

CHUN WO and YOU
Craft
the Future

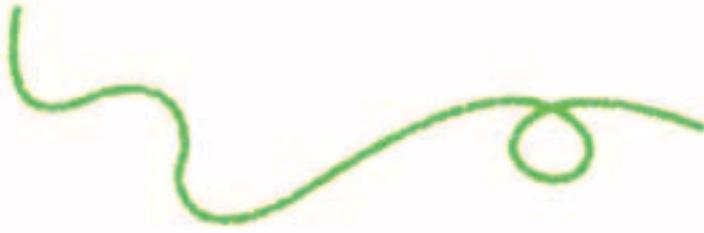


CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 711

Warrant Code : 654



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 four 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.



■ 40th Anniversary Cocktail Reception

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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

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Conyers Dill & Pearman
JSM

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
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor 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
Warrant Code: 654





■ Arc de Royal at Shijiazhuang, Hebei Province, China



■ *Perspective of The Metropolis at Yangzhou, Jiangsu Province, China*



■ *Perspective of Hong Kong City at Yixing, Jiangsu Province, China*



■ *Perspective of Reem Diamond at Abu Dhabi, United Arab Emirates*



■ The Venetian Convention and Exhibition Centre, Macau



■ Hong Kong Housing Authority Upper Wong Tai Sin Phase 3 Construction



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 Development Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2008.

RESULTS

The Group reported a turnover of approximately HK\$2,952.7 million for the year ended 31 March 2008, a decrease of 26.8% over that of last year. Profit attributable to shareholders was about 80.5 million. This represented a 83.2% decrease over last year. Earnings per share were HK9.8 cents, compared to HK64.5 cents last year.

DIVIDENDS

The Board recommended the payment of a final dividend of HK1.75 cents per share for the year ended 31 March 2008 to the shareholders whose names appear on the register of members of the Company as at the close of business on 28 August 2008. Together with the interim dividend of HK1.00 cent per share, the total dividend for the year amounted to HK2.75 cents per share, compared with HK10 cents for the previous year. The proposed final dividend will be paid on or about 10 October 2008 subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 August 2008 to 28 August 2008, both days inclusive, during which period no transfer of share(s) of the Company will be effected. In order to qualify for the above proposed final dividend, all transfer of share(s) accompanied by the relevant share certificate(s) must be lodged with the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 21 August 2008.

Registered holders of the Company's 2009 warrants who wish to exercise their subscription rights attached to their warrants in order to participate in the proposed final dividend should complete and sign the subscription forms and lodge them with the relevant warrant certificates and the appropriate subscription money with Tricor Secretaries Limited at the above address no later than 4:30 p.m. on 21 August 2008.

BUSINESS REVIEW

The considerable decrease in turnover and profit in the year ended 31 March 2008 was largely attributable to the reduction in revenue from Hong Kong property sales and the drop in fair value gain on investment properties. Last financial year, substantial revenue was derived from the sale of residential units at "No.8 Clear Water Bay Road", a tangible result of the Group's strategy to grow its property business.





■ Improvements to San Tin Interchange, Hong Kong



■ Castle Peak Road Improvement Works at West of Tsing Lung Tau, Hong Kong



CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

The Group's strategic direction in its core businesses is based on the economic development of China, the Middle East and other emerging markets and the resulting need for infrastructure and housing in the region. Following a transitional year in 2007, the Group is well placed to weather the current property market conditions in China and position itself for construction projects in the region.

Property Development & Property Investment

The Group has been involved in property development since the 1990's beginning with Home Ownership Scheme and the successful sales of its residential development at "No. 8 Clear Water Bay Road" in 2006/7. It has a land bank under development of over 680,000 square meters gross floor area.

The Mainland Property Sector

The Group's property sales in China were over RMB400 million for the financial year. The macro environment is shaped by local government policy and due to the austerity measures imposed by the local government, the property development market in China has slowed down considerably. However, the Group has not been seriously affected by the current market situation and the accumulated cash reserves from previous sales are adequate for the development of existing projects. In the long term, the Group believes strong economic growth will continue to generate demand but it has adopted a cautious approach to further land acquisitions in China until the consequences of current measures become clearer.

Arc de Royal, in Shijiazhuang, Hebei Province is a residential-cum-commercial development project of the Group with a total gross floor area ("GFA") of approximately 400,000 square meters being developed in phases and is expected to be completed in 2011. In the year under review, the Group sold 63,000 square meters at an average price of RMB6,670 per square meter. Other projects include six residential blocks and a shopping complex in Yangzhou, Jiangsu Province, and a serviced apartment/hotel development with a three-storey retail arcade and a low-density development in Yixing, Jiangsu Province.

The Group also successfully closed a HK\$372.3 million convertible bond transaction in December 2007 and planned to use 90% of the proceeds for land acquisitions in the PRC.

Overseas Property Sector

The Group holds a 10% stake in the "Saigon Pearl" in Ho Chi Minh City, Vietnam situated on the Saigon River with GFA of around 400,000 square meters, comprising 8 blocks of apartments, a clubhouse, two serviced apartment/hotel towers and a large-scale shopping mall. The development started in 2006. Four blocks were pre-sold and around a third of the units in Phase 2 were sold in December 2007, achieving excellent results both in terms of market reaction and unit price.

This year, the Group entered the Middle East market with initial investments in two residential project with a total GFA of approximately 28,000 square meters in Abu Dhabi, United Arab Emirate where under current government plans, significant development is scheduled to take place over the next two decades.





■ "SkyPlaza" (Terminal 2), Hong Kong International Airport



■ Hong Kong International Airport
- South Cargo Apron Extension Works



CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

Property Investment

The Group's investment properties at "Grandeur Terrace" in Tin Shui Wai and "Infinity 8" in Choi Hung brought in stable income for the Group. The Group disposed of "Elite Plaza" in Zhongshan but received rental income during the year from it.

Construction

At the time of writing this report, the Group's estimated value of contracts in hand stands at approximately HK\$5.3 billion, with about HK\$3.1 billion outstanding.

The construction business experienced a contraction in 2008 as contracts signed two years ago near completion and with the Group focusing on prestigious, specialized projects, it undertook few new projects in the last two years. Similar to the last several years, the construction market was highly competitive in this financial year. In addition, both material and labour costs increased significantly, putting additional pressures on contractors. The Group, by maintaining its higher margin strategy, has avoided many risky projects. However, profit margins for existing contracts have inevitably shrunk. With the combined effects of reduced turnover and inflation, the construction business incurred a loss in 2008.

With the Group continuing its focus on businesses with higher margins, it is looking into expanding its specialized construction capabilities. In 2008, it acquired a specialist capability to carry out underground utility surveys by robotics and multi-sensor equipment. The Group believes the current strategy will bring long-term benefits once the construction market recovers.

Projects in the financial year

Buildings projects completed included "SkyPlaza" (Terminal 2) for Airport Authority Hong Kong, "The Legend" in the private residential development sector, the Congress Center and Event Center for "The Venetian" in Macau. Ongoing works include Upper Wong Tai Sin Phase 3 for Housing Authority, demolition of government quarters and a private development above the MTR station in Huang Sha, Guangzhou.

Civil works completed included improvement works on Castle Peak Road for the Highways Department and the design and construction of a cable bridge for CLP. Remaining works for the construction of the San Tin Interchange for the Highways Department and civil works for the South Cargo Apron Extension at the Hong Kong International Airport are scheduled to be completed in this year. The 3.8-kilometer railway extension work for the Kowloon Southern Link is under construction.

The Maintenance Division completed two term contracts and was awarded two new rehabilitation contracts for the Water Supplies Department ("WSD") and one minor works contract for the Architectural Services Department ("ASD"). The division is also continuing to service on its maintenance term contracts for the Hong Kong district for the WSD.

The Group's foundation subsidiary completed the "City of Dreams" development for Melco PBL and the "Macau Studio City" in Macau. Ongoing projects include a private development at No. 55 Conduit Road in Hong Kong and Nam Wan Lake in Macau.





■ Foundation Works for City of Dream, Macau



■ Foundation Works for Studio City, Macau

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

Projects in the financial year (continued)

The Group's electrical and mechanical ("E&M") subsidiary completed works on the "SkyPlaza", Seawater System Enhancement Works and South Cargo Apron Extension Works for Airport Authority Hong Kong. Other projects completed included the E&M works for the San Tin Interchange, improvement works for Tseung Kwan O Hospital and electrical upgrading works for Prince of Wales Hospital. New projects included the Lok Fu Shopping Centre Phase 1 and the Lok Fu Dry Market for the Links. In early 2008, the E&M subsidiary had discussed cooperation with a UK company, Enigin PLC to provide energy saving services and would initially develop this sector in Hong Kong.

The Group's fitting-out subsidiary completed two clubhouse projects for a private developer and has subsequently won a contract for the fitting out and renovation works for the Lok Fu complex for the Links. In March 2008, it won a hotel interior decoration contract in To Kwa Wan and the fitting out and renovation works for Windsor House in Causeway Bay from private developers.

Professional Services

The Group's subsidiaries in property related services (security and property management) have clients including MTR Corporation, Swire Properties Limited, Sun Hung Kai Properties Limited and HKR International Limited. They also provide services to the Group in Hong Kong and China. The challenge for this sector is to scale up and in 2008, the Group will look for synergies in energy saving, clean production and other services to businesses in Southern China to expand its revenue from services.

Awards and Recognition

The Group continued to win quality and safety awards in the year under review: the "HKCA Environmental Merit Award" presented by the Hong Kong Construction Association; eight awards from the Hong Kong Safety and Health Award Campaign; and ten awards from the Hong Kong Occupational Safety and Health Awards 2007.

Moreover, the Group participated in the Construction Industry Safety Award Scheme 2007/2008, where two of its projects received the Merit Award in the categories of "Best Refurbishment and Maintenance Contractor in OSH" and "Safety Team" respectively.



