

Annual Report
2006/2007

**Professional
Services**

**Building
Construction**

**Property
Development
and
Property
Investment**



CHUN WO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 711

Company Culture



We aspire to excel in all aspects of our performance. In our business dealings, we are responsive to the needs of our clients and ensure that these needs are fully satisfied. We manage our projects with competent and experienced staff, whose clear priorities are to thoroughly plan, execute and follow through the works and to fulfil our obligations responsibly. Our staff always face up to challenges and proactively tackle problems in a positive way, with practicality and perseverance.

We have followed this culture for the last three decades, and believe that it has been the key to Chun Wo's success. Chun Wo's continuing success serves to reinforce the culture which has been with us from the outset.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Pang Kam Chun (*Chairman*)
Kwok Yuk Chiu, Clement (*Managing Director*)
Li Wai Hang, Christina

Independent Non-executive Directors

Au Son Yiu
Chan Chiu Ying
Lee Shing See
Hui Chiu Chung

AUDIT COMMITTEE

Chan Chiu Ying (*Chairman*)
Au Son Yiu
Hui Chiu Chung

EXECUTIVE COMMITTEE

Kwok Yuk Chiu, Clement (*Chairman*)
Pang Yat Ting, Dominic
Pang Yat Bond, Derrick
Kwok Man Fai

MANAGEMENT COMMITTEE

Pang Kam Chun (*Chairman*)
Kwok Yuk Chiu, Clement
Li Wai Hang, Christina

NOMINATION COMMITTEE

Lee Shing See (*Chairman*)
Au Son Yiu
Kwok Yuk Chiu, Clement

REMUNERATION COMMITTEE

Au Son Yiu (*Chairman*)
Chan Chiu Ying
Kwok Yuk Chiu, Clement

SECRETARY

Chan Sau Mui, Juanna

QUALIFIED ACCOUNTANT

Kwok Man Fai

SOLICITORS

Conyers Dill & Pearman
Richards Butler

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

C2, 5th Floor
Hong Kong Spinners Industrial Building
601-603 Tai Nan West Street
Cheung Sha Wan Road
Kowloon
Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH REGISTRAR

Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

<http://www.chunwo.com>

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 711



(left and bottom) Hong Kong International Airport SkyPlaza and related civil engineering works

(right) Architectural Services Department Demolition of Disciplined Services Departmental Quarters - Phase 1



Chairman's Statement

On behalf of the board of directors (the "Board" or the "Directors"), I am pleased to present the results of Chun Wo Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Chun Wo") for the year ended 31 March 2007.

RESULTS

For the year ended 31 March 2007, the Group reported a turnover of HK\$4,034.1 million, an increase of 55.1% over that of last year. Profit attributable to equity holders of the parent surged by about 7.5 times to approximately HK\$480.4 million. The growth in turnover and profit was mainly attributable to the satisfactory sales of the residential units of "No. 8 Clear Water Bay Road" together with the increase in fair values of the investment properties at Tin Shui Wai and Choi Hung. Basic earnings per share was HK64.5 cents, against HK7.6 cents last year.

DIVIDENDS

The Group had already paid an interim dividend of HK1.25 cents per share and a special interim dividend of HK2.75 cents per share to shareholders of the Company ("Shareholders") earlier in the year. The Board recommended paying a final dividend of HK2.75 cents per share and a special final dividend of HK3.25 cents per share (the "Proposed Dividends") for the year ended 31 March 2007. The aggregate dividend for the year, therefore, amounted to HK10 cents (2006: HK2.75 cents) per share. Subject to the approval of Shareholders at the forthcoming annual general meeting to be held on 22 August 2007, the Proposed Dividends will be distributed to Shareholders on or about 17 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 August 2007 to 22 August 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above Proposed Dividends, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrar of the Company, Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 15 August 2007.

Registered holders of the Company's 2009 warrants who wish to exercise their subscription rights attaching to their warrants so as to participate in the Proposed Dividends should complete and sign the subscription forms and lodge the same together with the relevant warrant certificates and the appropriate subscription money with Secretaries Limited at the above address not later than 4:00 p.m. on 15 August 2007.

BUSINESS REVIEW

During the year under review, the unemployment rate in Hong Kong continued to lower to 4.3%, the lowest in nine years. As economic expansion persisted and interest rate stabilised, the local economy advanced on a generally positive track. The property market started to pick up in the second half of 2006 and market sentiment was further boosted by better-than-expected land auction results in the fourth quarter of 2006. However, for the construction sector, development was still slow without the support of large scale infrastructure and residential projects. Whereas in Mainland China and Macau, there were ample opportunities in both the property and construction sectors bred by strong economic development.

As of 31 March 2007, the Group has contracts in hand of total value approximately HK\$7.2 billion, with about HK\$2.8 billion outstanding.

Construction

The Group focused on selective and prestigious projects during the year, especially those that required advanced technical skills and a higher level of industry know-how and expertise. The Group believes that focusing in these kinds of projects will help enhance the Group's profit margins and achieve growth through concentration in the more prestigious and technically demanding projects.

Regarding on-going building projects, the construction of the prestigious "SkyPlaza" was completed at large with minor outstanding works proceeding as scheduled. Construction of the luxurious residential units of "The Legend" and the detached houses at Shouson Hill Road were also completed. Additional upgrading works at "The Legend" are expected to be completed in the second half of 2007. In Macau, the architectural works of the Congress Center for "The Venetian" were close to completion with fitting out and all remaining works were scheduled to be completed in July 2007. The Event Center for "The Venetian" was also substantially completed with all outstanding works to be completed in July 2007.

As for civil work projects, works to lay tracks of 7.2-kilometer for the Kowloon Canton Railway Corporation ("KCRC") Lok Ma Chau Spur Line has been substantially completed. The 3.7-kilometer railway extension works for the KCRC Kowloon Southern Link had also commenced. Improvement works on Castle Peak Road, the China Light and Power cable bridge and construction of viaduct at the San Tin Interchange are close to completion. Civil works for the South Cargo Apron Extension at the Hong Kong International Airport were progressing on schedule.

The term contracts with Water Supplies Department and Architectural Services Department on minor and maintenance works also made good progress.

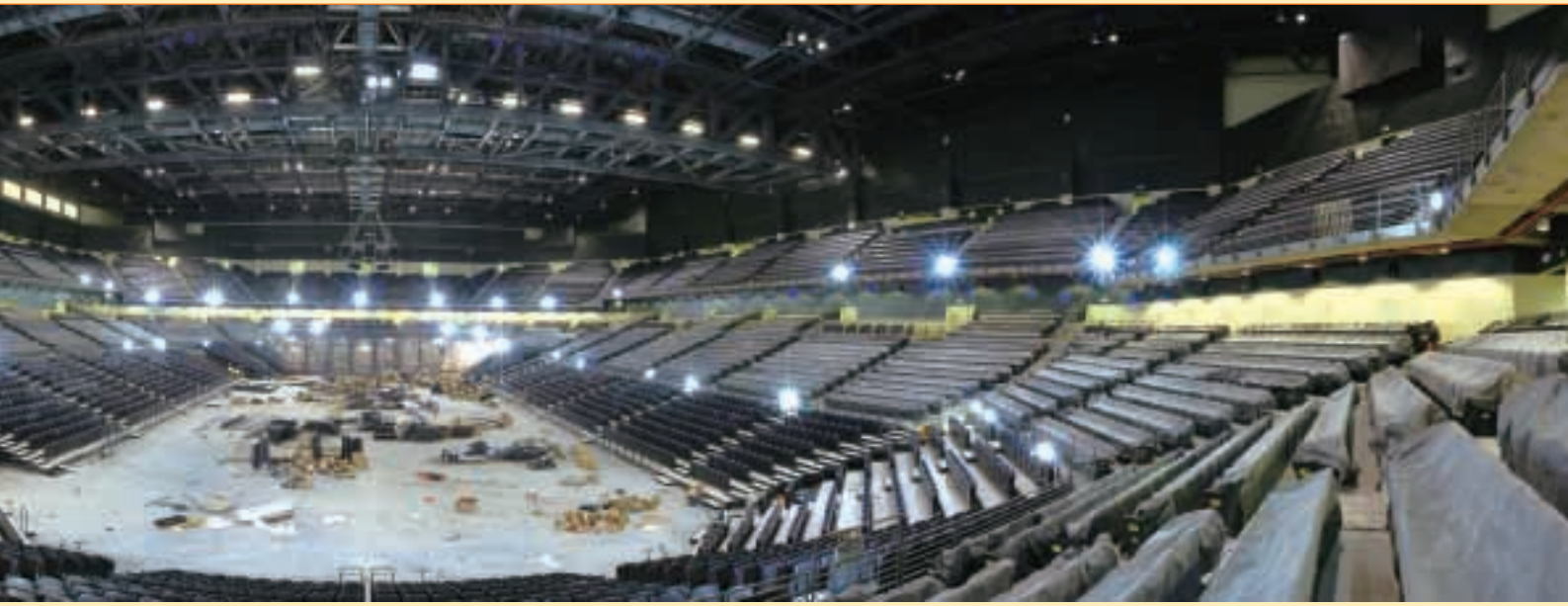


(top) Event Centre of the Las-Vegas style casino and resort for the Venetian, Macau

(left) The Legend at Tai Hang

(right) Hong Kong Housing Authority Upper Wong Tai Sin Phase 3 Construction





Chairman's Statement *(continued)*

BUSINESS REVIEW *(continued)*

Construction *(continued)*

The foundation subsidiary of the Group continued to offer services to government departments and renowned corporations, as well as providing support to the Group's construction projects. During the year under review, foundation works for the Hong Kong Housing Authority Tin Shui Wai Area 104 development and the piling work for the "City of Dreams" development at Cotai Macau were completed. On-going projects include foundation works for a private development at No. 55 Conduit Road, Mid Levels, Hong Kong, and a portion of the foundation work at "Macau Studio City". During the year, the Group completed construction of the basement of a multi-purpose property complex in Ho Chi Minh City, of which the Group is one of the developers. Riding on Chun Wo's involvement as a developer, the Group has transferred some of the most advanced construction expertise to Vietnam.

Other than undertaking electrical and mechanical ("E&M") works for the Group's own projects, the E&M subsidiary of the Group also serves government departments and private sector clients. During the year under review, the subsidiary completed a number of E&M contracts awarded by the Electrical and Mechanical Services Department for upgrading and modification works, works for "SkyPlaza" and Sea Water Pump House Enhancement for the Hong Kong Airport Authority, as well as projects for KCRC and other private sector companies. Other projects like the San Tin Interchange and South Cargo Apron Extension Works were progressing well. The subsidiary also completed the acquisition of the specialist contractor which will enable the Group to extend its client base to cover the Hong Kong Housing Authority and the Hong Kong Housing Society.

Property Development & Property Investment

With strong capabilities and experience in construction, the Group has diversified its business to cover property development and property investment. The efforts it made during the year under review had been highly effective. In addition to selling a substantial number of units of its flagship residential property project in Hong Kong – "No. 8 Clear Water Bay Road", the remaining premium units on uppermost floors of the project have been packaged as "Sky House No. 8" during the year and marketing has commenced subsequent to the financial year end.

In Mainland China, pre-sale of Phase 1A comprising six residential towers of the Group's flagship development project in Shijiazhuang, Hebei Province, attracted overwhelming response in the end of 2006. This affirmed the effectiveness of the Group's strategy to focus on property development in the PRC. The pre-sale of Shijiazhuang project Phase 1B, comprising a total of eight residential towers, will begin in the second half of 2007. This residential-cum-commercial development project with a total gross floor area of approximately 400,000 square meters is being developed in phases. Phases 1A and 1B are scheduled for completion by the end of 2007 and 2008 respectively.

BUSINESS REVIEW *(continued)*

Property Development & Property Investment *(continued)*

As for the residential development project with a shopping complex in Yangzhou, Jiangsu Province, construction works had commenced in the second quarter of 2006 and pre-sale will take place in late 2007. The project comprises six blocks of residential buildings and a shopping complex.

Furthermore, the Group commenced development of two property projects at sites acquired earlier in Yixing, Jiangsu Province, one near the city center and another in the suburb. The first project is a serviced apartment/hotel development with a three-storey retail arcade and its construction had commenced in the first quarter of 2007. Whereas the latter project will be a low-density development with town houses and low-rise apartments complemented by scenic lake views. The project is in its planning and design stage.

The comprehensive development project "Saigon Pearl" in Ho Chi Minh City, Vietnam, pursued by the Group's joint venture there progressed on schedule. The project is situated along the Saigon River with gross floor area of around 400,000 square meters, comprising eight blocks of apartment, a clubhouse, two office towers and a large-scale shopping mall. Phase 1 of "Saigon Pearl", comprising four blocks of apartment, has been substantially sold in pre-sale by the end of the financial year.

The Group's investment properties at "Grandeur Terrace" in Tin Shui Wai, "Infinity 8" in Choi Hung and "Elite Plaza" in Zhongshan, PRC, all brought in stable income for the Group.

Professional Services

A part of the Group's diversified business portfolio, security services and property management subsidiaries continued to provide high quality service to public and private sector clients. It also supports the Group's construction and property development projects.

The Group's security business provides one-stop service to external clients and the Group's construction sites. Valuable contracts awarded during the year included crowd management and event security service for prestigious properties of the MTR Corporation.

Riding on the established security business, the Group's property management subsidiary, which mostly served corporate clients in the past, continued to expand and is looking forward to extending its services to more government departments.



