of the accounts receivable as at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current – 3 months	**141,785**	132,421
4 – 6 months	**14,381**	323
Over 6 months	**36,593**	5,491
	192,759	138,235

At 31 March 2007, retentions receivable included in accounts receivable amounted to approximately HK$75,582,000 (2006: HK$45,762,000).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**17,859**	16,550	**–**	–
Deposits and other receivables	**48,362**	33,792	**11**	–
	66,221	50,342	**11**	–

Notes to Financial Statements

31 March 2007

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**44,541**	27,703	**214**	222
Time deposits	**13,454**	57,487	**4,155**	4,020
	57,995	85,190	**4,369**	4,242
Less: Pledged time deposits:				
Pledged for bank overdraft facilities	**(2,101)**	(2,042)	**–**	–
Pledged for bank loans and other banking facilities	**(6,344)**	(6,138)	**(4,155)**	(4,020)
Cash and cash equivalents	**49,550**	77,010	**214**	222

The time deposits pledged to banks were to secure general banking facilities granted to the Group (note 30).

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

27. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 6 February 2007, Excelskill, an indirectly wholly-owned subsidiary of the Company, entered into a preliminary sale and purchase agreement with an independent third party to dispose of certain investment properties located in Causeway Bay, Hong Kong, for a consideration of approximately HK$113 million. The transaction was completed in May 2007. The aforesaid investment properties with an aggregate carrying amount of HK$113,000,000 were classified as non-current assets held for sale on the face of the consolidated balance sheet as at 31 March 2007.

Notes to Financial Statements

31 March 2007

28. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current – 3 months	**203,964**	167,901
4 – 6 months	**24,482**	2,860
Over 6 months	**33,924**	23,294
	262,370	194,055

At 31 March 2007, retentions payable included in accounts payable under current liabilities amounted to approximately HK$40,123,000 (2006: HK$37,385,000).

Included in the accounts payable are trade payables of approximately HK$181,000 (2006: HK$181,000) due to related parties who are family members of a director of the Company, which are unsecured, interest-free and have no fixed terms of repayment.

Accounts payable are non-interest-bearing. The payment terms are stipulated in the relevant contracts.

29. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into interest rate swap contracts to manage its interest rate exposures which did not meet the criteria for hedge accounting. The aggregate notional amount of the outstanding interest rate swap contracts as at 31 March 2007 was HK$150,000,000 (2006: HK$150,000,000). Gain on changes in the fair value of the interest rate swap contracts amounting to approximately HK$1,432,000 (2006: loss of HK$752,000) was recognised in the income statement for the year.

Notes to Financial Statements

31 March 2007

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Effective interest rate (%)	**2007 HK$'000**	Effective interest rate (%)	2006 HK$'000
Current				
Finance lease payable *(note 31)*	**2.90**	**29**	2.90	50
Bank overdrafts – secured	**6.25 – 8.25**	**21,832**	4.25 – 8.25	19,327
Bank loans – secured	**4.89 – 8.75**	**283,697**	4.90 – 8.75	93,458
		305,558		112,835
Non-current				
Finance lease payable *(note 31)*	**2.90**	**–**	2.90	29
Bank loans – secured	**4.64 – 5.40**	**255,015**	4.90 – 5.90	371,676
		255,015		371,705
		560,573		484,540

	2007 HK$'000	2006 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**305,529**	112,785
In the second year	**12,321**	45,141
In the third to fifth years, inclusive	**39,090**	48,326
Beyond five years	**203,604**	278,209
	560,544	484,461
Other borrowings repayable:		
Within one year	**29**	50
In the second year	**–**	29
	29	79
	560,573	484,540

Notes to Financial Statements

31 March 2007

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Other interest rate information:

	Group			
	2007		2006	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Finance lease payable	**29**	**–**	79	–
Bank overdrafts	**–**	**21,832**	–	19,327
Bank loans	**–**	**538,712**	–	465,134
	29	**560,544**	79	484,461

The interest rates of the Group's bank loans are primarily repriced every month according to market rate changes.