■ Construction Safety Forum & Award Presentation 2008



■ Hong Kong Occupational Safety and Health Awards 2007





■ E&M Works for "SkyPlaza" (Terminal 2), Hong Kong International Airport

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

Corporate Social Responsibilities

The Group has a strong belief in caring for the community and has put its resources, experience and expertise to good use in helping the needy as way of taking up its corporate social responsibilities. The Hong Kong Council of Social Service has awarded the Group



■ MTR Hong Kong Race Walking 2008



■ The Community Chest Walks for Millions

status as a caring company for three consecutive years (2006 – 2008). Our volunteer team has developed a partnership with the Tung Wah Group of Hospitals to care for the elderly and undertake voluntary maintenance works.

OUTLOOK AND PROSPECTS

Macro Economic Factors

The growth of China, India and the oil exporting economies is triggering investments in infrastructure in transport, buildings, water and the environment. Growth is expected to continue although this will be affected by weaker demands from the advanced economies and the impact of higher oil prices. Regional economies will benefit from this growth and investment. The Hong Kong and Macau continue to flourish as finance and trading, and entertainment and leisure centres respectively.

However, the current inflationary environment, especially in energy resources, will generally cause organizations to find ways to contain costs by reducing energy consumption as well as their exposure to inflationary pressures. In addition, the sub-prime mortgage crisis will have lasting effects on world-wide economies in the next few years. The inflationary environment and the current US downturn will curb economic expansion in both developed and many emerging markets.

Property Development

The Group is focused on expanding its property development business and generating a stable income stream in the coming years. We plan to continue to acquire land in areas that will experience significant growth. Our balance sheet has been strengthened by the sale of residential properties in China and an additional cash injection from the convertible bonds transaction in last December. Our cash balance will enable us to further expand our land bank for the development of our business.





■ The Legend at Tai Hang, Hong Kong

CHAIRMAN'S STATEMENT *(continued)*

OUTLOOK AND PROSPECTS *(continued)*

Property Development *(continued)*

We believe that the long term prospects for the property market in China based on the underlying demand due to the rise in living standards in a strong economy are good. The control measures implemented in China will undoubtedly create challenges for some developers and lead to a degree of consolidation in the market with the advantage going to well-managed, financially sound companies. While the first tier cities attract much press coverage, the market in China is not homogenous; local factors play a strong role in the success of property developments. The Group's strategy is to focus on second and third tier cities which have strong potential for economic growth that will in turn lead to a demand for property. Results from our flagship property in Shijiazhuang confirm the wisdom of this approach.

The Middle East offers significant opportunities for the Group – the development of Dubai is a good example of what can be achieved by a government with a focused and determined development strategy. The Group has elected to target Abu Dhabi which although less well known, commands significant resources and has recently published its long term plan (to the Year 2030) which is aimed at transforming the city.

Construction

The sector is very active as Australia, United Arab Emirates, Macau and Asian countries invest in essential infrastructure such as road and rail networks, port facilities, housing, leisure facilities and city planning. Nevertheless, the Hong Kong construction sector is suffering from the continuing decrease of capital expenditure in infrastructure by the Hong Kong government. In 2008/09, public sector infrastructure expenditure in Hong Kong will be HK\$21.8 billion for the fiscal year to 31 March 2009, with 27,000 new construction jobs expected to be created. We believe that 2009 will continue to be difficult as the market continues to be highly competitive with added inflationary pressures and the construction sector will not begin its turnaround until 2010. The new projects for MTR Corporation will serve as a catalyst for the turnaround of the construction sector in Hong Kong. Currently, five additional railway lines have been announced, including the West Island Line, the South Island Line, the Express Rail Line, the Sha Tin Central Link and the Kwun Tong Extension Line. Together with the further expansion of the Hong Kong International Airport, West Kowloon Cultural District development and the Kai Tak Airport Development; the Group is optimistic that the construction sector will begin to improve in 2010.

The Group's strategy to develop its construction business has been to create smaller, more agile and autonomous business units to develop different markets. This has enabled it to expand into demand-led markets, increase the scope of its services into more specialized areas and position itself for complex construction projects where integrated services are prerequisites.

Maintenance services in markets with ageing pipe infrastructure for water and ageing buildings will provide the Group with future opportunities and strong recurring revenues in Hong Kong. The Group will continue to further explore other specialized construction sectors.





■ Fitting Out Works for The Sausalito at Ma On Shan, Hong Kong

CHAIRMAN'S STATEMENT *(continued)*

OUTLOOK AND PROSPECTS *(continued)*

Construction *(continued)*

The markets where demand is high include Macau, Abu Dhabi and in the medium term, Hong Kong will enable the Group to use its experience in conventional construction techniques and project management to win profitable contracts. Railway infrastructure development in particular in Hong Kong, Macau, Thailand and India will provide significant opportunities in track laying and railway infrastructure construction where the Group has a strong track record in Hong Kong and Taiwan.

In Abu Dhabi, the Group has been working with existing local developers to provide specialist foundation works, a prudent approach to find further opportunities in this rapidly developing market.

Other Sectors

In 2008, the Group will focus on industries with higher growth and a better return of investment. It is currently exploring the energy sector where the consumption in emerging countries has driven up demand.

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.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express my gratitude to our customers, bankers, business partners and shareholders, for their continued support to the Group. I would also like to thank my fellow directors, management and employees for their continued dedication and commitment.

Pang Kam Chun

Chairman

Hong Kong, 23 July 2008



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



■ 2008 Lo Pan Dinner

EXECUTIVE DIRECTORS

Pang Kam Chun *Chairman*

Aged 65. Founder of the Group. Mr. Pang is a Fellow of the Institution of Engineers and a Founder Member of the Hong Kong Institution of Highways and Transportation. He has over 40 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 56. 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 34 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 57. Joined the Group in 1975 and has over 29 years' experience in the construction industry. Appointed as Executive Director of the Company in July 1992. Spouse of Mr. Pang Kam Chun.





BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Au Son Yiu

Aged 63. 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 of Texwinca Holdings Limited and CEC International Holdings Limited, all of which are 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 50. Has over 23 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.

Hui Chiu Chung *JP*

Aged 61. Currently the Chief Executive Officer of OSK Asia Holdings Limited. Has 37 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 member of Government "Appointees" (independent members) of Appeal Panel of the Travel Industry Council of Hong Kong. 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.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Lee Shing See *GBS, OBE, JP*

Aged 66. 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 Parks Corporation from July 2005, and an interim CEO of the Corporation from 15 May 2007. He is now a member of the Construction Industry Council and Environmental Impact Assessment Appeal Board Panel. Has over 40 years' experience in engineering and construction. He is also an independent nonexecutive 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), FCIQB, MHKIE, FHKICM, RPE*

Aged 56. 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 30 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 47. 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 23 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.





BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

SENIOR MANAGEMENT *(continued)*

Lai Kam Hung, Joseph

Aged 50. Graduated from the Hong Kong Polytechnic University in 1980. An associate member of the Hong Kong Institution of Engineers. He has over 32 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 *BscCivil, MICE, CEng, MHKIE, 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 27 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 a director of Chun Wo Construction and Engineering Company Limited in September 2007.

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

Aged 33. 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 7 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 47. 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 24 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.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

SENIOR MANAGEMENT *(continued)*

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

Aged 48. 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 Engineering & Technology, 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 26 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.

Wong Wing Tong *MISM, MIPS*

Age 52. Has more than 12 years' experience in the executive 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 49. 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 26 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 2008 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 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, while 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;

CORPORATE GOVERNANCE REPORT *(continued)*

BOARD OF DIRECTORS *(continued)*

- 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;
- 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	Meetings attended/Eligible to attend			
	Board	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	–	–	–
<i>Independent Non-Executive Directors</i>				
Mr. Au Son Yiu	3/4	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	–

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

CORPORATE GOVERNANCE REPORT *(continued)*

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. The primary responsibilities of the Remuneration Committee are, inter alia, the recommendations on the Company's policies and structure for all the remuneration of the Executive Directors and the proposal of the specific remuneration packages of the Executive Directors for the Board's approval. When the remuneration package of an individual Director is under review, such Director will abstain from voting.

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

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 packages of Executive Directors. The attendance of individual Directors at the committee meeting is set out in the table on page 27.



CORPORATE GOVERNANCE REPORT *(continued)*

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 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.

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

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.

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 27.

CORPORATE GOVERNANCE REPORT *(continued)*

AUDIT COMMITTEE *(continued)*

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 2007, 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 2007 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 2007, 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\$2,355,000 and tax and consulting services amounted approximately to HK\$296,000.

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.

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 the annual report and the audited financial statements of the Group for the year ended 31 March 2008.

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, property investment and provision of security and property management services.

CHANGE OF COMPANY'S NAME

By a special resolution passed by the shareholders of the Company on 9 November 2007, the English name of the Company was changed from "Chun Wo Holdings Limited" to "Chun Wo Development Holdings Limited" and the Chinese name "俊和發展集團有限公司" had been adopted for identification purpose.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 44.

An interim dividend of HK1.00 cents per share amounting to approximately HK\$8.6 million was paid to the shareholders during the year under review. The Directors recommended the payment of a final dividend of HK1.75 cents per share amounting to approximately HK\$15.0 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 28 August 2008.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 116.

INVESTMENT PROPERTIES

During the year under review, the Group disposed of certain investment properties with aggregate carrying value of approximately HK\$24.0 million and revalued all of its investment properties at 31 March 2008. The net increase in fair value of approximately HK\$22.3 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.

DIRECTORS' REPORT *(continued)*

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group acquired property, plant and equipment at a cost of approximately HK\$8.8 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.

SHARE CAPITAL AND WARRANTS

Details of movement during the year under review in the share capital and outstanding warrants of the Company are set out in Notes 31 and 32 to the consolidated financial statements.