(top) Minor Works for Architectural Services Department - Quarry Bay Park

(left) Castle Peak Road Improvement Works at West of Tsing Lung Tau

(right) "Arc de Royal" at Shijiazhuang, Hebei Province



Chairman's Statement *(continued)*

BUSINESS REVIEW *(continued)*

Awards and Recognition

The Group was awarded various quality and safety awards during the year under review, including fourteen Gold Awards in Business Performance Index from the Hong Kong Quality Assurance Agency, ten awards in the Construction Safety Promotional Campaign 2006 and another ten awards of the Hong Kong Occupational Safety and Health Award 2006. Furthermore, the Group participated in the Construction Industry Safety Award Scheme 2006/07, where two of its projects received the Merit Award in the categories of "Fitting Out and Minor Works" and "Safety Team" respectively.

Meanwhile, the design and construction of Choi Hung Park & Ride Development at "No. 8 Clear Water Bay Road" undertaken by the Group received the Commendation Award of the Structural Special Awards 2006 presented by the Joint Structural Division of the Hong Kong Institution of Engineers and the Institution of Structural Engineers.

Corporate Social Responsibility

To encourage active and systematic contribution by the Group and its staff to the betterment of society, the Group has assisted in establishing Chun Wo Charitable Foundation Limited. The Foundation carries out corporate social responsibilities including provision of scholarships to local universities and donation to the Hong Kong Anti-Cancer Society for establishing a new cancer rehabilitation centre. The Group is also a sponsor of the 2009 East Asian Games and a land development project for The Salvation Army Shek Wo School and has donated to Youth Outreach.

The Group's volunteer team continued to support the joint programme with the Tung Wah Group of Hospitals to render regular voluntary maintenance work and care for the elderly.

The Group was honored to be nominated by the Tung Wah Group of Hospitals and Hong Chi Association for the Caring Company Scheme and be awarded the Caring Company Logo 2006/2007 by the Hong Kong Council of Social Service.

OUTLOOK AND PROSPECTS

A generally upbeat Hong Kong economy is anticipated with increasing wage and falling unemployment boosting domestic consumption and GDP. Amid strong economic growth, the construction industry is still lagging behind other sectors. Nevertheless, it is anticipated the construction sector will rebound in the coming year as the Hong Kong SAR Government (the "Government") has committed significantly more resources for infrastructural development. On the other hand, the outlook for property development continues to be promising with expected strong economic growth and positive sentiment in Hong Kong and the PRC. In line with the strategic direction of business diversification, the Group is adopting a two-pronged approach to develop its major business segments in construction and property development. Besides, the professional services segment will continue to provide quality services for the Group and seek opportunities from its expanding reach.

OUTLOOK AND PROSPECTS *(continued)*

Property Development

Riding on the demand for housing fuelled by the booming economy, rising household income and rapid urbanization in the PRC, the Group will actively pursue property development projects with potential. The Group is expanding its portfolio in property development in the PRC and is focusing on second and third tier cities, a few of which have already been spotted for the management's consideration. During the year under review, the market responded with great enthusiasm to the presale of our flagship residential-cum-commercial development project in Shijiazhuang, which is positioned as a high-end property endeavor. The project is expected to, in stages, bring in progressive income to the Group. Moving forward, the Group will continue to explore property development opportunities across the PRC through frequent visits, with an aim to acquire quality land bank in preparation for the Group's future development projects.

Apart from focusing on the PRC, Chun Wo will remain open to potential property development opportunities in Hong Kong, Macau and Vietnam. The Group will continue to join hands with other established property developers in future projects, and on the other hand, seek development opportunities from private land owners. Through contributing to the joint ventures its construction knowledge and experience, Chun Wo believes it will enhance its competitive edge by better cost control and risk minimization for the development projects. The Group's flagship property project in Hong Kong – "No. 8 Clear Water Bay Road", recorded excellent sales, which evidenced the synergies of the Group's property development and construction capabilities. "Sky House No. 8" has achieved a record high selling price at HK\$12,250 per square foot in June 2007, being the highest ever price per square foot in the district as at the date of this annual report. In Vietnam, on the other hand, Chun Wo's first property development project "Saigon Pearl" is progressing well with construction of phase 1 to be completed by end of 2007. The whole project is scheduled to be completed by 2010. The Group believes such regional development and construction experience will enable the Group to explore other profitable property development opportunities in the region. The Group will continue to ride on its experience and resources in construction operations to support the growth of its property development business.

Construction

As for the construction sector, in the 2007/08 Budget, the Government earmarked an average of \$29 billion a year for infrastructure projects over the next few years. As the Government continues to inject resources into urban improvements and upgrades, the Group is confident in both public and private sector demand for quality construction work in the coming years.

Outside Hong Kong, rapid development of Macau into a gambling and leisure center has brought tremendous opportunities to the construction sector in the building of casinos, hotels and other infrastructure projects. Armed with the successful involvement in "The Venetian" project, the Group will bid for other building and construction projects in Macau. Furthermore, the Group will also continue to seek opportunities for participating in infrastructure projects in other parts of Asia. In particular, the Group is eyeing on railway and track-work transportation projects in Thailand, and high-rise building construction projects in Dubai and Abu Dhabi. Chun Wo's long term plan for the construction business is to focus in high-margin projects requiring advanced technical skills and a higher level of industry know-how and expertise.



(left) Foundation Works for No. 55 Conduit Road



(right) Improvements to San Tin Interchange



Chairman's Statement *(continued)*

OUTLOOK AND PROSPECTS *(continued)*

Post-year-end Acquisition

In April 2007, Chun Wo Bioscience (Beijing) Company Limited ("Chun Wo Bioscience"), an indirect wholly-owned subsidiary of the Company entered into a Letter of Intent with the shareholders of Chengdu Friendship Hospital and Chengdu Friendship Hospital Company Limited (or collectively the "Hospital"), to acquire 100% of the equity interest in the Hospital. The acquisition shall be subject to an independent asset appraisal to determine the appraised value of the Hospital and the completion of negotiation among Chun Wo Bioscience and the Hospital of many substantive terms related to the transfer of the assets and operations of the Hospital. The Group believes that substantial value can be realized through reconstruction, modification or redevelopment of the plot of land on which the hospital rests, which is situated on the west side of Chengdu City center.

In the long term, the Group is committed to diversifying its business and extending market reach with prudence to achieve sustainable growth and enhance business performance.

ACKNOWLEDGMENT

I would like to thank my fellow Board members, the management team and all staff, for their dedication and hard work over the years. My thanks also go to our shareholders, business partners and clients for their valuable support. We will continue to dedicate our utmost efforts in achieving long term sustainable growth for the Group, with an aim of generating promising returns for our shareholders.

Pang Kam Chun

Chairman

Hong Kong, 20 July 2007

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Pang Kam Chun *Chairman*

Aged 64. Founder of the Group and has over 39 years' experience in civil engineering and building construction including construction management, supervision, planning and progress monitoring. Appointed as Chairman of the Company in July 1992. Spouse of Madam Li Wai Hang, Christina.

Kwok Yuk Chiu, Clement *BSc (CEng), MICE, MHKIE, RSE, RPE Managing Director*

Aged 55. Graduated from the University of Hong Kong in 1974 with a bachelor of science degree in civil engineering. A member of the Hong Kong Institution of Engineers and is a Registered Structural Engineer. Joined the Group in 1981 and has over 33 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992 and Managing Director in February 1999.

Li Wai Hang, Christina

Aged 56. Joined the Group in 1975 and has over 28 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992. Spouse of Mr. Pang Kam Chun.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Au Son Yiu

Aged 62. Has extensive experience in the securities industry. A director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and The Institute of Securities Dealers Limited, a consultant to Dao Heng Securities Limited and a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council. He is also an independent non-executive director for several public companies listed on the Stock Exchange. In addition, he is the Ex-Deputy Chairman of the Hong Kong Securities Clearing Company Limited (1992-1994) and Ex-Council member of the Stock Exchange (1988-1994). Appointed as an Independent Non-executive Director of the Company in July 1992, Chairman of the Remuneration Committee in April 2005, a member of the Audit Committee and Nomination Committee in December 1998 and August 2005 respectively.

Chan Chiu Ying *MBA, FCPA, ACMA, MHKSI*

Aged 49. Has over 22 years' experience in the fields of accounting, securities and corporate finance spanning from regulatory to investment advisory and management of listed companies in Hong Kong. Holds a master degree in business administration from the University of Bradford, the United Kingdom and is a consultant providing corporate and strategic advisory services in Hong Kong and China. He is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of the Chartered Institute of Management Accountants, the United Kingdom and an associate of the Hong Kong Securities Institute. Appointed as an Independent Non-executive Director of the Company in September 2004, a member of the Remuneration Committee in August 2005 and the Chairman of the Audit Committee in January 2006.

Biographical Details of Directors and Senior Management *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Hui Chiu Chung *JP*

Aged 60. Currently the Chief Executive Officer of OSK Asia Holdings Limited. Has 36 years of experience in the securities and investment industry. He had for years been serving as Council Member and Vice Chairman of the Stock Exchange, member of the Advisory Committee of the Hong Kong Securities and Futures Commission, and was also a director of the Hong Kong Securities Clearing Company Limited. Mr. Hui was appointed by the Government of the HKSAR a Justice of the Peace in 2004 and was also appointed a member of the Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference in 2006. He is at present a member of the Listing Committee of the Hong Kong Exchange & Clearing Company Limited, an appointed member of the Securities and Futures Appeals Tribunal and a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission. Mr. Hui is also a member of the Standing Committee on Company Law Reform, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and a vice chairman of the Committee of the Hong Kong Stockbrokers Association. Mr. Hui also serves as independent non-executive director of Luk Fook Holdings (International) Limited, Jiuzhou Development Company Limited, Lifestyle International Holdings Limited and Frasers Property (China) Limited whose shares are listed on the Stock Exchange. Appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company in January 2006.

Lee Shing See *GBS, OBE, JP*

Aged 65. Graduated from the University of Hong Kong in 1964. A Fellow of both The Hong Kong Institution of Engineers and the Institution of Civil Engineers (UK). He joined the Hong Kong Government since he graduated from the University. He was the Director of Territory Development from the period of August 1994 to August 1999 and the Secretary for Works from the period of August 1999 to August 2002 (including two months as a Permanent Secretary). He was appointed by the Hong Kong Government as a director of the Hong Kong Science and Technology Parks Corporation and a member of the Construction Industry Council. Has over 40 years' experience in engineering and construction. He is also an independent non-executive director of China State Construction International Holdings Limited, the shares of which are listed on the Stock Exchange. Appointed as an Independent Non-executive Director and Chairman of the Nomination Committee of the Company in January 2006.

SENIOR MANAGEMENT

Kwan Chuen Kin *BSc.(Hons), FCIOB, MHKIE, FHKICM, RPE*

Aged 55. Graduated from the South Bank Polytechnic, UK in 1980 with a Bachelor of Science degree (Honors) in Building. A Chartered Builder and Registered Professional Engineer, a Fellow member of the Chartered Institute of Building, UK, a member of the Hong Kong Institution of Engineer. Joined the Group in 1998 and has over 29 years' experience in project management of large scale building construction projects in Hong Kong. Appointed as a managing director of Chun Wo Elegant Decoration Engineering Company Limited in April 2006.

Kwok Man Fai

Aged 46. Graduated from Macquarie University in 1984 with a bachelor degree in economics and obtained a Master of Commerce degree in information systems in 1991 from University of New South Wales. A member of CPA Australia and Hong Kong Institute of Certified Public Accountants. He has over 22 years of experience in accounting, finance and management. Joined the Group in November 1994 and was appointed as a director of Chun Wo Foundations Limited in January 1998.

Lai Kam Hung, Joseph

Aged 49. Graduated from the Hong Kong Polytechnic University in 1980. An associate member of the Hong Kong Institution of Engineers. He has over 31 years' experience in the building and civil engineering works including construction supervision, project management and subletting. Joined the Group during 1984-1987 and re-joined the Group in 1989. Appointed as a director of Chun Long Construction Limited in April 2003 and a director of Chun Wo Construction and Engineering Company Limited in April 2006.

Lam Chi Wing, Eric *Bsc Civil, MICE, CEng, MHKIE, MIHT, RPE(civil)*

Aged 53. Graduated from University of Calgary, Canada in 1980 with a Bachelor Degree in Civil Engineering. A member of the Institute of Civil Engineers and Hong Kong Institution of Engineers. Has more than 26 years of experience in construction industry including project and construction management and tendering of different types of large-scale civil engineering projects. Joined the Group in 2005 and appointed as General Manager (Construction) of Chun Wo Construction and Engineering Company Limited.

Lui Kam Wai *M.C.I.O.B.*

Aged 47. A chartered builder and obtained an Associateship in Building Technology and Management from the Hong Kong Polytechnic University. He has over 24 years of experience in working for the government sector, contractors and developers in Hong Kong, Australia, Singapore and the Mainland. He has been a visiting lecturer, adjunct professor of various universities in Hong Kong and the Mainland. Appointed as a director of Chun Wo (China) Limited in August 2002.