The Group's secured bank loans, overdrafts and other banking facilities are secured by:

(i) legal charges over the Group's investment properties (including the one classified as held for sale), which had an aggregate carrying value at the balance sheet date of approximately HK$523,550,000 (2006: HK$518,450,000);

(ii) legal charges over the Group's building and prepaid land lease payments, which had a carrying amount at the balance sheet date of approximately HK$3,881,000 (2006: Nil) and HK$9,965,000 (2006: Nil) respectively;

(iii) legal charge over the Group's properties held for development, which had an aggregate carrying value at the balance sheet date of approximately HK$115,586,000 (2006: HK$115,500,000);

(iv) legal charges over the Group's property held for sale, which had a carrying value at the balance sheet date of approximately HK$44,833,000 (2006: Nil);

(v) the pledge of certain of the Group's time deposits amounting to approximately HK$8,445,000 at the balance sheet date (2006: HK$8,180,000);

(vi) legal charges over the Group's properties under development and leasehold land and building, which had an aggregate carrying value of HK$44,730,000 and HK$14,432,000, respectively as at 31 March 2006; and

(vii) the assignment of the Group's financial benefits under certain contract works. Accounts receivable under those contract works amounted to approximately HK$122,241,000 as at 31 March 2007 (2006: HK$90,000,000).

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

In addition, the Company has provided corporate guarantees against certain of the Group's banking facilities to the extent of approximately HK$1,099,667,000 (2006: HK$877,302,000) as at 31 March 2007 (note 37(a)).

Except for a secured bank loan of approximately HK$11,762,000 as at 31 March 2006 which was denominated in Great British Pounds, all of the above bank and other borrowings of the Group as at 31 March 2007 and 31 March 2006 were denominated in Hong Kong dollars.

The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

31. FINANCE LEASE PAYABLE

The Group leased a motor vehicle for its construction business. The lease is classified as a finance lease and has remaining lease term of one year (2006: two years) as at 31 March 2007.

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

Group	**Minimum lease payments**		**Present value of minimum lease payments**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**32**	56	**29**	50
In the second year	**–**	32	**–**	29
Total minimum finance lease payments	**32**	88	**29**	79
Future finance charges	**(3)**	(9)		
Total net finance lease payable	**29**	79		
Portion classified as current liabilities *(note 30)*	**(29)**	(50)		
Non-current portion *(note 30)*	**–**	29		

Notes to Financial Statements

31 March 2007

32. DEFERRED TAX

The components of net deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax (assets)/ liabilities

Group

	Depreciation allowance in excess of related depreciation HK$'000	**Revaluation of properties HK$'000**	**Losses available for offset against future taxable profit HK$'000**	**Total HK$'000**
2007				
At 1 April 2006	**1,072**	**13,408**	**(910)**	**13,570**
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**978**	**2,566**	**(2,502)**	**1,042**
At 31 March 2007	**2,050**	**15,974**	**(3,412)**	**14,612**

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Losses available for offset against future taxable profit HK$'000	Total HK$'000
2006				
At 1 April 2005	511	2,245	(202)	2,554
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	561	11,163	(708)	11,016
At 31 March 2006	1,072	13,408	(910)	13,570

32. DEFERRED TAX (continued)

There was no movement in the deferred tax assets and liabilities of the Company during the year (2006: Nil).

The Group has tax losses arising in Hong Kong of approximately HK$29,706,000. Subject to the confirmation of the tax losses from the Hong Kong Inland Revenue Department, these tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have been recognised in respect of approximately HK$19,495,000 of such losses. Deferred tax assets have not been recognised in respect of the remaining amount of approximately HK$10,211,000 as it is not considered probable that taxable profits will be available against which the remaining amount can be utilised.

At 31 March 2007, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint venture as the Group has no liability to additional tax should such amounts be remitted.