BORROWINGS AND INTEREST CAPITALISED

Details of the Group's borrowings are set out in Notes 27, 28 and 29 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 2008 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 2008 were as follows:

	HK\$'000
Contributed surplus	52,552
Retained earnings	<u>93,269</u>
	<u>145,821</u>



DIRECTORS' REPORT *(continued)*

DISTRIBUTABLE RESERVES OF THE COMPANY *(continued)*

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 2008, the total net debts of the Group amounted to approximately HK\$481.6 million, representing total debts of approximately HK\$1,103.1 million less bank balances and cash of approximately HK\$621.5 million. The debt maturity profile of the Group at 31 March 2008 is analysed as follows:

	As at 31 March 2008 HK\$ million	As at 31 March 2007 HK\$ million
Borrowings repayable:		
Within one year or on demand	420.7	727.8
After one year, but within two years	368.5	10.3
After two years, but within five years	26.0	397.4
Over five years	75.1	83.8
	890.3	1,219.3
Convertible bonds due 2012	212.8	-
Total borrowings	1,103.1	1,219.3

At 31 March 2008, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 0.34 (2007: 0.71).

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.

In December 2007, in line with the Group's policy of ensuring adequate committed funds for expansion, the Group successfully placed HK\$372.3 million 5-year zero coupon convertible bonds to institutional investors. The Group will continue to source long-term financing at competitive rates as and when appropriate.

The Group's financial position is sound and strong. With available bank balances and cash at 31 March 2008 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

DIRECTORS' REPORT *(continued)*

EMPLOYEE AND REMUNERATION POLICIES

The Group has approximately 1,920 employees at 31 March 2008. Total remuneration of employees for the year ended 31 March 2008 amounted to approximately HK\$455.7 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.

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 33 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 20 to 24.

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

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. Chan Chiu Ying 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.



DIRECTORS' REPORT *(continued)*

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; and
- 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 2008, 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")	276,416,340	10,148,875 (Note 1)	129,348,294 (Note 2)	415,913,509	48.42%
Madam Li Wai Hang, Christina	10,148,875	405,764,634 (Note 1)	–	415,913,509	48.42%
Mr. Kwok Yuk Chiu, Clement	1,000,000	–	–	1,000,000	0.11%
Mr. Au Son Yiu	301,816	–	–	301,816	0.03%

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' REPORT *(continued)*

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 Interest	Total interests as % of the Company's issued share capital
Mr. Pang	1,479,000 <i>(Note 1)</i>	2,776,775 <i>(Note 2)</i>	16,269,658 <i>(Note 3)</i>	20,525,433	2.38%
Madam Li Wai Hang, Christina	2,776,775 <i>(Note 4)</i>	17,748,658 <i>(Note 2)</i>	–	20,525,433	2.38%
Mr. Kwok Yuk Chiu, Clement	3,326,000 <i>(Note 5)</i>	–	–	3,326,000	0.38%
Mr. Au Son Yiu	360,000 <i>(Note 6)</i>	–	–	360,000	0.04%

Notes:

- These represent the interests in the underlying shares of the Company in respect of 1,479,000 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.
- 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 (i) 747,000 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) 2,029,775 units of warrants of the Company
- These represent the interests in the underlying shares of the Company in respect of 3,326,000 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 360,000 units of warrants of the Company.

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 2008, 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' REPORT *(continued)*

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 2008 are as follows:

Name of Director	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options				
				Outstanding at 1 April 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2008
Mr. Pang	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	-	732,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	-	747,000	-	-	747,000
Mr. Li Wai Hang, Christina	2/4/2007	1.010	10/4/2007 to 1/4/2017	-	747,000	-	-	747,000
Mr. Kwok Yuk Chiu, Clement	13/8/2004	0.904	21/8/2004 to 12/8/2014	7,326,000	-	(4,000,000)	-	3,326,000
Mr. Au Son Yiu	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	(732,000)	-	-
Others (Note)	13/8/2004	0.904	21/8/2004 to 12/8/2014	2,196,000	-	(1,464,000)	-	732,000
				<u>10,986,000</u>	<u>1,494,000</u>	<u>(6,196,000)</u>	<u>-</u>	<u>6,284,000</u>

Note:

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 29,771,560 shares, representing 3.46% 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 33, 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.



DIRECTORS' REPORT *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as are known to the Directors, as at 31 March 2008, 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:

Interests in the shares and underlying shares of the Company (Long Position):

Shareholders	Capacity	Interest in shares	Interest in underlying shares of equity derivatives of the Company pursuant to the warrants	Interest in underlying shares of equity derivatives of the Company pursuant to the convertible notes	Total interests as % of the Company's issued share capital
GT Winners Limited	Beneficial Owner	129,348,294	16,269,658	–	16.95% (Note 1)
Stark Investments (Hong Kong) Limited	Beneficial Owner	91,743,119	–	–	10.68%
DKR SoundShore Oasis Holding Fund Limited	Beneficial Owner	–	–	81,330,275	9.46% (Note 2)
DKR Oasis Management Co. LP	Interest of a controlled corporation	–	–	81,330,275	9.46% (Note 2)
DKR Capital Partners LP	Interest of a controlled corporation	–	–	81,330,275	9.46% (Note 2)
Oasis Management Holdings LLC	Interest of a controlled corporation	–	–	81,330,275	9.46% (Note 2)
DKR Management Co. Inc.	Interest of a controlled corporation	–	–	81,330,275	9.46% (Note 2)
DKR Capital Inc.	Interest of a controlled corporation	–	–	81,330,275	9.46% (Note 2)
HSBC Bank plc	Beneficial Owner	–	–	64,220,183	7.47% (Note 3)
HSBC Holdings plc	Interest of a controlled Corporation	–	–	64,220,183	7.47% (Note 3)
Stark Master Fund, Ltd	Beneficial Owner	46,854,521	–	–	5.45%

DIRECTORS' REPORT *(continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(continued)*

Notes:

1. GT Winners Limited is wholly owned by Mr. Pang who is deemed to be interested in the shares of the Company.
2. The interest in the convertible bonds in the aggregate principal sum of HK\$177.3 million being convertible into shares at the conversion price of HK\$2.18 per share which are in turn held by DKR SoundShore Oasis Holdings LLC ("DKR SoundShore") as beneficial owner. DKR SoundShore is wholly owned by DKR Oasis Management Co. LP, which in turn 51% owned by DKR Capital Partners LP and 49% owned by Oasis Management Holdings LLC respectively. DKR Capital Partners LP is 50% owned by DKR Management Co. Inc., a wholly-owned subsidiary of DKR Capital Inc. which also holds 50% of DKR Capital Partners LP. These companies are deemed to be interested in the 81,330,275 shares of the Company held by DKR SoundShore.
3. The interest in the convertible bonds in the aggregate principal sum of HK\$140 million being convertible into shares at the conversion price of HK\$2.18 per share which are in turn held by HSBC Bank plc as beneficial owner. HSBC Bank plc is wholly owned by HSBC Holdings plc which is deemed to be interested in the shares of the Company.

Save as disclosed above, as at 31 March 2008, 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.

CONNECTED TRANSACTION

On 20 May 2008, Chun Wo China Construction Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire 38% of the total issued share capital of Mandarin Group Limited and 38% of the shareholder's loans due and owing by Mandarin Group Limited as at 20 May 2008 to Pacific Group Limited, a company wholly owned by Mr. Pang, a director and shareholder of the Company, at a total consideration of HK\$23 million. Mandarin Group Limited holds 100% equity interest in 汕尾市紅海大酒店有限公司 (Shanwei City Hong Hai Hotel Limited)*, the principal asset of which is a property development site located in Shanwei, Guangdong Province, the PRC with an expected total GFA of approximately 68,578 square meters. The property is currently under construction and has been granted land-use rights for commercial use and residential use until August 2045 and August 2075 respectively.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the outstanding convertible bonds, warrants and share options as set out in Notes 29, 32 and 33 to the consolidated financial statements respectively, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2008.

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.



DIRECTORS' REPORT *(continued)*

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 report, the Company has maintained sufficient public float throughout the year ended 31 March 2008 as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2008, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 60% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 22% 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\$2.4 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, 23 July 2008

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF
CHUN WO DEVELOPMENT HOLDINGS LIMITED
(FORMERLY KNOWN AS CHUN WO HOLDINGS LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chun Wo Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 115, which comprise the consolidated balance sheet as at 31 March 2008, 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.



INDEPENDENT AUDITOR'S REPORT *(continued)*

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 2008 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

23 July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Revenue	6	2,952,736	4,034,066
Cost of sales		(2,669,125)	(3,447,660)
Gross profit		283,611	586,406
Other income		28,211	14,660
Fair value changes on investment properties		22,275	80,000
Gain on change in value of leasehold interest in land and properties under development upon transfer to investment properties		–	132,818
Selling expenses		(29,108)	(36,096)
General and administrative expenses		(176,818)	(168,525)
Fair value changes on embedded derivatives of convertible bonds		57,000	–
Share of profit of jointly controlled entities		904	1,502
Finance costs	7	(62,978)	(32,462)
Profit before tax	8	123,097	578,303
Income tax expense	10	(42,542)	(98,748)
Profit for the year		<u>80,555</u>	<u>479,555</u>
Attributable to:			
Equity holders of the parent		80,548	480,376
Minority interests		7	(821)
		<u>80,555</u>	<u>479,555</u>
Dividends	11	<u>59,827</u>	<u>42,812</u>
Earnings per share			
– basic	12	<u>9.8 cents</u>	<u>64.5 cents</u>
– diluted		<u>4.0 cents</u>	<u>64.3 cents</u>



CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Investment properties	13	618,480	620,183
Property, plant and equipment	14	132,879	150,979
Prepaid lease payments	15	27,277	27,960
Properties under development	16	–	–
Interests in associates	17	42,783	42,783
Interests in jointly controlled entities	18	48,892	79,489
Amounts due from associates	19	103,232	128,108
		<hr/>	<hr/>
		973,543	1,049,502
Current assets			
Amounts due from customers for contract work	20	506,762	698,344
Debtors, deposits and prepayments	21	396,450	570,313
Prepaid lease payments	15	683	683
Properties under development	16	890,456	548,808
Deposits paid for properties under development		78,678	–
Properties held for sale		23,861	181,833
Investments held for trading	22	16,488	15,973
Amounts due from associates	23	1,222	1,207
Amounts due from jointly controlled entities	23	37,482	33,316
Tax recoverable		30,630	6,865
Pledged bank deposits	24	10,171	34,667
Bank balances and cash	24	611,324	300,457
		<hr/>	<hr/>
		2,604,207	2,392,466
Current liabilities			
Amounts due to customers for contract work	20	36,999	87,849
Creditors, deposits and accrued charges	25	334,803	491,805
Deposits received from pre-sales of properties under development		437,522	217,650
Amounts due to jointly controlled entities	26	48,864	70,512
Amount due to an associate	26	9,338	–
Tax payable		17,757	46,731
Obligations under finance leases – due within one year	27	1,073	1,566
Borrowings – due within one year	28	419,639	726,197
Derivative financial instruments	29	110,000	–
		<hr/>	<hr/>
		1,415,995	1,642,310

CONSOLIDATED BALANCE SHEET *(continued)*

At 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Net current assets		<u>1,188,212</u>	<u>750,156</u>
Total assets less current liabilities		<u>2,161,755</u>	<u>1,799,658</u>
Non-current liabilities			
Obligations under finance leases – due after one year	27	555	1,640
Borrowings – due after one year	28	469,006	489,850
Convertible bonds	29	212,820	–
Deferred tax liabilities	30	66,413	56,780
		<u>748,794</u>	<u>548,270</u>
Net assets		<u>1,412,961</u>	<u>1,251,388</u>
Capital and reserves			
Share capital	31	85,882	74,705
Reserves		<u>1,326,729</u>	<u>1,176,340</u>
Equity attributable to equity holders of the parent		<u>1,412,611</u>	<u>1,251,045</u>
Minority interests		<u>350</u>	<u>343</u>
Total equity		<u>1,412,961</u>	<u>1,251,388</u>

The financial statements on pages 44 to 115 were approved and authorised for issue by the Board of Directors on 23 July 2008 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 2008

	Attributable to equity holders of the parent									
	Share capital	Share premium	Special reserve	Share	Capital reserve	Translation reserve	Retained profits	Total	Minority interests	Total
				options reserve						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 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	-	-	-	-	-	-	(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
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	40,113	-	40,113	-	40,113
Profit for the year	-	-	-	-	-	-	80,548	80,548	7	80,555
Total recognised income and expense for the year	-	-	-	-	-	40,113	80,548	120,661	7	120,668
Issue of shares	11,177	85,072	-	-	-	-	-	96,249	-	96,249
Recognition of equity-settled share-based payments	-	-	-	4,483	-	-	-	4,483	-	4,483
Dividends	-	-	-	-	-	-	(59,827)	(59,827)	-	(59,827)
At 31 March 2008	85,882	337,128	(7,340)	4,483	8,531	63,685	920,242	1,412,611	350	1,412,961

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 2008

	2008 HK\$'000	2007 HK\$'000
Operating activities		
Profit before tax	123,097	578,303
Adjustments for:		
Finance costs	62,978	32,462
Share of profit of jointly controlled entities	(904)	(1,502)
Interest income	(2,825)	(3,660)
Depreciation and amortisation	3,597	3,315
Release of prepaid lease payments	683	491
Fair value changes on investment properties	(22,275)	(80,000)
Share-based payment expense	4,483	–
Fair value changes on embedded derivatives of convertible bonds	(57,000)	–
Gain on change in value of leasehold interest in land and properties under development upon transfer to investment properties	–	(132,818)
Gain on disposal of property, plant and equipment	(7,132)	(3,611)
Loss on disposal of investment properties	–	1,726
Gain on disposal of an associate	(912)	–
Transaction costs in respect of embedded derivatives of convertible bonds	5,500	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	109,290	394,706
Decrease (increase) in amounts due from (to) customers for contract work	169,342	(479,913)
Decrease (increase) in debtors, deposits and prepayments	176,894	(45,267)
(Increase) decrease in properties under development	(272,855)	768,177
Increase in deposits paid for properties under development	(78,678)	–
Decrease (increase) in properties held for sale	157,972	(181,833)
Increase in investments held for trading	(515)	(9,640)
Increase in amounts due from associates	(15)	(25)
(Increase) decrease in amounts due from jointly controlled entities	(4,166)	5,143
Decrease in creditors, deposits and accrued charges	(158,995)	(12,722)
Increase (decrease) in deposits received from pre-sales of properties under development	199,335	(159,164)
Decrease in amounts due to jointly controlled entities	(21,648)	(9,785)
Increase in amount due to an associate	9,338	–
	<hr/>	<hr/>
Cash generated from operations	285,299	269,677
Income taxes paid	(85,365)	(25,128)
	<hr/>	<hr/>
Net cash from operating activities	199,934	244,549



CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the year ended 31 March 2008

	2008 HK\$'000	2007 HK\$'000
Investing activities		
Dividends received from jointly controlled entities	31,501	9,500
Amounts repaid from (advanced to) associates	24,876	(52,182)
Decrease (increase) in pledged bank deposits	24,496	(24,415)
Proceeds from disposal of investment properties	23,978	22,561
Proceeds from disposal of property, plant and equipment	10,574	17,184
Interest received	2,825	3,660
Proceeds from disposal of an associate	912	–
Purchase of property, plant and equipment	(8,843)	(7,608)
Costs incurred in properties under development	–	(14,123)
Acquisition of additional interests in subsidiaries	–	(340)
Proceeds from disposal of available-for-sale investments	–	1,002
Net cash from (used in) investing activities	110,319	(44,761)
Financing activities		
Repayment of bank loans	(506,363)	(862,895)
(Decrease) increase in trust receipt loans	(122,667)	96,516
Interest paid	(69,187)	(65,152)
Dividends paid	(59,827)	(42,812)
Repayment of principal portion of obligations under finance leases	(1,578)	(2,596)
Repayment of mortgage loans	(1,468)	(1,568)
Net proceeds received on issue of convertible bonds	360,800	–
New bank loans raised	295,926	645,657
Proceeds from issue of shares	96,249	2,278
Net cash used in financing activities	(8,115)	(230,572)
Net increase (decrease) in cash and cash equivalents	302,138	(30,784)
Cash and cash equivalents at beginning of the year	300,457	329,730
Effect of foreign exchange rate changes	8,729	1,511
Cash and cash equivalents at end of the year, represented by bank balances and cash	611,324	300,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

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.

By a special resolution passed by the shareholders of the Company on 9 November 2007, the English name of the Company was changed from "Chun Wo Holdings Limited" to "Chun Wo Development Holdings Limited" and the Chinese name "俊和發展集團有限公司" had been adopted for identification purpose.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment to Hong Kong Accounting Standards ("HKAS") and interpretations ("HK(IFRIC)-Int") (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs has resulted in the following areas:

- The impact of application of HKFRS 7 "Financial Instruments: Disclosures" has been to expand the disclosures provided in the consolidated financial statements regarding the Group's financial instruments, especially on the sensitivity analysis to market risk.
- The impact of application of HKAS 1 (Amendment) "Capital Disclosures" has been to disclose information regarding its objectives, policies and processes for managing capital.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

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

The application of the remaining new HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

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

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

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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. Variations in contract work, claims, and incentive payments are included to the extent that they have been agreed with the customer.

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. Contract costs are recognised as expenses in the period in which they are incurred.

Income from sales of 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, provided that significant risks and rewards of ownership of the properties are transferred to customers and neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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.

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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

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 share of any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements 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 recognised in the consolidated 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 revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts *(continued)*

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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values 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 or, where shorter, the term of the relevant lease.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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).

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 consolidated 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.

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.

Leasehold land and building

The land and building elements of a lease of land and building held for use in the production or supply of goods or for administrative purpose are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for an investment property which is accounted for as if it were a finance lease and measured under the fair value model.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 in profit or loss in the period in which they are incurred.

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 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 which 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 financial assets at fair value through profit or loss and loans and receivables. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

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 (see accounting policy on impairment loss on financial assets below).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When debtors are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible bonds

Convertible bonds issued by the Group that contain liability component, redemption and conversion options (collectively "derivative components") are classified separately into respective components on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue of the convertible bonds, the liability and the derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative components are measured at fair value with changes in fair value recognised in the income statement and presented as current liabilities in the balance sheet.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the derivative components are charged to the income statement immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities including creditors, accrued charges, amounts due to jointly controlled entities and an associate, obligations under finance leases and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Warrants

The bonus issue of warrants which will be settled by the exchange of fixed amount of cash for a fixed number of the Company's own equity instruments is classified as an equity instrument. When the warrants are subscribed, any excess of the subscription money over the nominal value of the ordinary shares is taken into the share premium account.

Embedded derivatives and derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

Derivatives (including embedded derivatives which are separated from non-derivatives host contracts) that do not qualify for hedge accounting are deemed as financial assets/financial liabilities held for trading and are measured at fair value except for derivative instruments which are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured and such derivative instruments are stated at cost less impairment, if applicable.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

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 receivable 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of group 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 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.

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 Group (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 Group has applied HKFRS 2 "Share-based payments" to share options granted on or after 1 April, 2005. The policy below 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, the financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

The fair value of services received from employees and others providing similar services (consultants) 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 each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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.

Construction contracts

For the year ended 31 March 2008, the Group recognised a loss of HK\$35,495,000 from construction contracts, (2007: profit of HK\$43,323,000) 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 2008, the Group shared profits of its jointly controlled entities of HK\$904,000 (2007: HK\$1,502,000), 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 2008, a deferred tax asset of HK\$31,041,000 (2007: HK\$16,106,000) 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Measurement of convertible bonds and estimation of fair value of derivative component

On issuance of the convertible bonds, the fair value of the derivative component is determined and accounted for as a derivative financial liability. The fair value of the derivative financial liability is reassessed at each balance sheet date with movement to the income statement. In estimating the fair value of the derivative financial liability, the Group uses its judgement and engages independent professional valuers in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied with assumptions made, based on quoted market rates adjusted for specific features of the instrument. The carrying value of the derivative component at 31 March 2008 was HK\$110,000,000 (2007: nil).