Biographical Details of Directors and Senior Management *(continued)*

SENIOR MANAGEMENT *(continued)*

Pang Yat Bond, Derrick *BSc, MEng, MICE, PE(US)*

Aged 32. Graduated from the University of California, Berkeley in 1997 with a Bachelor of Science degree in civil and environmental engineering and obtained a Master of Engineering degree in geotechnical engineering in 1998 from Massachusetts Institute of Technology. A member of the Institution of Civil Engineers, United Kingdom. Registered Professional Engineer for the state of California, U.S.A. He has over 3 years of geotechnical design experience in the U.S. and 6 years of construction experience in Hong Kong. Joined the Group in 2001 and was appointed as a director of Chun Wo Civil Engineering Limited in July 2002, a director of Chun Wo Building Construction Limited in January 2006 and a director of Chun Wo Construction and Engineering Company Limited in April 2006. Son of Mr. Pang Kam Chun and Madam Li Wai Hang, Christina.

Pang Yat Ting, Dominic *BA, JD*

Aged 35. Graduated from the University of Columbia, New York in 1995 with a Bachelor of Arts degree in economics, political science and mathematics and received Juris Doctorate from the New York University School of Law in 1998. After working at a law firm for two years in New York, he moved on to set up different companies specializing in IT systems and solutions, electronic health products and outdoor advertising. He joined the Group in 2003 and was appointed as Assistant to Chairman in charge of evaluating new business opportunities, and management of the Group's property development ventures local and abroad. He is the Managing Director of Chun Wo (China) Limited since 2006. Son of Mr. Pang Kam Chun and Madam Li Wai Hang, Christina.

To Kai Yin

Aged 46. Graduated from the Hong Kong Polytechnic University in 1983. Obtained an associateship in building technology and management from the Hong Kong Polytechnic University in 1987. He has over 23 years' experience in the construction industry including construction supervision, management, quantity surveying and tendering. Joined the Group in 1991 and was appointed as a director of Chun Wo Building Construction Limited in March 1999.

Wong Chi Kwong *BEng(Hons), MIEE, MHKIE, MCIBSE, MAPM, CEng, RPE(EL,BS)*

Aged 47. Graduated from Brighton Polytechnic University of United Kingdom in 1990 with a Bachelor degree in Electrical & Electronic Engineering. A member of each of the Institution of Electrical Engineers, Chartered Institution of Building Services Engineers, Hong Kong Institution of Engineers and Association for Project Management and also a Chartered Engineer and Registered Professional Engineer in both electrical and building services disciplines. He has over 25 years of experience in the building services industry including tendering, project administration, organizational management, sales and marketing and business development. Joined the Group in August 2004 as a director of Chun Wo E & M Engineering Limited and was appointed as managing director of Chun Wo E & M Engineering Limited in February 2006.

SENIOR MANAGEMENT *(continued)*

Wong Wing Tong, Michael *MISC, MIPSC*

Age 52. Has more than 11 years' experience in the managerial level of security industry. A member of International Professional Security Association. He was the Chief Training Instructor of the Hong Kong Military Service Corp in the former British Garrison with various professional military qualifications and skills. Joined the Group in 1997. Appointed as Managing Director of City Security Company Limited and City Professional Management Limited in June 2006 and June 2007 respectively.

Yeung Shiu Kin, Eddie *BSc(Eng.), ACGI, MSc, DIC, PhD, MICE, MHKIE, MINZPE, MIEAust, MASCE, CEng, RPE*

Aged 48. Graduated from Imperial College of Science & Technology, University of London in 1981 with a Bachelor of Science degree in civil engineering, and in 1982 with a Master degree in soil mechanics. Obtained his Doctoral degree in geotechnical engineering from University of Sydney in 1989. A member of each of the Institution of Civil Engineers, United Kingdom, the Hong Kong Institution of Engineers, the Institution of Professional Engineers, New Zealand, the Institution of Engineers of Australia and also the American Society of Civil Engineers. Registered Professional Engineer in Civil & Geotechnical discipline in Hong Kong. Joined the Group in 2002 and has more than 25 years of experience in the construction industry including design and project management of civil and foundation engineering projects in Australia and Hong Kong. Appointed as a director of Chun Wo Foundations Limited in January 2003 and managing director of Chun Wo Foundations Limited in February 2006.

Corporate Governance Report

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to high standards of ethics and integrity in all aspects of its business, and to ensuring its affairs are conducted in accordance with applicable laws and regulations.

CORPORATE GOVERNANCE PRACTICES

With a view to monitoring and continuously improving its performance, the Company reviewed its corporate governance practices in March 2007 in order to improve its corporate governance practices in line with local and international practices. The Company has complied with the code provisions in effect and certain recommended best practices set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year under review except for the deviations from the provision A.4.2 of the Code.

Pursuant to provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. Relevant amendment to the Bye-laws of the Company had been proposed and was approved by Shareholders at the annual general meeting of the Company held on 21 September 2006 in order to comply with provision A.4.2 of the Code, save as the Chairman and the Managing Director shall not be subject to retirement by rotation. The Board considers that the Chairman and the Managing Director are not subject to retirement by rotation in order to maintain the stability and continuity.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") regarding securities transactions by Directors. All Directors, after specific enquiry by the Company, confirmed they have complied with the required standard set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the management of the Company on behalf of the Shareholders. Key responsibilities include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The Board confines itself to making broad policy decisions and also exercising a number of reserved powers as mentioned below, delegating responsibility for more detailed considerations to the Management Committee under the leadership of the Chairman:

- those functions and matters as set out in the terms of reference of various committees (as amended from time to time), in which Board approval must be sought from time to time;
- those functions and matters in which Board approval must be sought in accordance with the Group's internal policy as amended from time to time;

BOARD OF DIRECTORS *(continued)*

- consideration and approval of financial statements in interim reports and annual reports, announcements and press releases of interim and final results;
- focus its attention on matters affecting the Company's overall strategic policies, finances and Shareholders;
- consideration of dividend policy and dividend amount; and
- monitoring the corporate governance of the Group in compliance with the relevant rules and regulations.

As at the date of this report, the Board comprises a total of seven Directors including three executive Directors, namely, Mr. Pang Kam Chun (Chairman), Mr. Kwok Yuk Chiu, Clement (Managing Director) and Madam Li Wai Hang, Christina; and four Independent Non-executive Directors, namely, Mr. Au Son Yiu, Mr. Chan Chiu Ying, Mr. Hui Chiu Chung and Mr. Lee Shing See. Mr. Chan Chiu Ying has appropriate professional qualifications, accounting and financial management expertise. Madam Li Wai Hang, Christina is the spouse of Mr. Pang Kam Chun.

Over half of the Board are Independent Non-executive Directors which exceeds the minimum number required under the Listing Rules. The Company has received an annual written confirmation from each Independent Non-executive Director to confirm his independence under the Listing Rules to the Company and accordingly, the Company considers all of the Independent Non-executive Directors to be independent under the Listing Rules.

Each of the Independent Non-executive Directors has a service agreement for a term of one year. The agreement is renewable subject to consent given by the Company and the respective Directors. The Independent Non-executive Directors are also subject to retirement by rotation in accordance with the Bye-laws.

All Directors have full and timely access to all relevant information, including regular reports from the Board Committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Company.

Corporate Governance Report *(continued)*

BOARD OF DIRECTORS *(continued)*

During the year under review, four board meetings were held by the Board. The attendance of individual members of the Board and other Board Committees meetings during the year under review is set out in the following table:

Directors	Board	Meetings attended/Eligible to attend		
		Audit Committee	Nomination Committee	Remuneration Committee
<i>Executive Directors</i>				
Mr. Pang Kam Chun (<i>Chairman of the Board</i>)	4/4	–	–	–
Mr. Kwok Yuk Chiu, Clement (<i>Managing Director</i>)	4/4	–	0/0	1/1
Madam Li Wai Hang, Christina	4/4	–	–	–
Mr. Nip Yun Wing (Note)	2/2	–	–	–
<i>Independent Non-Executive Directors</i>				
Mr. Au Son Yiu	4/4	2/2	0/0	1/1
Mr. Chan Chiu Ying	4/4	2/2	–	1/1
Mr. Hui Chiu Chung	4/4	2/2	–	–
Mr. Lee Shing See	4/4	–	0/0	–

Note: Mr. Nip Yun Wing had resigned as executive Director with effect from 1 August 2006.

CHAIRMAN AND MANAGING DIRECTOR

The chairman of the Board is Mr. Pang Kam Chun and Managing Director is Mr. Kwok Yuk Chiu, Clement. The role of the Chairman is separated from that of Managing Director. The Chairman is responsible for overseeing the functioning of the Board while Managing Director is responsible for managing the Group's business.

BOARD COMMITTEES

The Board has established several committees. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are of no less exacting terms than those set out in the Code. All committees are provided with sufficient resources to discharge their duties.

MANAGEMENT COMMITTEE

The Management Committee operates as a general management committee with overall delegated authority from the Board. The Management Committee manages the daily operation of the Company and reports through the chairman to the Board.

Members of the Management Committee are:

Mr. Pang Kam Chun (*Chairman*)
Mr. Kwok Yuk Chiu, Clement (*Managing Director*)
Madam Li Wai Hang, Christina

EXECUTIVE COMMITTEE

In March 2007, in a review of the company's structure, the Management Committee has been assisted by the Executive Committee in the running of the day to day business of the Company.

Members of the Executive Committee are:

Mr. Kwok Yuk Chiu, Clement (*Chairman*)
Mr. Pang Yat Ting, Dominic
Mr. Pang Yat Bond, Derrick
Mr. Kwok Man Fai

The Executive Committee meets regularly and is responsible for the development and implementation of the business plans for corporate and business units.

The Executive Committee is supported by the Executive Directors Management Meeting, a forum for the development of the Company's subsidiaries which meets on a quarterly basis. This has resulted in greater focus on strategic and operational excellence. The Executive Committee is also supported by the Project Management Meeting which cascades performance management down to project level.

REMUNERATION COMMITTEE

The Remuneration Committee was formed in 6 April 2005. Its primary objective is to ensure the Company is able to attract, retain and motivate high-calibre employees who will underpin the success of the Company and enhance the value of the Company to its shareholders. The Remuneration Committee performs its functions, which primarily include assisting the Board in the overall management of the remuneration practices of the Group to ensure that effective policies, processes and practices are implemented in respect of the incentives for the Directors and senior management, in accordance with provision B.1.3 of the Code.

The Remuneration Committee comprises three members, a majority of whom are Independent Non-executive Directors.

Corporate Governance Report *(continued)*

REMUNERATION COMMITTEE *(continued)*

Members of the Remuneration Committee are:

Mr. Au Son Yiu (*Chairman*)

Mr. Chan Chiu Ying

Mr. Kwok Yuk Chiu, Clement

During the year under review, the Remuneration Committee convened one meeting to review the remuneration policy for Directors and senior management and to recommend a special bonus to Non-executive Directors. The attendance of individual Directors at the committee meeting is set out in the table on page 26.

NOMINATION COMMITTEE

The Nomination Committee was formed in 6 April 2005 to make recommendations to the Board on the appointment and re-appointment of Directors, structure, size and composition of the Board and to ensure fair and transparent procedures for the appointment and re-appointment of Directors.

The Nomination Committee comprises three members, a majority of whom are Independent Non-executive Directors.

Members of the Nomination Committee are:

Mr. Lee Shing See (*Chairman*)

Mr. Au Son Yiu

Mr. Kwok Yuk Chiu, Clement

The Nomination Committee will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his/her qualifications, experience and background. The decision of appointing a director must be approved by the Board.

During the year under review, no meeting was held by the Nomination Committee.

AUDIT COMMITTEE

The Company established an audit committee on 17 December 1998 with written terms of reference in compliance with the Code. The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. The primary duties of the Audit Committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation.

The Audit Committee comprises three Independent Non-executive Directors, one of whom possesses appropriate professional qualification, accounting or related financial management expertise as required under the Listing Rules.

AUDIT COMMITTEE *(continued)*

Members of the Audit Committee are:

Mr. Chan Chiu Ying (*Chairman*)
Mr. Au Son Yiu
Mr. Hui Chiu Chung

During the year under review, two meetings were held by the Audit Committee. The attendance of individual Directors at the Committee meetings is set out in the table on page 26.

The following is a summary of work performed by the Audit Committee during the year under review:

- (i) review of the annual report and final results announcement for the year ended 31 March 2006, with a recommendation to the Board for approval;
- (ii) review of the external auditors' independence and report, with recommendation to the Board for the re-appointment of the external auditors at the 2006 annual general meeting of the Company; and
- (iii) review of the interim report and the interim results announcement for the six months ended 30 September 2006, with a recommendation to the Board for approval.

AUDITORS' REMUNERATION

During the year, Messrs. Deloitte Touche Tohmatsu provided statutory audit services amounted to approximately HK\$2,083,000 and tax and consulting services amounted to HK\$240,000.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

Statements of the Directors' responsibilities for preparing the financial statements and the auditors of the Company about their reporting responsibilities are set out in the Auditors' Report of this annual report.

INTERNAL CONTROL

The Directors have reviewed and are satisfied with the order and effectiveness of internal controls of the Group, including, in particular, financial, operational and compliance controls and risk management functions.

Corporate Governance Report *(continued)*

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports of the Company are printed and sent to all Shareholders. Moreover, announcements, circulars and press releases of the Company are posted on the Company's corporate website www.chunwo.com. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. As a channel to further promote effective communication, the Company has launched a newly designed corporate website in 2007 with a fresh look. The website continues to disseminate shareholder information and other relevant financial and non-financial information electronically on a timely basis. The Company acknowledges that general meetings are good communication channel that members of the Board and committees are encouraged to attend the meetings.