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

33. SHARE CAPITAL

Shares

	2007	2006
	HK$'000	HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.025 each	**100,000**	100,000
Issued and fully paid:		
940,758,000 ordinary shares of HK$0.025 each	**23,519**	23,519

There was no movement in share capital during the years ended 31 March 2007 and 2006.

Notes to Financial Statements

31 March 2007

33. SHARE CAPITAL (continued)

Share options

(a) On 16 February 2004, Winhale, the ultimate holding company, sold 95,958,000 existing ordinary shares of the Company at a price of HK$0.5 per share to a number of independent investors (the "Placees"), pursuant to the placing agreement dated 10 February 2004 signed with a placing agent (the "Placing Agent"). On 24 February 2004, the Company allotted an aggregate of 95,958,000 new ordinary shares of the Company at HK$0.5 per share to Winhale pursuant to the top-up subscription agreement entered into between the Company and Winhale on the same date as the placing agreement.

In relation to the above allotment of shares, the Company further entered into a deed of undertaking dated 10 February 2004, whereby the Company provided an undertaking to the Placing Agent that it will, subject to certain regulatory conditions, grant to each Placee an option to subscribe for one further new share of the Company for every placing share purchased from Winhale. During the year ended 31 March 2005, an aggregate of 95,958,000 share options were granted to the Placees. The share options are exercisable at an exercise price of HK$0.8 per share within 36 months commencing from the date of the relevant deed of the option. No aforesaid share options were exercised during both years presented.

There is no recognition in the income statement in relation to the aforesaid share options granted to the Placees. The share capital and share premium of the Company will be credited with the proceeds received upon such share options being exercised by the Placees.

(b) Details of the Company's share option schemes (other than the share options granted to the Placees as mentioned above) are included in note 34 to the financial statements.

34. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed on 5 August 2002, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme").

The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include full-time employees, including any executive and non-executive directors of the Group. The Share Option Scheme became effective on 8 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

34. SHARE OPTION SCHEMES (continued)

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the total number of shares of the Company in issue as at the date when the Share Option Scheme was approved by the shareholders of the Company in a general meeting. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, officer or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within seven days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but should not be less than the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange daily quotation sheet on the date of grant of the share options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange for the five trading days immediately preceding the date of the offer; or (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to Financial Statements

31 March 2007

34. SHARE OPTION SCHEMES (continued)

The following share options were outstanding under the Share Option Scheme during the year:

	Number of share options						Price of the Company's shares
Name or category of participant	At 1 April 2006	Granted during the year	At 31 March 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options **	at grant date of options ***
						HK$ per share	HK$ per share
Other employees							
In aggregate	–	6,900,000	6,900,000	7 December 2006	7 June 2007 to 6 June 2012	0.165	0.165

No option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 March 2006.

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the cases of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

The fair value of the share options granted during the year was HK$292,000, of which the Group recognised a share option expense of approximately HK$185,000 during the year ended 31 March 2007 (2006: Nil).

34. SHARE OPTION SCHEMES (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2007:

Dividend yield (% per annum)	–
Expected volatility (% per annum)	49.18
Historical volatility (% per annum)	49.18
Risk-free interest rate (% per annum)	3.51
Expected life of option (year)	1.5

The expected life of the options is based on the assumption that the options will be exercised by the employees during the first half of the option life. It is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At 31 March 2007, the Company had 6,900,000 share options outstanding under the Share Option Scheme, which represented approximately 0.7% (2006: Nil) of the Company's shares in issue as at that date.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remain in consolidated goodwill reserve as explained in note 18 to the financial statements.

Notes to Financial Statements

31 March 2007

35. RESERVES (continued)

(b) Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2005		75,391	63,948	–	1,295	140,634
Profit for the year		–	–	–	957	957
At 31 March 2006 and 1 April 2006		75,391	63,948	–	2,252	141,591
Profit for the year		–	–	–	1,736	1,736
Equity-settled share option arrangements	34	–	–	185	–	185
At 31 March 2007		75,391	63,948	185	3,988	143,512

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Notes to Financial Statements

31 March 2007

36. BUSINESS COMBINATION

On 19 July 2005, the Group acquired a 100% interest in Win Glories, a property holding company, for a purchase consideration of approximately HK$2,480,000.