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008 HK\$'000	2007 HK\$'000
Financial assets		
Fair value through profit or loss		
– Held for trading	16,488	15,973
Loans and receivables		
(including cash and cash equivalents)	1,101,144	1,037,883
Financial liabilities		
Derivative financial instruments	110,000	–
Amortised cost	1,478,203	1,753,593
Obligations under finance leases	<u>1,628</u>	<u>3,206</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include debtors, investments held for trading, amounts due from associates and jointly controlled entities, creditors, accrued charges, amounts due to jointly controlled entities and an associate, obligations under finance leases, borrowings and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

5. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risk

(i) Currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entities. The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group does not expect any significant exposure to foreign exchange rate fluctuations and does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2008 HK\$'000	2007 HK\$'000
United States Dollars	<u>14,979</u>	<u>1,278</u>

The Directors of the Company are of the opinion that the Group's sensitivity to the change in United States dollars relative to Hong Kong dollars is low due to the pegged between the 2 currencies.

(ii) Fair value and cash flow Interest rate risk

The Group has significant bank borrowings (see note 28 for details), convertible bonds (see note 29 for details) and bank deposits which bear interest-rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk. The Directors consider the Group's exposures of the bank deposits are not significant as most deposits bear variable interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

5. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Market risk (continued)

(ii) Fair value and cash flow Interest rate risk *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the balance sheet date. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis points increase or decrease, representing management's assessment of the reasonably possible change in interest rates, is used when interest rate risk is reported internally to key management personnel.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would decrease/increase by approximately HK\$8,886,000 (2007: decrease/increase by HK\$12,160,000).

(iii) Other price risk

The Group is required to estimate the fair value of the embedded derivatives of the convertible bonds issued by the Company at each balance sheet date, which therefore exposes the Group to equity price risk. Details of the convertible bonds issued by the Company are set out in note 29.

The Group is also exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on listed equity securities and the Company at the reporting date.

If the equity prices of the Company had been 10% higher/lower while all other input variables of the valuation model of the embedded derivatives of the convertible bonds issued by the Company were held constant, profit for the year ended 31 March 2008 would decrease/increase by approximately HK\$13,000,000/HK\$6,000,000 as a result of the changes in fair value of the derivative components.

In management's opinion, the sensitivity analysis is unrepresentative due to interdependencies of certain variables of the option pricing model.

If the prices of the respective listed equity instruments invested by the Group had been 5% higher/lower, profit for the year ended 31 March 2008 would increase/decrease by approximately HK\$824,000 (2007: increase/decrease by approximately HK\$799,000) as a result of the changes in fair value of held-for-trading investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

5. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Credit risk

The Group's exposure to credit risk is represented by the carrying amount of each financial asset including receivables and the guarantees provided for a property development project for the Group's pre-sale properties and the guarantee provided for an associate. The Group's credit risk is primarily attributable to its debtors. 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 the recoverable amount of each individual trade debt at each balance sheet date 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 does not have any significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings and convertible bonds as significant sources of liquidity. Details of which are set out in note 28 and 29 respectively.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

5. FINANCIAL INSTRUMENTS *(continued)*

b. Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2008 HK\$'000
2008						
Non-derivative financial liabilities						
Creditors and accrued charges	-	211,846	106,690	-	318,536	318,536
Amounts due to jointly controlled entities	-	48,864	-	-	48,864	48,864
Amount due to an associate	-	9,338	-	-	9,338	9,338
Borrowings	6.23	444,785	447,365	78,641	970,791	888,645
Convertible bonds	19.00	-	534,600	-	534,600	212,820
Obligations under finance leases	6.20	1,110	560	-	1,670	1,628
		<u>715,943</u>	<u>1,089,215</u>	<u>78,641</u>	<u>1,883,799</u>	<u>1,479,831</u>

	Weighted average effective interest rate %	Within 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2007 HK\$'000
2007						
Non-derivative financial liabilities						
Creditors and accrued charges	-	347,553	119,481	-	467,034	467,034
Amounts due to jointly controlled entities	-	70,512	-	-	70,512	70,512
Borrowings	6.93	772,076	467,858	88,050	1,327,984	1,216,047
Obligations under finance leases	5.85	1,708	1,716	-	3,424	3,206
		<u>1,191,849</u>	<u>589,055</u>	<u>88,050</u>	<u>1,868,954</u>	<u>1,756,799</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

5. FINANCIAL INSTRUMENTS *(continued)*

c. Fair value

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair values of derivative instruments are determined in accordance with generally accepted pricing models based on data obtained in current market (see note 29).

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 is organised into construction work, property development, property investment, professional services (including of security and property management services) and other activities. These divisions are the basis on which the Group reports its primary segment information.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below:

For the year ended 31 March 2008

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
REVENUE						
External sales	<u>2,312,762</u>	<u>515,441</u>	<u>28,535</u>	<u>95,998</u>	<u>-</u>	<u>2,952,736</u>
RESULT						
Segment result	<u>(35,495)</u>	<u>138,980</u>	<u>45,296</u>	<u>3,648</u>	<u>(816)</u>	151,613
Interest income						2,825
Unallocated corporate expenses						(27,179)
Gain on disposal of an associate						912
Fair value changes on embedded derivatives of convertible bonds						57,000
Share of profit of jointly controlled entities	904	-	-	-	-	904
Finance costs						<u>(62,978)</u>
Profit before tax						123,097
Income tax expense						<u>(42,542)</u>
Profit for the year						<u>80,555</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

At 31 March 2008

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	908,301	1,066,895	638,125	16,209	28,539	2,658,069
Interests in associates	-	42,783	-	-	-	42,783
Interests in jointly controlled entities	48,892	-	-	-	-	48,892
Amounts due from jointly controlled entities	37,482	-	-	-	-	37,482
Amounts due from associates	-	27,457	76,997	-	-	104,454
Unallocated corporate assets						686,070
Consolidated total assets						<u>3,577,750</u>
LIABILITIES						
Segment liabilities	335,257	448,600	16,026	7,965	83	807,931
Amount due to an associate	-	9,338	-	-	-	9,338
Amounts due to jointly controlled entities	48,864	-	-	-	-	48,864
Unallocated corporate liabilities						1,298,656
Consolidated total liabilities						<u>2,164,789</u>

OTHER INFORMATION

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure	6,733	1,575	535	-	-	-	8,843
Depreciation and amortisation	22,314	503	-	430	540	-	23,787
Share-based payment expense	-	-	-	-	-	4,483	4,483



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments *(continued)*

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
REVENUE						
External sales	<u>2,880,307</u>	<u>1,043,389</u>	<u>28,080</u>	<u>82,264</u>	<u>26</u>	<u>4,034,066</u>
RESULT						
Segment result	<u>43,323</u>	<u>347,551</u>	<u>234,016</u>	<u>3,915</u>	<u>(3,232)</u>	625,573
Interest income						3,660
Unallocated corporate expenses						(19,970)
Share of profit of jointly controlled entities	1,502	-	-	-	-	1,502
Finance costs						<u>(32,462)</u>
Profit before tax						578,303
Income tax expense						<u>(98,748)</u>
Profit for the year						<u>479,555</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

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						<u>377,090</u>
Consolidated total assets						<u>3,441,968</u>
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						<u>1,325,145</u>
Consolidated total liabilities						<u>2,190,580</u>

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	–	–	<u>1,726</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segments

The Group's operations are mainly located in Hong Kong, Macau, elsewhere in the People's Republic of China ("PRC") and United Arab Emirates ("UAE").

The following table is an analysis of the Group's revenue by location of customers:

	2008 HK\$'000	2007 HK\$'000
Hong Kong	1,922,518	3,488,315
Macau	433,822	264,434
Elsewhere in the PRC	596,396	281,317
UAE	–	–
	<u>2,952,736</u>	<u>4,034,066</u>

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 2008 HK\$'000	31 March 2007 HK\$'000	Year ended 31 March 2008 HK\$'000	Year ended 31 March 2007 HK\$'000
Hong Kong	1,400,333	2,071,575	6,637	22,700
Macau	106,664	111,373	1,280	–
Elsewhere in the PRC	985,566	597,027	926	1,951
UAE	165,506	–	–	–
	<u>2,658,069</u>	<u>2,779,975</u>	<u>8,843</u>	<u>24,651</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

7. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interest payable on:		
Bank borrowings wholly repayable within five years	63,054	62,490
Bank borrowings wholly repayable over five years	5,987	2,502
Imputed interest expense on convertible bonds	13,520	–
Finance leases	146	160
	<u>82,707</u>	65,152
Less: Amount attributable to contract work	(8,420)	(16,801)
Amount attributable to properties under development	(11,309)	(15,889)
	<u>62,978</u>	<u>32,462</u>

8. PROFIT BEFORE TAX

	2008 HK\$'000	2007 HK\$'000
Profit before tax has been arrived at after charging:		
Auditor's remuneration		
Current year	2,355	2,083
Underprovision in prior year	359	484
	<u>2,714</u>	2,567
Depreciation and amortisation on:		
Owned assets	23,096	25,893
Assets held under finance leases	691	854
	<u>23,787</u>	26,747
Less: Amount attributable to contract work	(20,190)	(23,432)
	<u>3,597</u>	3,315
Fair value changes on investments held for trading	289	–
Loss on disposal of an investment property	–	1,726