Directors' Report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 44.

An interim dividend of HK1.25 cents per share and a special interim dividend of HK\$2.75 cents per share amounting to approximately HK\$29.8 million was paid to the Shareholders during the year under review. The Directors now recommend the payment of a final dividend of HK2.75 cents per share and a special final dividend of HK3.25 cents per share, amounting to approximately HK\$45.3 million based on the number of issued shares as at the date of this report, to the Shareholders whose names appear on the register of members on 22 August 2007.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 106.

INVESTMENT PROPERTIES

During the year under review, an amount of HK\$202.2 million was transferred from property under development and prepaid lease payments. The Group disposed of certain investment properties with aggregate carrying value of approximately HK\$24.3 million and revalued all of its investment properties at 31 March 2007. The net increase in fair value of approximately HK\$80.0 million has been credited to the consolidated income statement.

Details of these and other movements during the year under review in the investment properties of the Group are set out in Note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group acquired property, plant and equipment at a cost of approximately HK\$10.5 million for the purpose of expanding the Group's business.

Details of these and other movements during the year under review in the property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

Directors' Report *(continued)*

SHARE CAPITAL

Details of share capital of the Company are set out in Note 30 to the consolidated financial statements.

BORROWINGS AND INTEREST CAPITALISED

Details of the Group's borrowings are set out in Notes 27 and 28 to the consolidated financial statements.

Interest capitalised by the Group during the year under review is set out in Note 7 to the consolidated financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's principal subsidiaries and the Group's principal associates and jointly controlled entities as at 31 March 2007 are set out in Notes 42, 43 and 44 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 March 2007 were as follows:

	HK\$'000
Contributed surplus	52,552
Retained earnings	28,456
	81,008

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon internally generated funds as well as bank and other borrowings to finance its operations and expansion, which is supplemented by equity funding when it is required.

At 31 March 2007, the total net debts of the Group amounted to approximately HK\$884.2 million, representing total debts of approximately HK\$1,219.3 million less bank balances and cash of approximately HK\$335.1 million. The debt maturity profile of the Group at 31 March 2007 is analysed as follows:

	2007 HK\$ million	2006 HK\$ million
Repayable within one year or on demand	727.8	894.9
Repayable after 1 year, but within 2 years	10.3	418.1
Repayable after 2 years, but within 5 years	397.4	27.7
Repayable over 5 years	83.8	–
Total	1,219.3	1,340.7

At 31 March 2007, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 0.71 (2006: 1.26).

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange rate fluctuations. Furthermore, the Group's borrowings have not been hedged by any interest rate financial instruments.

The Group's financial position is sound and strong. With available bank balances and cash at 31 March 2007 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

EMPLOYEE AND REMUNERATION POLICIES

The Group has approximately 2,290 employees at 31 March 2007. Total remuneration of employees for the year ended 31 March 2007 amounted to approximately HK\$567.9 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective companies and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions.

Directors' Report *(continued)*

SHARE OPTION SCHEMES

Particulars of the share option schemes and the details of the movements in share options which were granted under the share option scheme of the Company ("Chun Wo Scheme") are set out in Note 32 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A brief biographical details of Directors and senior management are set out on pages 19 to 23.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Mr. Pang Kam Chun

Mr. Kwok Yuk Chiu, Clement

Madam Li Wai Hang, Christina

Mr. Nip Yun Wing

(resigned on with effect from 1 August 2006)

Independent Non-executive Directors:

Mr. Au Son Yiu

Mr. Chan Chiu Ying

Mr. Hui Chiu Chung *JP*

Mr. Lee Shing See *GBS, OBE, JP*

In accordance with the Company's bye-laws ("Bye-laws") 87 and 169(2), Mr. Au Son Yiu will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election. The remaining Directors will continue in office.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals in the Group are set out in Note 9 to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

The Directors are paid fees in line with market practice. The Group adopted the following main principles of determining the Directors' remuneration:

- No individual should determine his or her own remuneration
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and enhancing of the value of the Company to its shareholders

In addition to the basic salaries, a share option scheme is adopted for rewarding and retaining Directors for the continual operation and development of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

Directors' Report *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2007, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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 under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Interests of the Directors in the shares of the Company (Long Positions)

Name of Director	Personal interests	Family interests	Corporate interests	Total interests	Total interests as % of the Company's issued share capital
Mr. Pang Kam Chun ("Mr. Pang")	265,096,950	10,148,875 (Note 1)	121,348,294 (Note 2)	396,594,119	53.08%
Madam Li Wai Hang, Christina	10,148,875	386,445,244 (Note 1)	–	396,594,119	53.08%
Mr. Au Son Yiu	503,816	–	–	503,816	0.06%

Notes:

1. Madam Li Wai Hang, Christina is the spouse of Mr. Pang and is deemed to be interested in those shares of the Company in which Mr. Pang has an interest. Similarly, Mr. Pang is also deemed to be interested in those shares of the Company in which Madam Li Wai Hang, Christina has an interest.
2. Mr. Pang is deemed to have a corporate interest in those shares of the Company by virtue of his 100% interest in GT Winners Limited.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(b) Interests of the Directors in the underlying shares of the Company (Long Positions)

Name of Director	Personal interests	Family interests	Corporate interests	Total interests	Total interests as % of the Company's issued share capital
Mr. Pang	53,751,390 (Note 1)	2,029,775 (Note 2)	24,269,658 (Note 3)	80,050,823	10.71%
Madam Li Wai Hang, Christina	2,029,775	78,021,048 (Note 2)	–	80,050,823	10.71%
Mr. Kwok Yuk Chiu, Clement	7,326,000 (Note 4)	–	–	7,326,000	0.98%
Mr. Au Son Yiu	1,412,000 (Note 5)	–	–	1,412,000	0.18%

Notes:

- These represent the interests in the underlying shares of the Company in respect of (i) 732,000 units of share options granted by the Company, the details of which are stated under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below and (ii) 53,019,390 units of warrants of the Company.
- Madam Li Wai Hang, Christina is deemed to be interested in the underlying shares of the Company in which Mr. Pang has an interest. Similarly, Mr. Pang is also deemed to be interested in the underlying shares of the Company in which Madam Li Wai Hang, Christina has an interest.
- Mr. Pang is deemed to have a corporate interest in the warrants of the Company by virtue of his 100% interest in GT Winners Limited.
- These represent the interests in the underlying shares of the Company in respect of 7,326,000 units of share options granted by the Company, the details of which are stated under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below.
- These represent the interests in the underlying shares of the Company in respect of (i) 732,000 units of share options granted by the Company, the details of which are stated under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below and (ii) 680,000 units of warrants of the Company.

Directors' Report *(continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

In addition, Mr. Pang and Madam Li Wai Hang, Christina hold 8,347,500 and 90,000 non-voting deferred shares respectively in Chun Wo Construction and Engineering Company Limited, which are subject to an option granted to Chun Wo Hong Kong Limited, a wholly-owned subsidiary of the Company, to purchase the said non-voting deferred shares.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by Directors in trust for the Group, as at 31 March 2007, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the movements in share options granted under the Chun Wo Scheme to Directors and chief executive of the Company during the year ended 31 March 2007 are as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options		
				Outstanding at 1 April 2006	Lapsed during the year	Outstanding at 31 March 2007
Mr. Pang	13 August 2004	0.904	21 August 2004 to 12 August 2014	732,000	–	732,000
Mr. Kwok Yuk Chiu, Clement	13 August 2004	0.904	21 August 2004 to 12 August 2014	7,326,000	–	7,326,000
Mr. Au Son Yiu	13 August 2004	0.904	21 August 2004 to 12 August 2014	732,000	–	732,000
Mr. Nip Yun Wing (Note 1)	15 November 2004	1.162	15 November 2004 to 14 November 2009	3,200,000	(3,200,000)	–
Others (Note 2)	13 August 2004	0.904	21 August 2004 to 12 August 2014	2,196,000	–	2,196,000
				14,186,000	(3,200,000)	10,986,000

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

Notes:

1. Mr. Nip Yun Wing had resigned as an Executive Director of the Company with effect from 1 August 2006. The share options held by him were lapsed after the end of October 2006 according to the terms of the Chun Wo Scheme.
2. These outstanding share options were held by the former Independent Non-executive Directors. The Board has approved that these outstanding share options can be exercised on or before 12 August 2014.

As at the date of this report, the total number of shares available for issue under the Chun Wo Scheme is 32,617,000 shares, representing 4.36% of the issued share capital of the Company at that date.

Save as disclosed above and other than the Foundations Scheme as set out in Note 32, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year under review.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as are known to the Directors, as at 31 March 2007, the following parties (other than Directors' and chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO ("Register of Substantial Shareholders") as being interested in or deemed to be interested in 5% or more of the issued share capital of the Company:

Shareholders	Capacity	Shares (Long Position)		Underlying shares (Long Position)	
		Number of shares held	Total interests as % of the Company's issued share capital	Number of warrants held	Total interests as % of the Company's issued share capital
GT Winners Limited	Beneficial Owner	121,348,294	16.24%	24,269,658	3.24%
Midland Realty (Holdings) Limited	Beneficial Owner	52,748,000	7.06%	–	–

Save as disclosed above, as at 31 March 2007, the Register of Substantial Shareholders discloses no other party (other than Directors or chief executive of the Company) as being interested or deemed to be interested in 5% or more of the issued share capital of the Company.

Directors' Report *(continued)*

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the outstanding warrants and share options as set out in Notes 31 and 32 to the consolidated financial statements respectively, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Directors' Report, the Company has maintained sufficient public float throughout the year ended 31 March 2007 as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2007, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 56% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 25% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any Shareholders (which to the knowledge the Directors own more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers or suppliers.

DONATIONS

During the year under review, the Group made charitable and other donations totalling approximately HK\$1.4 million.



AUDITORS

A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Pang Kam Chun

Chairman

Hong Kong, 20 July 2007

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF CHUN WO HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chun Wo Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 105, which comprise the consolidated balance sheet 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.

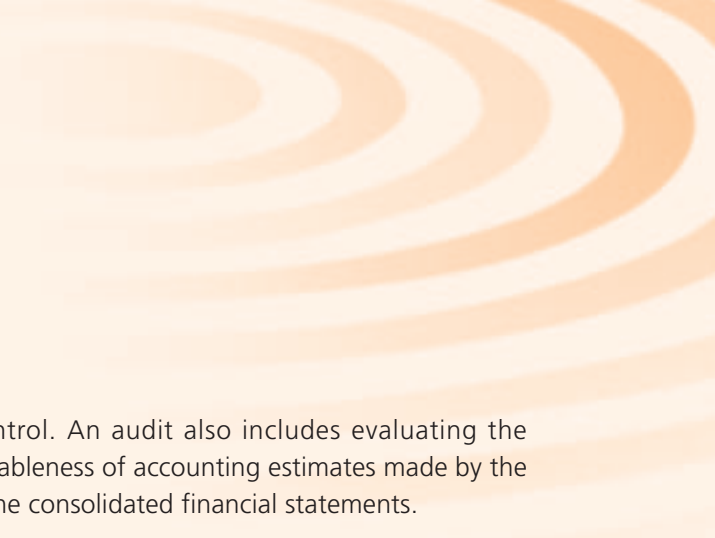
DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000 (restated)
Turnover	6	4,034,066	2,600,638
Cost of sales		(3,447,660)	(2,468,267)
Gross profit		586,406	132,371
Other income		14,660	20,597
Increase in fair value of investment properties		80,000	10,154
Gain on change in value of leasehold interest in land and properties under development upon transfer to investment properties		132,818	–
Selling expenses		(36,096)	–
General and administrative expenses		(168,525)	(107,102)
Share of profit of jointly controlled entities		1,502	21,219
Finance costs	7	(32,462)	(15,002)
Profit before tax	8	578,303	62,237
Income tax expense	10	(98,748)	(6,967)
Profit for the year		479,555	55,270
Attributable to:			
Equity holders of the parent		480,376	56,525
Minority interests		(821)	(1,255)
		479,555	55,270
Dividends paid	11	42,812	16,753
Earnings per share			
– basic	12	64.5 cents	7.6 cents
– diluted		64.3 cents	7.6 cents

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Investment properties	13	620,183	229,470
Property, plant and equipment	14	150,979	180,698
Prepaid lease payments	15	27,960	78,917
Properties under development	16	–	136,659
Interests in associates	17	42,783	42,783
Interests in jointly controlled entities	18	79,489	87,487
Available-for-sale investments	19	–	1,002
Amounts due from associates	20	128,108	75,926
		1,049,502	832,942
Current assets			
Amounts due from customers for contract work	21	698,344	326,602
Debtors, deposits and prepayments	22	570,313	524,293
Prepaid lease payments	15	683	1,809
Properties under development	16	548,808	1,279,012
Properties held for sale		181,833	–
Amounts due from associates	23	1,207	1,182
Amounts due from jointly controlled entities	23	33,316	38,459
Investments held for trading	19	15,973	6,333
Tax recoverable		6,865	935
Pledged bank deposit	24	34,667	10,252
Bank balances and cash	24	300,457	329,730
		2,392,466	2,518,607
Current liabilities			
Amounts due to customers for contract work	21	87,849	236,253
Creditors, deposits and accrued charges	25	491,805	497,779
Deposits received from pre-sales of properties under development		217,650	376,814
Amounts due to jointly controlled entities	26	70,512	80,297
Tax payable		46,731	13,414
Obligations under finance leases – due within one year	27	1,566	2,187
Borrowings – due within one year	28	726,197	892,739
		1,642,310	2,099,483