The fair values of the identifiable assets and liabilities of the subsidiary acquired during the year ended 31 March 2006 as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	2006	
	Fair value recognised on acquisition	**Carrying amount**
	HK$'000	HK$'000
Net assets acquired:		
Investment properties	4,000	3,515
Bank balances	16	16
Other payables and accruals	(16)	(16)
Bank loans	(1,520)	(1,520)
	2,480	1,995
Satisfied by:		
Cash		2,480

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Win Glories is as follows:

	2006
	HK$'000
Cash consideration	2,480
Bank balances acquired	(16)
Net outflow of cash and cash equivalents	2,464

The amounts of the revenue and profit or loss of the acquired subsidiary since the acquisition date included in the Group's consolidated revenue and profit for the year ended 31 March 2006 were not significant.

Had the above acquisition taken place at the beginning of the prior year, there would have been no material changes in the Group's consolidated revenue and consolidated profit for the year ended 31 March 2006.

Notes to Financial Statements
31 March 2007

37. CONTINGENT LIABILITIES

(a) At 31 March 2007, the guarantees given to banks in respect of performance bonds in favour of contract customers by the Group amounted to approximately HK$129,125,000 (2006: HK$82,698,000).

At 31 March 2007, guarantees given to banks and the amounts utilised in connection with banking facilities granted to subsidiaries by the Company were approximately HK$1,099,667,000 (2006: HK$877,302,000) and HK$689,669,000 (2006: HK$567,158,000), respectively.

(b) The Group had the following material outstanding litigations:

(i) Up to 31 March 2007, four District Court actions and one High Court action were commenced by employees of the Group against the Group, and ten District Court actions and three High Court actions were brought by the employees of the Group's subcontractors against the Group and other respondents in respect of the claims for employees' compensation under the Employee's Compensation Ordinance and the common law for personal injuries sustained by the employees in the accidents occurred in the course of their employment.

(ii) Subsequent to the balance sheet date, five District Court actions were commenced by employees of the Group against the Group and one District Court action was brought by the employees of the Group's subcontractors against the Group and other respondents in respect of the claims for employees' compensation under the Employees' Compensation Ordinance and the common law for personal injuries sustained by the employees in the accidents arising out of and in the course of their employment.

No settlement has been reached for the above actions up to the date of approval of these financial statements and no judgement has been made against the Group in respect of the claims. The directors are of the opinion that the claims will be covered by insurance and would not have material adverse impact to the income statement of the Group.

(c) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$1.6 million (2006: HK$1.4 million) as at 31 March 2007. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that there will be a material future outflow of resources from the Group.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay rental deposits.

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

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**14,137**	15,594
In the second to fifth years, inclusive	**7,471**	28,141
	21,608	43,735

(b) As lessee

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

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

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**5,199**	4,518
In the second to fifth years, inclusive	**5,026**	8,594
	10,225	13,112

Notes to Financial Statements

31 March 2007

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments at the balance sheet date:

On 28 October 2006, the Group entered into a cooperation agreement ("Cooperation Agreement") with an independent party whereby the Group had committed to pay the construction cost of approximately HK$17,943,000 for a property development project in Beijing (the "Beijing Property Project"). Further details of the Beijing Property Project are set out in note 42 to the financial statements.

At 31 March 2006, the Group had capital commitment of approximately HK$943,000 in relation to purchase of investment properties, contracted but not provided for in the financial statements.

At the balance sheet date, the Company had no significant commitments (2006: Nil).