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

8. PROFIT BEFORE TAX *(continued)*

	2008 HK\$'000	2007 HK\$'000
Operating lease rentals for:		
Rental properties	7,480	7,536
Plant and machinery	21,765	58,249
	<hr/>	<hr/>
	29,245	65,785
Less: Amount attributable to contract work	(24,699)	(61,431)
	<hr/>	<hr/>
	4,546	4,354
Release of prepaid lease payments	683	491
Share-based payment expense	4,483	–
Staff costs, including Directors' emoluments	455,726	567,929
Less: Amount attributable to contract work	(255,778)	(381,490)
Amount attributable to properties under development	(13,098)	(10,315)
	<hr/>	<hr/>
	186,850	176,124
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	263	488
and after crediting:		
Interest income	2,825	3,660
Dividend income from investments held for trading	328	202
Gain on disposal of property, plant and equipment	7,132	3,611
Fair value changes on investments held for trading	–	3,765
Gain on disposal of an associate	912	–
Rental income from investment properties, net of direct operating expenses from investment properties that generated rental income during the year of HK\$3,971,000 (2007: HK\$3,777,000)	24,564	24,303
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 7 (2007: 8) Directors were as follows:

2008

	Other emoluments			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contribution HK\$'000	
Pang Kam Chun	–	6,012	135	6,147
Kwok Yuk Chiu, Clement	–	2,660	113	2,773
Li Wai Hang, Christina	–	2,051	63	2,114
Au Son Yiu	200	–	–	200
Chan Chiu Ying	150	–	–	150
Hui Chiu Chung	150	–	–	150
Lee Shing See	150	–	–	150
	<u>650</u>	<u>10,723</u>	<u>311</u>	<u>11,684</u>

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
	<u>1,034</u>	<u>13,087</u>	<u>345</u>	<u>14,466</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

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

(a) Directors' emoluments *(continued)*

The above emoluments do not include the fair value of share options, as estimated at the date of granting, awarded to Directors whose entitlements are as follows:

Pang Kam Chun and Li Wai Hang, Christina were each granted options in respect of 747,000 shares on 2 April 2007, and the respective fair value of the share-based payments recognised for the year ended 31 March 2008 was HK\$255,000 for each.

(b) Employees' emoluments

During the year, the five highest paid individuals included three (2007: three) Directors, details of whose emoluments are included above. The emoluments of the remaining two (2007: two) individuals are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other benefits	5,021	4,435
Retirement benefit scheme contributions	68	56
	<u>5,089</u>	<u>4,491</u>

The above emoluments do not include the fair value of share options, as estimated at the date of granting, awarded to the remaining two individuals. The options in respect of 4,536,000 shares were granted and the fair value of the share-based payments recognised for the year ended 31 March 2008 was HK\$831,000.

The employees' emoluments were within the following bands:

	Number of employees	
	2008	2007
HK\$2,000,001 to HK\$2,500,000	1	2
HK\$2,500,001 to HK\$3,000,000	1	–
	<u>1</u>	<u>–</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

10. INCOME TAX EXPENSE

	2008 HK\$'000	2007 HK\$'000
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax		
– current year	8,557	48,913
– overprovision in prior years	<u>(2,380)</u>	<u>(4,100)</u>
	6,177	44,813
– Other jurisdictions	2,750	3,544
– PRC Enterprise Income Tax	19,547	4,158
– PRC Land Appreciation Tax ("LAT")	<u>4,435</u>	<u>–</u>
	32,909	52,515
Deferred tax (Note 30)	<u>9,633</u>	<u>46,233</u>
	<u>42,542</u>	<u>98,748</u>

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

The Group's income tax expense represents tax charges on the assessable profits of subsidiaries operating in the PRC calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries enjoy reductions and preferential tax rates.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

According to the PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16 March 2007 and 11 December 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate applicable is unified at 25% which became effective from 1 January 2008 and for those subsidiaries enjoying a preferential tax rate of 15%, the new tax rate applicable will be increased from 15% over 5 years to 25% pursuant to the grandfathering provisions.

Income tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

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:

	2008 HK\$'000	2007 HK\$'000
Profit before tax	<u>123,097</u>	<u>578,303</u>
Tax at the Hong Kong Profits Tax rate of 17.5%	21,542	101,203
Tax effect of share of profit of jointly controlled entities	(158)	(263)
Tax effect of expenses not deductible for tax purposes	14,515	3,681
Tax effect of income not taxable for tax purposes	(13,875)	(1,215)
Overprovision in prior years	(2,380)	(4,100)
Tax effect of tax losses and other deductible temporary differences for current year not recognised	15,198	1,932
Utilisation of tax losses and other deductible temporary differences for prior years previously not recognised	(263)	(922)
Effect of different tax rates of operations in other jurisdictions	4,266	(75)
PRC LAT	4,435	–
Others	<u>(738)</u>	<u>(1,493)</u>
Tax charge for the year	<u>42,542</u>	<u>98,748</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

11. DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Final dividend paid in respect of 2007 of HK2.75 cents (2006: HK1.75 cents) per share	<u>23,485</u>	<u>13,030</u>
Interim dividend paid in respect of 2008 of HK1.00 cent (2007: HK1.25 cents) per share:		
Cash	8,588	8,595
Share alternative under scrip dividend scheme	<u>-</u>	<u>712</u>
	<u>8,588</u>	<u>9,307</u>
Special final dividend in respect of 2007 of HK3.25 cents per share	<u>27,754</u>	<u>-</u>
Special interim dividend paid in respect of 2007 of HK2.75 cents per share:		
Cash	-	18,909
Share alternative under scrip dividend scheme	<u>-</u>	<u>1,566</u>
	<u>-</u>	<u>20,475</u>
	<u>59,827</u>	<u>42,812</u>

The final dividend of HK1.75 cents per share has been proposed by the Directors and is 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 2008

13. INVESTMENT PROPERTIES

	2008 HK\$'000	2007 HK\$'000
VALUATION		
At beginning of the year	620,183	229,470
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	(23,978)	(24,287)
Increase in fair value	22,275	80,000
	<u>618,480</u>	<u>620,183</u>
At end of the year	618,480	620,183

The fair value of the Group's investment properties at 31 March 2008 has been arrived at on the basis of valuations carried out on that date by Centaline Surveyors Limited, Savills Valuation and Professional Services Limited and RHL Appraisal 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 with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets or, by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties. The revaluation gave rise to a net gain arising from changes in fair value of HK\$22,275,000 (2007: HK\$80,000,000) 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 (2007: HK\$40,000,000) were co-owned with a venturer. The carrying value represents the Group's proportionate share in the valuation of the relevant properties. Details of which are set out in note 39.

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

	2008 HK\$'000	2007 HK\$'000
Hong Kong	608,000	595,000
Elsewhere in the PRC	10,480	25,183
	<u>618,480</u>	<u>620,183</u>
	618,480	620,183



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
COST					
At 1 April 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
Exchange realignment	–	–	189	303	492
Additions	–	1,450	1,812	5,581	8,843
Disposals	–	(23,730)	(4,926)	(121)	(28,777)
At 31 March 2008	33,595	425,268	46,978	41,077	546,918
DEPRECIATION AND AMORTISATION					
At 1 April 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
Exchange realignment	–	–	64	142	206
Provided for the year	992	16,685	3,568	2,542	23,787
Eliminated on disposals	–	(21,154)	(4,181)	–	(25,335)
At 31 March 2008	12,169	339,808	35,369	26,693	414,039
CARRYING VALUES					
At 31 March 2008	21,426	85,460	11,609	14,384	132,879
At 31 March 2007	22,418	103,271	13,985	11,305	150,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

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

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.

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:

	2008 HK\$'000	2007 HK\$'000
Properties in Hong Kong	16,885	17,718
Properties in the PRC	4,541	4,700
	<u>21,426</u>	<u>22,418</u>

The carrying value of the Group's property, plant and equipment includes an amount of HK\$2,075,000 in respect of motor vehicles (2007: HK\$951,000 and HK\$2,767,000 in respect of plant and machinery and motor vehicles, respectively) held under finance leases.

15. PREPAID LEASE PAYMENTS

	2008 HK\$'000	2007 HK\$'000
The Group's prepaid lease payments held under medium-term leases in Hong Kong:		
Non-current asset	27,277	27,960
Current asset	683	683
	<u>27,960</u>	<u>28,643</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

16. PROPERTIES UNDER DEVELOPMENT

Properties under development held for investment

	2008 HK\$'000	2007 HK\$'000
COST		
At beginning of the year	–	136,659
Additions	–	14,123
Transfer to investment properties	–	(150,782)
	<hr/>	<hr/>
At end of the year	–	–

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\$737,005,000 (2007: HK\$548,808,000) expected to be completed after the next twelve months from the balance sheet date.

17. INTERESTS IN ASSOCIATES

	2008 & 2007 HK\$'000
Cost of unlisted investments in associates	<hr/> 42,783

Particulars of the Group's principal associates as at 31 March 2008 are set out in note 43.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

17. INTERESTS IN ASSOCIATES *(continued)*

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

	2008 HK\$'000	2007 HK\$'000
Total assets	646,758	636,975
Total liabilities	(450,165)	(444,555)
	<u>196,593</u>	<u>192,420</u>
Group's share of net assets of associates	<u>42,783</u>	<u>42,783</u>
Revenue	<u>9,998</u>	10,455
Profit (loss) for the year	<u>149</u>	(1,320)
Group's share of results of associates for the year (Note)	<u>-</u>	<u>-</u>

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

	2008 HK\$'000	2007 HK\$'000
Cost of unlisted investment in jointly controlled entities	4,655	4,655
Share of post-acquisition profits, net of dividend received	<u>44,237</u>	<u>74,834</u>
	<u>48,892</u>	<u>79,489</u>

Particulars of the jointly controlled entities as at 31 March 2008 are set out in note 44.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

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:

	2008 HK\$'000	2007 HK\$'000
Total revenue	<u>151,510</u>	<u>204,012</u>
Total expenses	<u>145,241</u>	<u>199,632</u>
Non-current assets	6,166	7,857
Current assets	183,183	234,542
Current liabilities	(101,913)	(121,678)
Non-current liabilities	<u>(854)</u>	<u>(132)</u>
Net assets	<u>86,582</u>	<u>120,589</u>

19. AMOUNTS DUE FROM ASSOCIATES

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

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

	2008 HK\$'000	2007 HK\$'000
Costs incurred to date plus recognised profits less recognised losses	11,827,329	11,600,283
Less: Progress billings	<u>(11,357,566)</u>	<u>(10,989,788)</u>
	<u>469,763</u>	<u>610,495</u>
Represented by:		
Due from customers included in current assets	506,762	698,344
Due to customers included in current liabilities	<u>(36,999)</u>	<u>(87,849)</u>
	<u>469,763</u>	<u>610,495</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

21. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008 HK\$'000	2007 HK\$'000
Trade debtors	127,860	271,220
Less: Allowance for doubtful debts	(509)	(413)
	<u>127,351</u>	<u>270,807</u>
Retention receivable	139,043	191,226
Prepayments, deposits and other debtors	130,056	108,280
	<u>396,450</u>	<u>570,313</u>

Except for rental income from lease of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

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\$127,351,000 (2007: HK\$270,807,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	2008 HK\$'000	2007 HK\$'000
Not yet due	114,198	258,707
0 to 30 days	8,940	7,204
31 to 90 days	597	1,680
91 to 180 days	172	146
Over 180 days	3,444	3,070
	<u>127,351</u>	<u>270,807</u>

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$13,153,000 (2007: HK\$12,100,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

21. DEBTORS, DEPOSITS AND PREPAYMENTS *(continued)*

Movement in the allowance for doubtful debts:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	413	–
Amounts recognised during the year	96	413
	<u>509</u>	<u>413</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the balance sheet date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors of the Company believe that there is no further credit provision required in excess of the allowance for doubtful debts.