Consolidated Balance Sheet *(continued)*

At 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Net current assets		750,156	419,124
Total assets less current liabilities		1,799,658	1,252,066
Non-current liabilities			
Obligations under finance leases – due after one year	27	1,640	695
Borrowings – due after one year	28	489,850	445,082
Deferred tax liabilities	29	56,780	10,547
		548,270	456,324
Net assets		1,251,388	795,742
Capital and reserves			
Share capital	30	74,705	74,457
Reserves		1,176,340	719,809
Equity attributable to equity holders of the parent		1,251,045	794,266
Minority interests		343	1,476
Total equity		1,251,388	795,742

The financial statements on pages 44 to 105 were approved and authorised for issue by the Board of Directors on 20 July 2007 and are signed on its behalf by:

Kwok Yuk Chiu, Clement
Director

Li Wai Hang, Christina
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to equity holders of the parent						Total	Minority interests	Total
	Share capital	Share premium	Special reserve	Capital reserve	Translation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	74,457	250,026	(7,340)	8,531	1,272	422,185	749,131	2,722	751,853
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	5,363	-	5,363	9	5,372
Profit (loss) for the year	-	-	-	-	-	56,525	56,525	(1,255)	55,270
Total recognised income and expense for the year	-	-	-	-	5,363	56,525	61,888	(1,246)	60,642
Dividends paid	-	-	-	-	-	(16,753)	(16,753)	-	(16,753)
At 31 March 2006	74,457	250,026	(7,340)	8,531	6,635	461,957	794,266	1,476	795,742
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	16,937	-	16,937	28	16,965
Profit (loss) for the year	-	-	-	-	-	480,376	480,376	(821)	479,555
Total recognised income and expense for the year	-	-	-	-	16,937	480,376	497,313	(793)	496,520
Shares issued upon issuance of scrip dividend scheme	248	2,030	-	-	-	-	2,278	-	2,278
Acquisition from minority interests	-	-	-	-	-	-	-	(340)	(340)
Dividends paid	-	-	-	-	-	(42,812)	(42,812)	-	(42,812)
At 31 March 2007	74,705	252,056	(7,340)	8,531	23,572	899,521	1,251,045	343	1,251,388

The special reserve represents the aggregate amount of the non-voting deferred share capital of Chun Wo Construction and Engineering Company Limited and the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993.

The capital reserve mainly represents the amount of profit capitalisation upon allotment of share capital of Chun Wo Foundations Limited during the year ended 31 March 1997.

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	2007 HK\$'000	2006 HK\$'000
Operating activities		
Profit before tax	578,303	62,237
Adjustments for:		
Finance costs	32,462	15,002
Share of profit of jointly controlled entities	(1,502)	(21,219)
Interest income	(3,660)	(1,361)
Dividend income from investments held for trading	(202)	(146)
Depreciation and amortisation	3,315	3,012
Release of prepaid lease payments	491	682
Increase in fair value of investments held for trading	(3,765)	(1,379)
Increase in fair value of investment properties	(80,000)	(10,154)
Gain on change in value of leasehold interest in land and properties under development upon transfer to investment properties	(132,818)	–
(Gain) loss on disposal of property, plant and equipment	(3,611)	811
Loss (gain) on disposal of investment properties	1,726	(6,948)
Gain on disposal of available-for-sale investments	–	(400)
Net gain on cessation of a jointly controlled entity	–	(6,899)
Operating cash flows before movements in working capital	390,739	33,238
(Increase) decrease in amounts due from (to) customers for contract work	(479,913)	56,459
Increase in debtors, deposits and prepayments	(45,267)	(144,267)
Decrease (increase) in properties under development	768,177	(289,129)
Increase in properties held for sale	(181,833)	–
Increase in amounts due from associates	(25)	(155)
Decrease in amounts due from jointly controlled entities	5,143	8,589
(Decrease) increase in creditors, deposits and accrued charges	(12,722)	84,128
(Decrease) increase in deposits received from pre-sales of properties under development	(159,164)	238,224
Decrease in amounts due to jointly controlled entities	(9,785)	(12,719)
(Increase) decrease in investments held for trading	(5,673)	1,364
Cash from (used in) operations	269,677	(24,268)
Hong Kong Profits Tax paid	(24,971)	(10,834)
Enterprise Income Tax in the People's Republic of China ("PRC") paid	(157)	(279)
Net cash from (used in) operating activities	244,549	(35,381)

	2007 HK\$'000	2006 HK\$'000
Investing activities		
Amounts advanced to associates	(52,182)	–
(Increase) decrease in pledged bank deposits	(24,415)	28,453
Costs incurred in properties under development	(14,123)	(49,762)
Purchase of property, plant and equipment	(7,608)	(9,574)
Acquisition of additional interests in subsidiaries	(340)	–
Proceeds from disposal of investment properties	22,561	20,451
Proceeds from disposal of property, plant and equipment	17,184	994
Dividends received from jointly controlled entities	9,500	2,500
Interest received	3,660	1,361
Proceeds from disposal of available-for-sale investments	1,002	900
Capital injected to a jointly controlled entity	–	(4,655)
Net cash used in investing activities	(44,761)	(9,332)
Financing activities		
Repayment of bank loans	(862,895)	(266,083)
Interest paid	(65,152)	(58,516)
Dividends paid	(42,812)	(16,753)
Repayment of principal portion of obligations under finance leases	(2,596)	(5,875)
Repayment of mortgage loans	(1,568)	(3,988)
New bank loans raised	645,657	580,314
Increase (decrease) in trust receipt loans	96,516	(56,949)
Proceeds from issue of shares	2,278	–
Net cash (used in) from financing activities	(230,572)	172,150
Net (decrease) increase in cash and cash equivalents	(30,784)	127,437
Cash and cash equivalents at beginning of the year	329,730	203,455
Effect of foreign exchange rate change	1,511	(1,162)
Cash and cash equivalents at end of the year, represented by bank balances and cash	300,457	329,730

Notes to the Consolidated Financial Statements

For the year ended 31 March 2007

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section of corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development, property investment and provision of security and property management services. Details of the principal subsidiaries are set out in Note 42.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group has not early applied the following new or revised standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Shares Transactions ⁶
HK(IFRIC)-INT 12	Service Concession Arrangements ⁷

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents the net amount received and receivable for goods sold and services provided in the normal course of business during the year.

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price construction contract is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Income from properties is recognised on the execution of a binding sales agreement or when the relevant completion certificates are issued by the respective government authorities, whichever is the later. Payments received from the purchasers prior to completion of the development are recorded as customer's deposits received on sale of properties and presented as current liabilities.

Service income is recognised when services are provided.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which the venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly controlled entities *(continued)*

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Jointly controlled assets

Where a group company undertakes its activities under joint venture arrangements directly constituted as jointly controlled assets, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interest in jointly controlled assets are accounted for on accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, together with its share of joint venture expenses are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under debtors, deposits and prepayments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

The leasehold land and buildings are depreciated over their terms of the relevant leases.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the reducing balance method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for administrative purpose, the leasehold land component is classified as a prepaid lease payment and amortised on a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of buildings under construction. Buildings under construction are carried at cost less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Prepaid lease payments

The prepaid lease payments representing upfront payment for leasehold land are initially recognised at cost and released to consolidated income statement over the lease term on a straight-line basis.

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. 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 eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties under development held for investment

Properties being developed for future use as investment property are classified under non-current assets and stated at cost less any impairment loss. Cost comprises amortisation charges of the leasehold land and development costs including attributable borrowing costs and charges capitalised during the development period. Property that is being developed for future use as investment property is transferred to investment property at fair value when the development is completed. The difference between the carrying amount and the fair value is recognised directly in profit or loss.

Properties under development held for sale

Properties under development which are developed for sale are classified under current assets and stated at the lower of cost and estimated net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories, including financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss including financial assets held for trading are measured at fair value at each balance sheet date subsequent to initial recognition, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, amounts due from associates and jointly controlled entities, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale debt investments are recognised in profit or loss. Impairment losses are subsequently reversed if an increase in the fair value of the debt investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities mainly include creditors, amounts due to jointly controlled entities and borrowings. These financial liabilities are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rates of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to the Group's state-managed retirement plans and other retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Equity settled share-based payment transactions

The fair value of services received from employees determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

The Group has applied HKFRS 2 "Share-based payments" to share options granted on or after 1 April 2005. The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 April 2005. In relation to share options granted before 1 April 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted after 7 November 2002 and vested before 1 April 2005, no amount has been recognised in the consolidated financial statements in respect of the equity-based payments.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

4. KEY SOURCES OF 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.

Construction contracts

For the year ended 31 March 2007, the Group recognised profits from construction contracts of HK\$43,323,000 (2006: HK\$44,396,000), which were derived from the latest available budgets of the construction contracts based on the overall performance of each construction contract and management's best estimates and judgements. Estimated construction income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of materials are proposed by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, management regularly reviews the progress of the contracts and the estimated construction income and costs.

For the year ended 31 March 2007, the Group shared profits of its jointly controlled entities of HK\$1,502,000 (2006: HK\$21,219,000), which were principally derived from the construction contracts carrying out by the jointly controlled entities. These figures were also derived from the latest available budgets of the construction contracts which were prepared by the management of the respective jointly controlled entities and the Group based on the overall performance of each construction contract.

Income tax

As at 31 March 2007, a deferred tax asset of HK\$16,106,000 (2006: HK\$14,481,000) in relation to unused tax losses and other deductible temporary differences has not been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of the deferred tax asset may arise, which would be recognised in the income statement for the period in which such a reversal or recognition takes place.

5. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's major financial instruments include debtors, amounts due from associates and jointly controlled entities, investments held for trading, pledged bank deposits, bank balances and cash, creditors, amounts due to jointly controlled entities and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and in respect of all types of guarantees given by the Group as disclosed in Note 37. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debtor to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high-credit-ratings assigned by international credit rating agencies.

The Group has exposed to concentration of credit risk, however, the management considers that the risk is not significant as the major customers of the Group mainly comprise various government authorities and several reputable property developers.

(ii) Market risk

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, appropriate measures will be taken to manage interest rate exposure. The Group's bank balances and deposits are short-term in nature, any future variations in interest rate will not have a significant impact on the Group's interest rate risk.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

5. FINANCIAL INSTRUMENTS *(continued)*

(a) Financial risk management objectives and policies *(continued)*

(ii) **Market risk** *(continued)*

Other price risk

The Group's exposure to other price risk mainly relates to its investment in listed equity securities. However, the management closely reviews the performance of these investments so as to monitor the price risk.

Foreign currency risk

The Group's transactions were mainly conducted in Hong Kong dollars, i.e. the functional currency of the Company, and its major receivables, payables and borrowings are denominated in Hong Kong dollars, hence the exposure to foreign currency risk is minimal. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(iii) **Liquidity risk**

The objective of the Group is to maintain a balance between the continuity of funding and the flexibility through the use of bank borrowings. In addition, sufficient banking facilities have been put in place for general funding purposes.

(b) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's operation was previously organised into construction work, property development, property investment and other activities for the year ended 31 March 2006. During the year, the Group identifies a new business segment of professional services which is engaged in provision of security and property management services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 March 2007

INCOME STATEMENT

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	2,880,307	1,043,389	28,080	82,264	26	4,034,066
RESULT						
Segment result	43,323	347,551	234,016	3,915	(3,232)	625,573
Interest income						3,660
Unallocated corporate expenses						(19,970)
Share of profit of jointly controlled entities	1,502	-	-	-	-	1,502
Finance costs						(32,462)
Profit before tax						578,303
Income tax expense						(98,748)
Profit for the year						479,555

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

At 31 March 2007

BALANCE SHEET

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	1,317,820	788,199	635,553	16,563	21,840	2,779,975
Interests in associates	–	42,783	–	–	–	42,783
Interests in jointly controlled entities	79,489	–	–	–	–	79,489
Amounts due from jointly controlled entities	33,316	–	–	–	–	33,316
Amounts due from associates	–	52,333	76,982	–	–	129,315
Unallocated corporate assets						377,090
Consolidated total assets						3,441,968
LIABILITIES						
Segment liabilities	537,317	235,633	12,561	8,440	972	794,923
Amounts due to jointly controlled entities	70,512	–	–	–	–	70,512
Unallocated corporate liabilities						1,325,145
Consolidated total liabilities						2,190,580

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

OTHER INFORMATION

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
Capital expenditure	8,303	1,229	14,123	996	–	24,651
Depreciation and amortisation	26,118	195	–	375	59	26,747
Loss on disposal of an investment property	–	–	1,726	–	–	1,726

For the year ended 31 March 2006

INCOME STATEMENT

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000 (restated)
TURNOVER						
External sales	2,529,356	–	25,475	44,066	1,741	2,600,638
RESULT						
Segment result	44,396	(79)	33,607	2,388	(3,707)	76,605
Interest income						1,361
Unallocated corporate expenses						(21,946)
Share of profit of jointly controlled entities	21,219	–	–	–	–	21,219
Finance costs						(15,002)
Profit before tax						62,237
Income tax expense						(6,967)
Profit for the year						55,270

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

At 31 March 2006

BALANCE SHEET

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	993,782	1,333,147	422,514	12,072	17,474	2,778,989
Interests in associates	–	42,783	–	–	–	42,783
Interests in jointly controlled entities	87,487	–	–	–	–	87,487
Amounts due from jointly controlled entities	38,459	–	–	–	–	38,459
Amounts due from associates	–	–	77,108	–	–	77,108
Unallocated corporate assets						326,723
Consolidated total assets						3,351,549
LIABILITIES						
Segment liabilities	711,896	325,541	12,547	7,014	708	1,057,706
Amounts due to jointly controlled entities	80,297	–	–	–	–	80,297
Unallocated corporate liabilities						1,417,804
Consolidated total liabilities						2,555,807

OTHER INFORMATION

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
Capital expenditure	9,384	49,762	–	638	11	59,795
Depreciation and amortisation	31,934	–	–	323	174	32,431
Loss on disposal of property, plant and equipment	360	–	451	–	–	811

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segments

The Group's operations are mainly located in Hong Kong and elsewhere in the PRC.