Notes to Financial Statements

31 March 2007

40. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

		Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
Rental expense paid to Win Source Investment Limited ("Win Source")	*(i)*	**66**	66
Rental expense paid to Frason Holdings Limited ("Frason")	*(ii)*	**3,300**	–
Management income received from Excel-China Harbour Joint Venture	*(iii)*	**180**	–

Notes:

(i) Mr. Ngai Chun Hung, a director of the Company, is also a director of Win Source. The rental expense was determined at a rate mutually agreed between the Group and Win Source by reference to the prevailing market rate.

(ii) On 28 February 2006, the Group entered into a tenancy agreement with Frason for the lease of office premises for a three-year term from 1 March 2006 to 28 February 2009 at a monthly rental of HK$300,000, which was determined by reference to the prevailing market rate. Frason is wholly owned by Mr. Ngai Chun Hung. The rental deposit made pursuant to such tenancy agreement amounted to HK$900,000 as at 31 March 2007 and 2006.

(iii) The management income is determined by reference to the costs incurred.

Notes to Financial Statements

31 March 2007

40. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	Group	
	2007	2006
	HK$'000	HK$'000
Short term employee benefits	**16,979**	16,137
Post-employment benefits	**156**	156
Share-based payments	**5**	–
Total compensation paid to key management personnel	**17,140**	16,293

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and bank balances, time deposits, receivables, payables, borrowings and derivative financial instruments. Other payables are non-interest bearing and are expected to be settled within one year. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risks associated with these financial instruments and the Group's policy for mitigating these risks are discussed below.

Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables, and counter-party financial obligations in derivative financial instruments. The Group's maximum credit risk exposure at 31 March 2007 in the event of other parties failing to perform their obligations is represented by the carrying amount of each financial asset as stated in the consolidated balance sheet, except for the interest rate swap contracts as disclosed in note 29 and the contingent liabilities as disclosed in note 37.

As the Group places deposits and enters into derivative contracts only with banks with high credit ratings, the credit risk in this regard is low.

Notes to Financial Statements

31 March 2007

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The management monitors the credit worthiness and payment patterns of each debtor closely and on an on-going basis. The Group's receivables from contract works represent interim payments or retentions certified by the customers under terms as stipulated in the contracts. Whilst the Group's customers in respect of contract works primarily consist of government departments and developers or owners with strong financial backgrounds, the management considers that the risk of irrecoverable receivables from contract works is not significant. In respect of rentals receivable, to limit the credit risk exposure, deposits are required of each tenant upon inception of the leases and monthly rentals are received in advance. Payments from each tenant are monitored and collectibility is reviewed closely.

At 31 March 2007, the Group has a certain concentration of credit risk as 28% (2006: 39%) and 80% (2006: 87%) of the total accounts receivable was due from the one single external customer and the five single external customers respectively within the building construction, maintenance and engineering works segments.

Liquidity risk

The Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in short and long terms. In addition, banking facilities have been put in place for contingency purposes.

Cash flow interest rate risk

The Group's exposure to cash flow interest rate risk arises from floating rate bank borrowings (note 30). To mitigate the cash flow interest rate risk, the Group has entered into interest rate swaps, denominated in Hong Kong dollars, with a bank. Further details of the interest rate swaps are included in note 29 to the financial statements.

Notes to Financial Statements

31 March 2007

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The majority of the Group's assets by value and all of the Group's operations are located in Hong Kong. In addition, the Group's transactions are predominantly denominated in Hong Kong dollars. At 31 March 2007, all of the Group's borrowings are denominated in Hong Kong dollars. The Group's net exposure to foreign currency risk is not significant and the Group has not entered into any hedging arrangements. However, management monitors the foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

42. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, in relation to the Cooperation Agreement as mentioned in note 39 to the financial statements, the Group entered into another agreement with that independent party to terminate the Cooperation Agreement with effect from 17 May 2007. As a result, the Group's commitment under the Cooperation Agreement has been released with effect from 17 May 2007. The Group has not paid any amount in respect of the Beijing Property Project.

Details of the Beijing Property Project and the termination of the Cooperation Agreement were disclosed in the Company's circular dated 17 November 2006 and announcement dated 18 May 2007 respectively.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2007.