22. INVESTMENTS HELD FOR TRADING

	2008 HK\$'000	2007 HK\$'000
Investments held for trading Equity securities listed in Hong Kong, at fair value	<u>16,488</u>	<u>15,973</u>

23. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

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

24. PLEDGED BANK DEPOSITS AND BANK BALANCES

The pledged deposits have been placed in designated banks as part of the security provided for general banking facilities granted to the Group. The bank deposits carry interest at an average rate of 1.9% (2007: 2.7%) per annum.

Bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carry interest at an average rate of 1.9% (2007: 2.7%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

25. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$99,343,000 (2007: HK\$342,443,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	2008 HK\$'000	2007 HK\$'000
Not yet due	58,715	245,441
0 to 30 days	16,240	53,837
31 to 90 days	10,657	25,511
91 to 180 days	4,587	7,390
Over 180 days	9,144	10,264
	<hr/> 99,343 <hr/>	<hr/> 342,443 <hr/>

Included in the amount of creditors, deposits and accrued charges are retention payable to sub-contractors of HK\$106,690,000 (2007: HK\$119,481,000).

26. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES/AN ASSOCIATE

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum payments		Present value of minimum payments	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Within one year	1,110	1,708	1,073	1,566
More than one year, but not exceeding two years	560	1,142	555	1,077
More than two years, but not exceeding five years	–	574	–	563
	<u>1,670</u>	<u>3,424</u>	<u>1,628</u>	<u>3,206</u>
Less: Future finance charges	<u>(42)</u>	<u>(218)</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u>1,628</u>	<u>3,206</u>	<u>1,628</u>	<u>3,206</u>
Less: Amount due within one year shown under current liabilities			<u>(1,073)</u>	<u>(1,566)</u>
Amount due after one year			<u>555</u>	<u>1,640</u>

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 repayment terms range from two to three years. For the year ended 31 March 2008, the effective borrowing rates range from 6.0% to 6.4% (2007: 5.6% to 6.1%) per annum. 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 2008

28. BORROWINGS

	2008 HK\$'000	2007 HK\$'000
Borrowings comprise:		
Trust receipt loans (note a)	62,400	185,067
Bank loans (note b)	825,632	1,028,899
Mortgage loans (note c)	613	2,081
	<u>888,645</u>	<u>1,216,047</u>
Analysed as:		
Secured	603,984	559,983
Unsecured	284,661	656,064
	<u>888,645</u>	<u>1,216,047</u>
The borrowings are repayable as follows:		
Within one year or on demand	419,639	726,197
More than one year, but not exceeding two years	367,895	9,282
More than two years, but not exceeding five years	26,000	396,790
Over five years	75,111	83,778
	<u>888,645</u>	<u>1,216,047</u>
Less: Amount due within one year shown under current liabilities	<u>(419,639)</u>	<u>(726,197)</u>
Amount due after one year	<u>469,006</u>	<u>489,850</u>

All the Group's borrowings are denominated in the functional currencies of the relevant group companies.

Notes:

- (a) The trust receipt loans are unsecured and carry interest at floating rates ranging from Hong Kong Interbank Offered Rates ("HIBOR") plus 1.5% to HIBOR plus 2.0% (2007: HIBOR plus 1.5% to HIBOR plus 2.3%).
- (b) Bank loans of HK\$621,618,000 (2007: HK\$952,911,000) are denominated in Hong Kong Dollars and carry interest at floating rates with average effective interest rates ranging from HIBOR plus 0.9% to HIBOR plus 2.0% (2007: HIBOR plus 0.9% to HIBOR plus 2.0%). The remaining bank loans are denominated in Renminbi and carry interest at floating rates with average effective interest rates ranging from benchmark interest rate from The People's Bank of China ("Benchmark Rate") to Benchmark Rate plus 10% (2007: Benchmark Rate to Benchmark Rate plus 10%). The balance comprised secured bank loans and unsecured bank loans of HK\$603,371,000 (2007: HK\$557,902,000) and HK\$222,261,000 (2007: HK\$470,997,000), respectively.
- (c) Mortgage loans are secured and carry interest at floating rates ranging from Hong Kong Dollars Prime Rate ("Prime") minus 1.0% to Prime minus 0.3% (2007: Prime minus 1.0% to Prime minus 0.3%).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

29. CONVERTIBLE BONDS

On 6 December 2007, the Company issued HK\$372.3 million zero coupon convertible bonds due on 6 December 2012. Holders of the convertible bonds will have the right at any time on or after 6 June 2008 up to, and including, the close of business on the maturity date, 6 December 2012, to convert the convertible bonds into ordinary shares of the Company at the initial conversion price of HK\$2.18, subject to adjustment and reset set out in the subscription agreement dated 26 November 2007.

The conversion price will be subject to adjustment for subdivision, consolidation or reclassification of shares of the Company, capitalisation of profits or reserves, capital distribution, bonus issues, rights issues, other issues at less than current market price, modification of rights of conversion, other offers to shareholders of the Company and other dilutive events.

If the Volume Weighted Average Price (note a) for each day during the 30 consecutive trading days ending on the 30th day prior to before 6 December 2008, 6 June 2009 or 6 December 2009 is less than the conversion price in effect on such date, the conversion price will automatically be adjusted downwards to the arithmetic average of the Volume Weighted Average Price during such 30 trading day period, save that the adjusted conversion price shall not be lower than the Reset Price Floor (note b).

At any time the Company may redeem the convertible bonds, in whole but not in part, at a redemption price equal to the Early Redemption Amount (note c) if (i) on or at any time after 6 December 2010 but not less than 14 business days prior to the maturity date, if the Volume Weighted Average Price of the ordinary shares of the Company for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount divided by the Conversion Ratio (note d) in effect on such trading day or (ii) less than 10% of aggregate principal amount of the convertible bonds originally issued is outstanding or (iii) as a result of regulatory change impacting on the payment obligations of the Company under the convertible bonds.

In addition, on 6 December 2010, the Company will, at the option of the holders of the convertible bonds, redeem their convertible bonds in whole or in part at 124.3% of the principal amount of the convertible bonds.

Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 143.6% of their principal amount in Hong Kong dollars on the maturity date, which is expected to give a yield to maturity of 7.375% per annum, calculated on a semi-annual basis, from 6 December 2007 to 6 December 2012.

The convertible bonds contain the liability component, the redemption option derivatives and conversion option derivative. The fair values of the conversion option derivative and the redemption option derivatives of the convertible bonds were determined, upon issuance, and are carried as financial liabilities which are measured at fair value with movement dealt with in the income statement.

The effective interest rate of the liability component is 19%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

29. CONVERTIBLE BONDS *(continued)*

The movements of the liability component and the embedded derivatives of the convertible bonds for the year are set out below:

	Liability HK\$'000	Embedded derivatives HK\$'000
Arising during the year, net of transaction costs	199,300	167,000
Interest charge (note 7)	13,520	–
Gain arising on changes of fair value	–	(57,000)
	<u>212,820</u>	<u>110,000</u>
As at 31 March 2008	<u>212,820</u>	<u>110,000</u>

The fair values of the redemption option and the conversion option derivatives of the convertible bonds at 31 March 2008 were calculated using Binomial model. The inputs into the model were as follows:

Share price	HK\$1.10
Volatility	58.28%
Risk free rate	2.08%
Dividend yield	3.71%

Since the Binomial option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

Notes:

- a. "Volume Weighted Average Price" is in respect of the daily volume weighted average sale price (rounded to the nearest cent) of ordinary shares of the Company sold on the Stock Exchange.
- b. "Reset Price Floor" is (i) in respect of the first reset date on 6 December 2008, 80% of the initial conversion price of HK\$2.18; (ii) in respect of the second reset date on 6 June 2009, 75% of the initial conversion price and (iii) in respect of the third reset date on 6 December 2009, 70% of the initial conversion price.
- c. "Early Redemption Amount" is the principal amount of the convertible bonds plus a gross yield of 7.375% per annum, calculated on a semi-annual basis.
- d. "Conversion Ratio" is the principal amount of the convertible bonds divided by the then conversion price.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

30. 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 of investment properties HK\$'000	Total HK\$'000
At 1 April 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)
Credit (charge) to consolidated income statement for the year	615	(32)	(7,379)	(2,837)	(9,633)
At 31 March 2008	<u>(25,099)</u>	<u>121</u>	<u>6,379</u>	<u>(47,814)</u>	<u>(66,413)</u>

Note: The amount represents temporary differences arising from the unrealised profits on the Group's construction contracts.