No analysis of turnover for the year by geographical market has been presented as more than 90% of the Group's activities were carried out in Hong Kong.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and properties under development, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and properties under development	
	31 March 2007 HK\$'000	31 March 2006 HK\$'000	Year ended 31 March 2007 HK\$'000	Year ended 31 March 2006 HK\$'000
Hong Kong	2,182,948	2,328,739	22,700	59,577
Elsewhere in the PRC	597,027	450,250	1,951	218
	2,779,975	2,778,989	24,651	59,795

7. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest payable on:		
Bank borrowings wholly repayable within five years	62,490	58,234
Bank borrowings wholly repayable over five years	2,502	–
Finance leases	160	282
	65,152	58,516
Less: Amount attributable to contract work	(16,801)	(12,025)
Amount attributable to properties under development	(15,889)	(31,489)
	32,462	15,002

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

8. PROFIT BEFORE TAX

	2007 HK\$'000	2006 HK\$'000
Profit before tax has been arrived at after charging:		
Auditors' remuneration		
Current year	2,083	1,839
Underprovision in prior year	484	–
	2,567	1,839
Depreciation and amortisation on:		
Owned assets	25,893	30,695
Assets held under finance leases	854	1,736
	26,747	32,431
Less: Amount attributable to contract work	(23,432)	(29,419)
	3,315	3,012
Release of prepaid lease payments	491	682
Loss on disposal of property, plant and equipment	–	811
Loss on disposal of an investment property	1,726	–
Operating lease rentals for:		
Rental properties	7,536	5,784
Plant and machinery	58,249	22,761
	65,785	28,545
Less: Amount attributable to contract work	(61,431)	(24,487)
	4,354	4,058

8. PROFIT BEFORE TAX *(continued)*

	2007 HK\$'000	2006 HK\$'000
Staff costs, including Directors' emoluments	567,929	506,853
Less: Amount attributable to contract work	(381,490)	(407,659)
Amount attributable to properties under development	(10,315)	(3,043)
	176,124	96,151
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	488	7,346
and after crediting:		
Interest income	3,660	1,361
Dividend income from investments held for trading	202	146
Gain on disposal of available-for-sale investments	–	400
Gain on disposal of investment properties	–	6,948
Gain on disposal of property, plant and equipment	3,611	–
Increase in fair value of investments held for trading	3,765	1,379
Net gain on cessation of a jointly controlled entity	–	6,899
Rental income from investment properties, net of direct operating expenses from investment properties that generated rental income during the year of HK\$3,777,000 (2006: HK\$2,547,000)	24,303	22,928

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 8 (2006: 11) Directors were as follows:

2007

	Other emoluments			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contribution HK\$'000	
Pang Kam Chun	–	6,160	135	6,295
Kwok Yuk Chiu, Clement	–	3,660	113	3,773
Li Wai Hang, Christina	–	2,140	63	2,203
Nip Yun Wing	–	1,127	34	1,161
Au Son Yiu	284	–	–	284
Chan Chiu Ying	250	–	–	250
Hui Chiu Chung	250	–	–	250
Lee Shing See	250	–	–	250
	1,034	13,087	345	14,466

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

2006

	Fees HK\$'000	Other emoluments		Total HK\$'000
		Salaries and other benefits HK\$'000	Retirement benefits scheme contribution HK\$'000	
Pang Kam Chun	–	6,160	135	6,295
Kwok Yuk Chiu, Clement	–	3,600	113	3,713
Li Wai Hang, Christina	–	1,640	63	1,703
Nip Yun Wing	–	2,266	101	2,367
Chen Po Sum	60	–	–	60
Au Son Yiu	150	–	–	150
Wong Sai Wing, James	40	–	–	40
Woo Kam Wai	45	–	–	45
Chan Chiu Ying	150	–	–	150
Hui Chiu Chung	37	–	–	37
Lee Shing See	37	–	–	37
	519	13,666	412	14,597

(b) Employees' emoluments

During the year, the five highest paid individuals included three (2006: three) Executive Directors, details of whose emoluments are included above. The emoluments of the remaining two (2006: two) individuals are as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other benefits	4,435	3,920
Retirement benefit scheme contributions	56	151
	4,491	4,071

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Employees' emoluments *(continued)*

The employees' emoluments were within the following bands:

	Number of employees	
	2007	2006
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	2	1

During both years, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No Director has waived any remuneration during both years.

10. INCOME TAX EXPENSE

	2007	2006
	HK\$'000	HK\$'000
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax		
– current year	52,457	21,600
– overprovision in prior years	(4,100)	(4,564)
	48,357	17,036
– Enterprise Income Tax in the PRC	4,158	279
	52,515	17,315
Deferred tax (Note 29)	46,233	(10,348)
	98,748	6,967

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year.

Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

Details of the deferred tax are set out in Note 29.

10. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2007 HK\$'000	2006 HK\$'000
Profit before tax	578,303	62,237
Tax at the Hong Kong Profits Tax rate of 17.5%	101,203	10,892
Tax effect of share of results of jointly controlled entities	(263)	(3,713)
Tax effect of expenses not deductible for tax purposes	3,681	5,408
Tax effect of income not taxable for tax purposes	(1,215)	(3,177)
Overprovision in prior years	(4,100)	(4,564)
Tax effect of tax losses and other deductible temporary differences for current year not recognised	1,932	751
Utilisation of tax losses and other deductible temporary differences for prior years previously not recognised	(922)	(6,756)
Effect of different tax rates of operations in other jurisdictions	(75)	5,582
Others	(1,493)	2,544
Tax charge for the year	98,748	6,967

11. DIVIDENDS PAID

	2007 HK\$'000	2006 HK\$'000
Final dividend paid in respect of 2006 of HK1.75 cents (2005: HK1.25 cents) per share	13,030	9,307
Interim dividend paid in respect of 2007 of HK1.25 cents (2006: HK1.00 cent) per share	9,307	7,446
Special interim dividend paid in respect of 2007 of HK\$2.75 cents per share	20,475	–
	42,812	16,753

The final dividend of HK2.75 cents per share and special final dividend of HK3.25 cents per share have been proposed by the Directors and are subject to approval by the shareholders in the forthcoming Annual General Meeting.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2007	2006
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share – Profit attributable to equity holders of the parent	480,376	56,525
	Number of shares	
Weighted average number of shares for the purpose of basic earnings per share	744,674,904	744,565,896
Effect of dilutive potential shares in respect of warrants	1,823,312	–
Weighted average number of shares for the purpose of diluted earnings per share	746,498,216	744,565,896

The computation of diluted earnings per share for 2007 and 2006 does not assume the exercise of the outstanding share options as the exercise prices of the Company's outstanding share options were higher than the average market price for the shares for both years.

13. INVESTMENT PROPERTIES

	2007	2006
	HK\$'000	HK\$'000
VALUATION		
At beginning of the year	229,470	232,819
Transfer from properties under development	150,782	–
Transfer from prepaid lease payments	51,400	–
Gain on change in value of leasehold interest in land and properties under development upon transfer to investment properties	132,818	–
Disposals	(24,287)	(13,503)
Increase in fair value	80,000	10,154
At end of the year	620,183	229,470

13. INVESTMENT PROPERTIES *(continued)*

The fair value of the Group's investment properties at 31 March 2007 has been arrived at on the basis of valuations carried out on that date by Centaline Surveyors Limited, Savills Valuation and Professional Services Limited, RHL Appraisal Limited and Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group. All of these valuers are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gave rise to a net gain arising from changes in fair value of HK\$80,000,000 (2006: HK\$10,154,000) which has been credited to the consolidated income statement.

All the investment properties of the Group held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model.

Investment properties in Hong Kong with a total carrying value of HK\$40,000,000 (2006: Nil) were co-owned with a venturer. The carrying value represents the Group's proportionate share in the valuation of the relevant properties.

The investment properties are held under medium-term lease and are situated in the following locations:

	2007 HK\$'000	2006 HK\$'000
Hong Kong	595,000	180,000
Elsewhere in the PRC	25,183	49,470
	620,183	229,470

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST					
At 1 April 2005	32,121	496,078	50,757	31,637	610,593
Exchange realignment	–	–	20	35	55
Additions	–	5,142	1,647	3,244	10,033
Disposals	(1,121)	(2,715)	(1,328)	(28)	(5,192)
At 31 March 2006	31,000	498,505	51,096	34,888	615,489
Exchange realignment	–	–	57	110	167
Additions	2,595	756	5,191	1,986	10,528
Disposals	–	(51,713)	(6,441)	(1,670)	(59,824)
At 31 March 2007	33,595	447,548	49,903	35,314	566,360
DEPRECIATION AND AMORTISATION					
At 1 April 2005	9,482	340,524	34,504	21,210	405,720
Exchange realignment	–	–	8	19	27
Provided for the year	923	25,595	4,096	1,817	32,431
Eliminated on disposals	(181)	(1,993)	(1,188)	(25)	(3,387)
At 31 March 2006	10,224	364,126	37,420	23,021	434,791
Exchange realignment	–	–	27	67	94
Provided for the year	953	20,181	3,709	1,904	26,747
Eliminated on disposals	–	(40,030)	(5,238)	(983)	(46,251)
At 31 March 2007	11,177	344,277	35,918	24,009	415,381
CARRYING VALUES					
At 31 March 2007	22,418	103,271	13,985	11,305	150,979
At 31 March 2006	20,776	134,379	13,676	11,867	180,698

Owner-occupied leasehold land is included in property, plant and equipment only when the allocations between the land and buildings elements cannot be made reliably.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The leasehold land and buildings are depreciated over their terms of the relevant leases.

The other items of property, plant and equipment are depreciated, using the reducing balance method, at the following rates per annum:

Plant and machinery	15% – 25%
Motor vehicles	25%
Furniture, fixtures and equipment	15%

The carrying value of leasehold land and buildings under medium-term leases held by the Group at the balance sheet date comprises:

	2007 HK\$'000	2006 HK\$'000
Properties in Hong Kong	17,718	18,550
Properties in the PRC	4,700	2,226
	22,418	20,776

The carrying value of the Group's property, plant and equipment includes an amount of HK\$951,000 (2006: HK\$4,963,000) and HK\$2,767,000 (2006: HK\$2,123,000) in respect of plant and machinery and motor vehicles held under finance leases, respectively.

15. PREPAID LEASE PAYMENTS

	2007 HK\$'000	2006 HK\$'000
The Group's prepaid lease payments held under medium-term leases in Hong Kong:		
Non-current asset	27,960	78,917
Current asset	683	1,809
	28,643	80,726

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

16. PROPERTIES UNDER DEVELOPMENT

Properties under development held for investment

	2007 HK\$'000	2006 HK\$'000
COST		
At beginning of the year	136,659	83,215
Additions	14,123	49,762
Transfer to investment properties	(150,782)	–
Capitalisation of amortisation of prepaid lease payments	–	1,127
Capitalisation of finance costs	–	2,555
At end of the year	–	136,659

The properties under development held for investment were under medium-term leases and located in Hong Kong.

Properties under development held for sale

Included in the amount are properties under development held for sale of HK\$548,808,000 (2006: HK\$398,554,000) expected to be completed after the next twelve months from the balance sheet date.

17. INTERESTS IN ASSOCIATES

	2007 & 2006 HK\$'000
Cost of unlisted investments in associates	42,783

Particulars of the Group's principal associates as at 31 March 2007 are set out in Note 43.

17. INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2007 HK\$'000	2006 HK\$'000
Total assets	636,975	507,572
Total liabilities	(444,555)	(312,175)
	192,420	195,397
Group's share of net assets of associates	42,783	42,783
Revenue	10,455	12,238
(Loss) profit for the year	(1,320)	1,540
Group's share of results of associates for the year (Note)	–	–

Note: The Group's share of results of associates have not been accounted for in the consolidated income statement as, in the opinion of the Directors, the results of the associates attributable to the Group are insignificant.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2007 HK\$'000	2006 HK\$'000
Cost of unlisted investment in jointly controlled entities	4,655	4,655
Share of post-acquisition profits, net of dividend received (Note)	74,834	82,832
	79,489	87,487

Note: During the year ended 31 March 2006, share of losses of a jointly controlled entity amounting to HK\$30,872,000 has been reversed upon cessation of the jointly controlled entity.

Particulars of the jointly controlled entities as at 31 March 2007 are set out in Note 44.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2007 HK\$'000	2006 HK\$'000
Total revenue	204,012	420,743
Total expenses	199,632	378,042
Non-current assets	7,857	15,506
Current assets	234,542	292,792
Current liabilities	(121,678)	(179,362)
Non-current liabilities	(132)	(337)
Net assets	120,589	128,599

19. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENTS HELD FOR TRADING

	2007 HK\$'000	2006 HK\$'000
Available-for-sale investments – debt securities		
Listed guaranteed fund in Hong Kong, at fair value	–	1,002
Investments held for trading		
Listed equity securities in Hong Kong, at fair value	15,973	6,333

The fair values of the available-for-sale investments and investments held for trading are determined based on the quoted market bid prices available on the relevant exchanges or the prevailing market price available in the market.

20. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest free and will not be repayable within the next twelve months.

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2007 HK\$'000	2006 HK\$'000
Costs incurred to date plus recognised profits less recognised losses	11,600,283	11,928,264
Less: Progress billings	(10,989,788)	(11,837,915)
	610,495	90,349
Represented by:		
Due from customers included in current assets	698,344	326,602
Due to customers included in current liabilities	(87,849)	(236,253)
	610,495	90,349

22. DEBTORS, DEPOSITS AND PREPAYMENTS

Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of trade debtors of HK\$270,807,000 (2006: HK\$240,070,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	2007 HK\$'000	2006 HK\$'000
Not yet due	258,707	234,466
0 to 30 days	7,204	4,518
31 to 90 days	1,680	888
91 to 180 days	146	198
Over 180 days	3,070	–
	270,807	240,070

At the balance sheet date, retentions held by customers for contract work included in debtors, deposits and prepayments were HK\$191,226,000 (2006: HK\$200,309,000).

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

23. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and repayable on demand.

24. PLEDGED BANK DEPOSIT AND BANK BALANCES

The pledged deposit has been placed in designated banks as part of the security provided for general banking facilities granted to the Group. The bank deposit carries interest at a rate of 2.7% (2006: 1.5% to 1.7%) per annum.

Bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

25. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$342,443,000 (2006: HK\$382,194,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	2007 HK\$'000	2006 HK\$'000
Not yet due	245,441	292,640
0 to 30 days	53,837	57,649
31 to 90 days	25,511	23,646
91 to 180 days	7,390	3,412
Over 180 days	10,264	4,847
	342,443	382,194

26. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and repayable on demand.

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum payments		Present value of minimum payments	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Within one year	1,708	2,282	1,566	2,187
More than one year, but not exceeding two years	1,142	617	1,077	594
More than two years, but not exceeding five years	574	103	563	101
	3,424	3,002	3,206	2,882
Less: Future finance charges	(218)	(120)	–	–
Present value of lease obligations	3,206	2,882	3,206	2,882
Less: Amount due within one year shown under current liabilities			(1,566)	(2,187)
Amount due after one year			1,640	695

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease terms range from two to three years. For the year ended 31 March 2007, the effective borrowing rates range from 5.6% to 6.1% (2006: 4.8% to 5.3%). All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

28. BORROWINGS

	2007 HK\$'000	2006 HK\$'000
Borrowings comprise:		
Trust receipt loans (Note a)	185,067	88,551
Bank loans (Note b)	1,028,899	1,245,621
Mortgage loans (Note c)	2,081	3,649
	1,216,047	1,337,821
Analysed as:		
Secured	559,983	773,655
Unsecured	656,064	564,166
	1,216,047	1,337,821
The borrowings are repayable as follows:		
Within one year or on demand	726,197	892,739
More than one year, but not exceeding two years	9,282	417,466
More than two years, but not exceeding five years	396,790	27,616
Over five years	83,778	–
	1,216,047	1,337,821
Less: Amount due within one year shown under current liabilities	(726,197)	(892,739)
Amount due after one year	489,850	445,082

Notes:

- (a) The trust receipt loans are unsecured and carry interest at floating rates with an average effective interest rate of 8.5% (2006: 7.4%).
- (b) Bank loans carry interest at floating rates with average effective interest rates ranging from 5.0% to 5.9% (2006: 3.8% to 5.2%). The balance comprises secured bank loans and unsecured bank loans of HK\$557,902,000 (2006: HK\$770,006,000) and HK\$470,997,000 (2006: HK\$475,615,000), respectively.
- (c) Mortgage loans are secured and carry interest at floating rates with average effective interest rates ranging from 7.5% to 8.1% (2006: 6.5% to 7.3%).

29. DEFERRED TAX

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Other temporary differences HK\$'000 (Note)	Fair value gain/loss of properties HK\$'000	Total HK\$'000
At 1 April 2005	(31,315)	1,461	17,166	(8,207)	(20,895)
Credit (charge) to consolidated income statement for the year	2,346	(1,115)	10,356	(1,239)	10,348
At 31 March 2006	(28,969)	346	27,522	(9,446)	(10,547)
Credit (charge) to consolidated income statement for the year	3,255	(193)	(13,764)	(35,531)	(46,233)
At 31 March 2007	(25,714)	153	13,758	(44,977)	(56,780)

Note: Other temporary differences mainly arise from unrealised profits on the Group's construction contracts.

At 31 March 2007, the Group has unused tax losses of HK\$66,979,000 (2006: HK\$69,315,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$872,000 (2006: HK\$1,977,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$66,107,000 (2006: HK\$67,338,000) losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At 31 March 2007, the Group has other deductible temporary differences of HK\$15,178,000 (2006: HK\$8,173,000). No deferred tax asset has been recognised in respect of such deductible temporary differences as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

30. SHARE CAPITAL

	Number of shares		Amount	
	2007	2006	2007 HK\$'000	2006 HK\$'000
Shares of HK\$0.1 each				
Authorised:				
At beginning and at end of the year	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
At beginning of the year	744,565,896	744,565,896	74,457	74,457
Shares issued upon issuance of scrip dividend scheme	2,486,550	–	248	–
Exercise of warrants	100	–	–	–
At end of the year	747,052,546	744,565,896	74,705	74,457

On 16 March 2007, the Company issued and allotted a total of 2,486,550 shares of HK\$0.1 each in the Company at par to the Shareholders who elected to receive shares in the Company in lieu of cash for 2006 interim and special dividends pursuant to the scrip dividend scheme announced by the Company on 15 December 2006.

Details of the exercise of warrants during the year are set out in Note 31.

All the shares issued during the year rank *pari passu* with the then existing shares in all respects.

31. WARRANTS

Pursuant to an ordinary resolution passed at a board of directors meeting of the Company held on 14 February 2007, a bonus issue of warrants (the "Warrants") on the basis of one warrant for every five shares of HK\$0.1 each held by Shareholders on the register of member of the Company at 30 January 2007 was approved. A total of 148,913,179 units of the Warrants with an aggregate subscription amount of HK\$126,576,202.15 were issued on 1 March 2007. Each of the Warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK\$0.85 per share, subject to adjustment, at any time from the date of issue up to and including 28 February 2009.

During the year, 100 new shares of the Company of HK\$0.1 each were issued upon the exercise of the Warrants.

31. WARRANTS *(continued)*

At 31 March 2007, the Company had 148,913,079 outstanding Warrants. Exercise in full of such outstanding Warrants would result in the issue of 148,913,079 additional shares.

32. SHARE OPTION SCHEMES

(a) Chun Wo Scheme

On 28 August 2002, a new share option scheme was adopted by the Company (the “Chun Wo Scheme”) for the primary purpose of providing the Directors and employees of, as well as technical, financial or corporate managerial advisers and consultants to, the Company and its subsidiaries (the “Eligible Personnel”) with the opportunity to acquire proprietary interests in the Company, which will encourage the grantees of such options to work towards enhancing the value of the Company and its shares for the benefit of the Company and the Shareholders as a whole. The Board will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board either on a case-by-case basis or generally.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Chun Wo Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (the “Scheme Limit”). No options will be granted under the Chun Wo Scheme at any time if such grant will result in the Scheme Limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Chun Wo Scheme and all other share option schemes of the Company shall not exceed 10% of the shares in issue on the adoption date (the “Scheme Mandate Limit”), subject to the refreshment of the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Chun Wo Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of shares issued and to be issued upon exercise of the options granted to any Eligible Personnel (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue without prior approval from the Shareholders. An offer of the options shall be deemed to have accepted by way of consideration of HK\$1 payable by the Eligible Personnel within 30 days from the date of offer.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

32. SHARE OPTION SCHEMES *(continued)*

(a) Chun Wo Scheme *(continued)*

Where any grant of options to a substantial Shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of the shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the relevant date of grant, in excess of HK\$5 million,

such further grant of options must be approved (voting by way of poll) by the Shareholders.

The subscription price shall be such price determined by the Board in its absolute discretion and will be notified to the Eligible Personnel in the offer and shall be no less than the highest of:

- (i) the closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a share on the date of grant.

The Chun Wo Scheme is valid and effective for a period of 10 years commencing on the adoption date, i.e. 28 August 2002.

32. SHARE OPTION SCHEMES (continued)

(a) Chun Wo Scheme (continued)

Details of the movements in share options are as follows:

For the year ended 31 March 2007

Category	Date of grant	Exercise price per share HK\$	Exercisable period	Number of share options			
				Outstanding at 1 April 2006	Cancelled during the year	Lapsed during the year	Outstanding at 31 March 2007
Directors	13 August 2004	0.904	21 August 2004 to 12 August 2014	8,790,000	-	-	8,790,000
	15 November 2004	1.162	15 November 2004 to 14 November 2009	3,200,000	-	(3,200,000)	-
Consultants	3 September 2004	0.950	4 October 2004 to 30 September 2009	400,000	-	-	400,000
Employees	13 August 2004	0.904	21 August 2004 to 12 August 2014	7,326,000	-	-	7,326,000
	3 September 2004	0.950	4 October 2004 to 30 September 2009	5,638,000	(250,000)	(1,710,000)	3,678,000
Others (Note)	13 August 2004	0.904	21 August 2004 to 12 August 2014	2,196,000	-	-	2,196,000
				27,550,000	(250,000)	(4,910,000)	22,390,000

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

32. SHARE OPTION SCHEMES *(continued)*

(a) Chun Wo Scheme *(continued)*

For the year ended 31 March 2006

Category	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1 April 2005	Number of share options			Outstanding at 31 March 2006
					Transferred from other category during the year	Transferred to other category during the year	Lapsed during the year	
Directors	13 August 2004	0.904	21 August 2004 to 12 August 2014	10,986,000	-	(2,196,000)	-	8,790,000
	15 November 2004	1.162	15 November 2004 to 14 November 2009	3,200,000	-	-	-	3,200,000
Consultants	3 September 2004	0.950	4 October 2004 to 30 September 2009	400,000	-	-	-	400,000
Employees	13 August 2004	0.904	21 August 2004 to 12 August 2014	7,326,000	-	-	-	7,326,000
	3 September 2004	0.950	4 October 2004 to 30 September 2009	6,118,000	-	-	(480,000)	5,638,000
Others (Note)	13 August 2004	0.904	21 August 2004 to 12 August 2014	-	2,196,000	-	-	2,196,000
				28,030,000	2,196,000	(2,196,000)	(480,000)	27,550,000

Note: These outstanding share options were held by the former Independent Non-executive Directors, who had either retired or resigned during the year ended 31 March 2006. The Board has approved that these outstanding share options can be exercised on or before 12 August 2014.

No options have been granted under the Chun Wo Scheme during the year.

The outstanding share options at the balance sheet date are not subject to any vesting period and can be exercised to subscribe 22,390,000 (2006: 27,550,000) shares in the Company.

32. SHARE OPTION SCHEMES *(continued)*

(b) Foundations Scheme

On 28 August 2002, a new share option scheme of Chun Wo Foundations Limited (“CWF”), an indirect wholly-owned subsidiary of the Company, (the “Foundations Scheme”) was approved by the Company for the primary purpose of providing the Directors and employees of, as well as technical, financial or corporate managerial advisers and consultants (the “Eligible Participants”) to, CWF, the Company and their respective subsidiaries with the opportunity to acquire proprietary interests in CWF, which will encourage the grantees of such options to work towards enhancing the value of CWF and its shares for the benefit of CWF and its shareholders as a whole. The directors of CWF (the “Board of CWF”) will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board of CWF either on a case-by-case basis or generally.

The overall limit on the number of shares in CWF which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Foundations Scheme and other share option schemes of CWF must not exceed 30% of the shares of CWF in issue from time to time (“Chun Wo Foundations Scheme Limit”). No options will be granted under the Foundations New Scheme at any time if such grant will result in the Chun Wo Foundations Scheme Limit being exceeded.

The total number of shares in CWF which may be issued upon exercise of all options to be granted under the Foundations Scheme and all other share option schemes of CWF shall not exceed 10% of the shares in CWF in issue on the adoption date (the “Chun Wo Foundations Scheme Mandate Limit”), subject to the refreshment of the Chun Wo Foundations Scheme Mandate Limit. Options lapsed in accordance with the terms of the Foundations Scheme or any other share option schemes of CWF shall not be counted for the purpose of calculating the Chun Wo Foundations Scheme Mandate Limit.

The total number of shares in CWF issued and to be issued upon exercise of the options granted to any Eligible Participants (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in CWF in issue without prior approval from the shareholders of CWF and for so long as CWF remains a subsidiary of the Company, the prior approval by the shareholders of the Company in general meeting (voting by way of poll). An offer of the options shall be deemed to have accepted by way of consideration of HK\$1 payable by the Eligible Participants within 30 days from the date of offer.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

32. SHARE OPTION SCHEMES *(continued)*

(b) Foundations Scheme *(continued)*

Where any grant of options to a substantial shareholder or an independent non-executive director of CWF or the Company, or any of their respective associates, would result in the shares in CWF issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of the shares in CWF in issue; and
- (b) having an aggregate value, assuming such option were exercised and based on the net asset value per share by reference to the latest audited accounts of CWF, in excess of HK\$5 million,

such further grant of options must be approved by the shareholders of CWF and for so long as CWF remains a subsidiary of the Company, the prior approval by the shareholders of the Company in general meeting (voting by way of poll).

The Foundations Scheme subscription price shall be such price determined by the Board of CWF in its absolute discretion and notified to the Eligible Participant in the offer and shall be no less than the higher of:

- (a) the net asset value per share of CWF as calculated by dividing (a) the audited net asset value of CWF as set out in the audited financial statements immediately preceding the offer date by (b) the number of shares of CWF in issue and credited as fully paid as at the offer date; and
- (b) the nominal value of a share of CWF on the offer date.

The Foundations Scheme is valid and effective for a period for 10 years commencing on the adoption date, i.e. 28 August 2002.

No option has been granted under the Foundations Scheme since its adoption.

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2007, the Group entered into a finance lease arrangement in respect of a motor vehicle with a capital value at the inception of the lease of HK\$2,920,000 (2006: HK\$459,000).

34. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made retirement benefits scheme contributions of HK\$22,542,000 (2006: HK\$19,541,000) after forfeited contributions utilised of HK\$1,379,000 (2006: HK\$940,000).

At the balance sheet date, the Group did not have any significant forfeited contributions which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the respective schemes.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year	1,455	2,626
In the second to fifth year inclusive	106	478
	1,561	3,104

Operating leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Group as lessor:

Property rental income earned during the year was HK\$28,080,000 (2006: HK\$25,475,000). The properties held have committed tenants for an average term of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year	26,269	15,992
In the second to fifth year inclusive	27,538	16,477
After five years	2,523	4,000
	56,330	36,469

36. CAPITAL COMMITMENTS

	2007 HK\$'000	2006 HK\$'000
Capital expenditure relating to property, plant and equipment contracted for but not provided in the consolidated financial statements	–	1,000

37. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	2007 HK\$'000	2006 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	385,600	348,908
– an associate	4,400	22,400
– jointly controlled entities	14,175	26,817
	404,175	398,125
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	48,000	48,000
Extent of a guarantee issued to a customer to indemnify contract work of a subsidiary	115,900	115,900
Extent of guarantee provided for a property development project to banks which granted facilities to purchasers of the Group's pre-sale properties	81,315	–

The Directors considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of short maturity periods and low applicable default rates.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

38. JOINTLY CONTROLLED ASSETS

Investment properties include the Group's share of interest in jointly controlled assets with a carrying value of HK\$40,000,000 (2006: Nil). The Group's share of net income in relation to the jointly controlled assets amounted to HK\$35,000 (2006: nil).

39. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged by the Group to secure banking facilities granted to the Group:

	2007	2006
	HK\$'000	HK\$'000
Investment properties	555,000	180,000
Leasehold buildings and related prepaid lease payments	13,968	14,535
Properties under development	295,035	1,068,516
Properties held for sale	181,833	–
Bank deposits	34,667	10,252
	1,080,503	1,273,303

40. RELATED PARTY TRANSACTIONS

(i) During the year, the Group had the following related party transactions:

	Associates		Jointly controlled entities		Related company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000 (Note)
Transactions during the year:						
Contract revenue recognised	-	-	58,881	55,207	-	-
Project management fee received	-	-	666	2,182	-	-
Rental income received	-	-	-	1,054	-	-
Security guard services income received	-	-	990	860	-	-
Sub-contracting fee paid	-	-	-	-	-	2,419
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	4,400	22,400	14,175	26,817	-	-
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	48,000	48,000	-	-	-	-

Note: The related company is a company in which a director of the Company has beneficial interest.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

40. RELATED PARTY TRANSACTIONS *(continued)*

- (ii) Compensation of key management personnel
The Group's key management personnel are all directors, details of their remuneration are disclosed in Note 9.
- (iii) Details of the balances with related parties at the balance sheet date are disclosed in the consolidated balance sheet and Notes 20, 23 and 26.

41. POST BALANCE SHEET EVENT

On 3 April 2007, Chun Wo Bioscience (Beijing) Company Limited ("Chun Wo Bioscience"), an indirect wholly-owned subsidiary of the Company and independent third parties (the "Vendors") entered into a letter of intent under which the parties agreed that, subject to the fulfillment of certain conditions precedent, Chun Wo Bioscience will acquire a 100% equity interest in Chengdu Friendship Hospital and Chengdu Friendship Hospital Company Limited held by the Vendors for a consideration of RMB49,100,000 (equivalent to approximately HK\$49,700,000). The acquisition has not yet been completed at the date of this report. Details of the acquisition were disclosed in the announcement of the Company on 3 April 2007.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital		Principal activities
			held by the Company/ subsidiaries %	attributable to the Group %	
Caine Developments Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding
Chun Wo Building Construction Limited	Hong Kong	HK\$200,000 ordinary shares	100	100	Construction
Chun Wo (China) Limited	Hong Kong	HK\$2 ordinary shares	100	100	Investment holding and construction
Chun Wo Civil Engineering Limited	Hong Kong	HK\$18,000,000 ordinary shares	100	100	Construction

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital		Principal activities
			held by the Company/ subsidiaries %	attributable to the Group %	
Chun Wo Construction and Engineering Company Limited ("CWCE")	Hong Kong	HK\$4,100,000 ordinary shares	100	100	Construction
		HK\$9,000,000 non-voting deferred shares		(Note a)	
Chun Wo Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	100	Construction
Chun Wo E & M Engineering Limited	Hong Kong	HK\$5,000,000 ordinary shares	100	100	Electrical and mechanical contract works
Chun Wo Elegant Decoration Engineering Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	Interior design and decoration
Chun Wo Foundations Limited	Hong Kong	HK\$9,000,000 ordinary shares	100	100	Construction
City Security Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	Security guard services
Kamlight Construction Company Limited	Hong Kong	HK\$8,000,000 ordinary shares	100	100	Securities investment
Racing Way Group Limited	British Virgin Islands ("BVI")	US\$1 ordinary	100	100	Investment holding
Rich Resource Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property development and property investment

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/ registered capital		Principal activities
			held by the Company/ subsidiaries %	attributable to the Group %	
Rich Score Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	Property investment
Shanghai Jin Chun Wo Construction Engineering Co., Ltd.	PRC	US\$3,000,000 registered capital	100	100	Construction
Smart Rise Investment Limited	Hong Kong	HK\$2 ordinary shares	100	100	Securities investment
石家莊俊景房地產開發有限公司 (Note b)	PRC	HK\$150,000,000 registered capital	100	100	Property development
揚州俊杰房地產開發有限公司 (Note b)	PRC	HK\$45,000,000 registered capital	100	100	Property development
宜興龍譽房地產開發有限公司 (Note b)	PRC	US\$20,000,000 registered capital	100	100	Property development

Notes:

- (a) The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of CWCE or to participate in any distribution on winding up. Chun Wo Hong Kong Limited, a subsidiary of the Company, has been granted an option by the holders of the non-voting deferred shares to acquire these shares at a nominal amount.
- (b) The subsidiaries are wholly foreign owned enterprise.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

None of the subsidiaries had any debt securities outstanding at 31 March 2007 or at any time during the year.

43. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates as at 31 March 2007 are as follows:

Name of associate	Form of business structure	Place of incorporation and operations	Nominal value of issued capital	Percentage of issued capital held by the Group %	Principal activities
Grand View Properties Limited	Incorporated	Hong Kong	HK\$10 ordinary shares	40	Property investment
Vietnam Land (HK) Limited	Incorporated	BVI	US\$25,000,000 ordinary shares	20	Investment holding

The above table lists the associates of the Group which, in the opinion of the Directors, principally formed a substantial portion of the share of net assets of the associates of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 March 2007

44. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities as at 31 March 2007 are as follows:

Name of jointly controlled entity	Form of business structure	Place of registration/ operation	Attributable interest to the Group %	Principal activities
Maeda-Chun Wo Joint Venture (Viaducts)	Unincorporated	Hong Kong	45	Construction
Chun Wo-Fujita-Henryvicy Joint Venture	Unincorporated	Hong Kong	50	Construction
Chun Wo-Henryvicy-China Railway Construction Corporation Joint Venture	Unincorporated	Hong Kong	50	Construction
Chun Wo-Henryvicy-China Railway Construction Corporation-Queensland Rail Joint Venture	Unincorporated	Hong Kong	45	Construction
Cheng Long-Chan Chun-Chun Wo Joint Venture	Unincorporated	Taiwan	33	Construction

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the results of the year or constitute a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

45. COMPANY'S BALANCE SHEET

	2007 HK\$'000	2006 HK\$'000
Non-current assets		
Property, plant and equipment	17,717	18,126
Prepaid lease payments	16,800	17,647
Investments in subsidiaries	106,326	101,136
Amounts due from subsidiaries	194,354	196,882
	335,197	333,791
Current assets		
Debtors, deposits and prepayments	159	142
Prepaid lease payments	424	424
Amounts due from subsidiaries	651,155	799,894
Taxation recoverable	–	–
Bank balances and cash	690	595
	652,428	801,055
Current liabilities		
Accrued charges	2,380	1,153
Amounts due to subsidiaries	575,673	733,753
Taxation payable	27	497
Borrowings – due within one year	1,161	1,072
	579,241	736,475
Net current assets	73,187	64,580
Total assets less current liabilities	408,384	398,371
Non-current liability		
Borrowings – due after one year	615	1,777
Net assets	407,769	396,594
Capital and reserves		
Share capital	74,705	74,457
Reserves	333,064	322,137
Total equity	407,769	396,594

Financial Summary

	Year ended 31 March				2007 HK\$'000
	2003 HK\$'000 (restated)	2004 HK\$'000 (restated)	2005 HK\$'000 (restated)	2006 HK\$'000 (restated)	
RESULTS					
Turnover	2,483,039	3,191,310	2,564,083	2,600,638	4,034,066
Profit before taxation	22,083	91,820	59,801	62,237	578,303
Taxation	(16,303)	(20,434)	(8,321)	(6,967)	(98,748)
Profit for the year	5,780	71,386	51,480	55,270	479,555
Attributable to:					
Equity holders of the parent	5,595	71,368	51,630	56,525	480,376
Minority interests	185	18	(150)	(1,255)	(821)
	5,780	71,386	51,480	55,270	479,555
At 31 March					
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES					
Total assets	3,851,353	2,283,032	2,737,830	3,351,549	3,441,968
Total liabilities	(3,235,739)	(1,573,398)	(1,985,977)	(2,555,807)	(2,190,580)
	615,614	709,634	751,853	795,742	1,251,388
Equity attributable to:					
Equity holders of the parent	613,249	706,847	749,131	794,266	1,251,045
Minority interests	2,365	2,787	2,722	1,476	343
	615,614	709,634	751,853	795,742	1,251,388

Note: Prior period turnovers have been adjusted to reflect the addition of a new business segment of professional services as described in Note 6 to the consolidated financial statements.

Particulars of Properties

PROPERTIES HELD FOR DEVELOPMENT/SALE

Location	Stage of completion	Expected date of completion	Usage	Total estimated site area (square metres)	Total estimated gross floor area (square metres)	Group's interest
New Kowloon Inland Lot No. 6179 Clear Water Bay Road Kowloon Hong Kong	Completed	Completed	Residential	3,197	4,337	100%
A parcel of land located at southern portion of Jiunan Road Henan Village Huanke Garden Yixing Jiangsu Province The People's Republic of China	Foundation work in progress	December 2008	Commercial and carpark	22,417	26,900	100%
A parcel of land located between northern portion of He Ping Road and southern portion of Guang Hua Road Shijiazhuang Hebei Province The People's Republic of China	Superstructure work in progress	December 2009	Residential, commercial and carpark	111,554	381,000	100%
A parcel of land located at the western portion of Yangzijiang Road Central Yangzhou Jiangsu Province The People's Republic of China	Superstructure work in progress	September 2008	Residential, commercial and carpark	17,505	29,759	100%
A parcel of land located at the northern side of Longzhu Reservoir Xujing Village Taihua Town Yixing Jiangsu Provinc The People's Republic of China	Planning	–	Hotel and town houses	20,226	10,113	100%

Particulars of Properties *(continued)*

PROPERTIES HELD FOR INVESTMENT

Location	Usage	Lease term
Commercial Shops and Carparks Inland Lot No. 6179 Clear Water Bay Road Kowloon Hong Kong	Commercial and carpark	Medium
Commercial Shops Grandeur Terrace 88 Tin Shui Road Yuen Long New Territories Hong Kong	Commercial	Medium
The junction of Qi Guan Xi Road and Ti Yu Road Zhongshan City Guangdong Province The People's Republic of China	Commercial	Medium
Level 23, Wing Kin Square No. 31 Jiansheliu Road Dongshan District Guangzhou City The People's Republic of China	Commercial	Medium
Unit B, Level 11, Tower 1 Onward Science & Trade Centre No. 2 Dong Huan South Road Chao Yang District Beijing The People's Republic of China	Commercial	Medium