At 31 March 2008, the Group has unused tax losses of HK\$152,138,000 (2007: HK\$66,979,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$688,000 (2007: HK\$872,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$151,450,000 (2007: HK\$66,107,000) losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At 31 March 2008, the Group has other deductible temporary differences of HK\$15,178,000 (2007: HK\$15,178,000). 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.

The aggregate temporary differences associated with investments in subsidiaries of HK\$39,529,000 have not been recognised as deferred tax liability as it is considered that the temporary difference will not be reversed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

31. SHARE CAPITAL

	Number of shares		Amount	
	2008	2007	2008 HK\$'000	2007 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	747,052,546	744,565,896	74,705	74,457
Shares issued upon issuance of scrip dividend scheme	–	2,486,550	–	248
Exercise of warrants	98,536,472	100	9,854	–
Exercise of share options	13,232,000	–	1,323	–
At end of the year	858,821,018	747,052,546	85,882	74,705

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 of the Company 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 and share options during the year are set out in notes 32 and 33, respectively.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

32. 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 members of the Company as 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 anti-dilutive adjustment, at any time from the date of issue up to and including 28 February 2009.

During the year, 98,536,472 (2007: 100) new shares of the Company of HK\$ HK\$0.1 each were issued upon the exercise of the Warrants.

As at 31 March 2008, the Company had outstanding 50,376,607 (2007: 148,913,079) Warrants. Exercise in full of such outstanding Warrants would result in the issue of 50,376,607 (2007: 148,913,079) additional shares.

33. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

33. SHARE OPTION SCHEMES *(continued)*

(a) Chun Wo Scheme *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

33. 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 2008

Eligible participants	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options				
				Outstanding at 1/4/2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/3/2008
Directors	13/8/2004	0.904	21/8/2004 to 12/8/2014	8,790,000	-	(4,732,000)	-	4,058,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	-	1,494,000	-	-	1,494,000
Employees	13/8/2004	0.904	21/8/2004 to 12/8/2014	7,326,000	-	(1,000,000)	-	6,326,000
	3/9/2004	0.950	4/10/2004 to 30/9/2009	3,678,000	-	(1,800,000)	(580,000)	1,298,000
	2/5/2007	1.010	2/5/2007 to 1/5/2010	-	9,340,000	(4,236,000)	-	5,104,000
	9/8/2007	1.950	9/8/2007 to 8/8/2010	-	800,000	-	-	800,000
Consultants	3/9/2004	0.950	4/10/2004 to 30/9/2009	400,000	-	-	-	400,000
	2/5/2007	1.010	2/5/2007 to 1/5/2010	-	1,868,000	-	-	1,868,000
	2/5/2007	1.420	25/5/2007 to 24/5/2010	-	3,737,000	-	-	3,737,000
	31/7/2007	2.396	31/1/2008 to 30/7/2010	-	62,604	-	-	62,604
	8/8/2007	2.010	25/9/2007 to 24/5/2010	-	3,737,000	-	-	3,737,000
31/1/2008	0.968	31/7/2008 to 30/1/2011	-	154,956	-	-	154,956	
Other (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	2,196,000	-	(1,464,000)	-	732,000
				<u>22,390,000</u>	<u>21,193,560</u>	<u>(13,232,000)</u>	<u>(580,000)</u>	<u>29,771,560</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

33. SHARE OPTION SCHEMES *(continued)*

(a) Chun Wo Scheme *(continued)*

For the year ended 31 March 2007

Eligible participants	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options			
				Outstanding at 1/4/2006	Cancelled during the year	Lapsed during the year	Outstanding at 31/3/2007
Directors	13/8/2004	0.904	21/8/2004 to 12/8/2014	8,790,000	-	-	8,790,000
	15/11/2004	1.162	15/11/2004 to 14/11/2009	3,200,000	-	(3,200,000)	-
Employees	13/8/2004	0.904	21/8/2004 to 12/8/2014	7,326,000	-	-	7,326,000
	3/9/2004	0.950	4/10/2004 to 30/9/2009	5,638,000	(250,000)	(1,710,000)	3,678,000
Consultants	3/9/2004	0.950	4/10/2004 to 30/9/2009	400,000	-	-	400,000
Others (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	2,196,000	-	-	2,196,000
				<u>27,550,000</u>	<u>(250,000)</u>	<u>(4,910,000)</u>	<u>22,390,000</u>

Notes:

- These outstanding share options were held by former Independent Non-executive Directors. The Board has approved that these outstanding share options can be exercised on or before 12 August 2014.
- All options referred to the above table are not subject to any vesting period save as the options granted on 31 July 2007, 8 August 2007 and 31 January 2008, the vesting dates are 31 January 2008, 25 September 2007 and 31 July 2008 respectively.
- The closing price of the shares of the Company immediately before the options granted on 2 April 2007, 2 May 2007, 25 May 2007, 31 July 2007, 8 August 2007, 9 August 2007 and 31 January 2008 were HK\$1.01, HK\$1.42, HK\$2.36, HK\$1.81, HK\$1.90 and HK\$0.95 respectively.
- No share options were cancelled under the scheme during the year.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK\$1.548 (2007: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

33. SHARE OPTION SCHEMES *(continued)*

(a) Chun Wo Scheme *(continued)*

During the year ended 31 March 2008, 21,193,560 share options were granted under the Chun Wo Scheme to the eligible directors and employees of the Group and consultants. The fair value of the options determined at the date of grant using the Black-Scholes option pricing model ranged from HK\$0.139 to HK\$0.389. The total fair value of the grant of which a share option expense of HK\$4,483,000 was recognised for the year ended 31 March 2008.

The following assumptions were used to calculate the fair values of share options granted during the year:

Date of grant of the share option	Expected life of share option	Expected volatility of share prices	Expected dividend yield
2 April 2007	10 years	48.32%	3.96%
2 May 2007	3 years	30.19%	3.96%
25 May 2007	3 years	33.67%	2.82%
31 July 2007	3 years	37.97%	1.81%
8 August 2007	3 years	40.03%	2.11%
9 August 2007	3 years	40.03%	2.05%
31 January 2008	3 years	38.37%	2.79%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2-5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Black-Scholes option pricing model has been used to estimate the fair values of the options. The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The outstanding share options at the balance sheet date are not subject to any vesting period and can be exercised to subscribe 29,771,560 (2007: 22,390,000) shares in the Company except for the options granted on 31 January 2008 with the vesting date on 31 July 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

33. 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.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

33. SHARE OPTION SCHEMES *(continued)*

(b) Foundations Scheme *(continued)*

- (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.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 28, convertible bonds disclosed in note 29, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The Directors of the Company review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

35. 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.

36. 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\$17,613,000 (2007: HK\$22,542,000) after forfeited contributions utilised of HK\$1,919,000 (2007: HK\$1,379,000).

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 2008

37. 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:

	2008 HK\$'000	2007 HK\$'000
Within one year	6,091	1,455
In the second to fifth year inclusive	6,032	106
	<u>12,123</u>	<u>1,561</u>

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\$28,535,000 (HK\$28,080,000). 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:

	2008 HK\$'000	2007 HK\$'000
Within one year	25,436	26,269
In the second to fifth year inclusive	16,395	27,538
After five years	–	2,523
	<u>41,831</u>	<u>56,330</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

38. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	2008 HK\$'000	2007 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	221,639	385,600
– an associate	4,400	4,400
– jointly controlled entities	5,850	14,175
	<u>231,889</u>	<u>404,175</u>
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	<u>48,000</u>	<u>48,000</u>
Extent of a guarantee issued to a customer to indemnify contract work of a subsidiary	<u>115,900</u>	<u>115,900</u>
Extent of guarantee provided for a property development project to banks which granted facilities to purchasers of the Group's pre-sale properties	<u>129,013</u>	<u>81,315</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

39. 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 (2007: HK\$40,000,000). The Group's share of net income in relation to the jointly controlled assets amounted to HK\$1,527,000 (2007: HK\$35,000).

40. PLEDGE OF ASSETS

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

	2008 HK\$'000	2007 HK\$'000
Investment properties	568,000	555,000
Leasehold buildings and related prepaid lease payments	9,547	13,968
Properties under development	371,565	295,035
Properties held for sale	16,723	181,833
Bank deposits	10,171	34,667
	<hr/>	<hr/>
	976,006	1,080,503
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

41. RELATED PARTY TRANSACTIONS

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

	Associates		Jointly controlled entities	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Transactions during the year:				
Contract revenue recognised	<u>–</u>	<u>–</u>	<u>42,777</u>	<u>58,881</u>
Project management fee received	<u>–</u>	<u>–</u>	<u>531</u>	<u>666</u>
Security guard services income received	<u>–</u>	<u>–</u>	<u>1,139</u>	<u>990</u>
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	<u>4,400</u>	<u>4,400</u>	<u>5,850</u>	<u>14,175</u>
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	<u>48,000</u>	<u>48,000</u>	<u>–</u>	<u>–</u>

- (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 19, 23 and 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of Incorporation/ registration and operations	Nominal value of issued share capital/paid registered capital	Percentage of issued share capital/ registered capital				Principal activities
			held by the Company/ subsidiaries		attributable to the Group		
			2008 %	2007 %	2008 %	2007 %	
Caine Developments Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Investment holding
Chun Wo Building Construction Limited	Hong Kong	HK\$200,000 ordinary shares	100	100	100	100	Construction
Chun Wo (China) Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Investment holding and construction
Chun Wo Civil Engineering Limited	Hong Kong	HK\$18,000,000 ordinary shares	100	100	100	100	Construction
Chun Wo Construction and Engineering Company Limited ("CWCE")	Hong Kong	HK\$4,100,000 ordinary shares	100	100	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	100	100	Construction
Chun Wo E & M Engineering Limited	Hong Kong	HK\$5,000,000 ordinary shares	100	100	100	100	Electrical and mechanical contract works
Chun Wo Elegant Decoration Engineering Company Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Interior design and decoration
Chun Wo Foundations Limited	Hong Kong	HK\$19,000,000 ordinary shares	100	100	100	100	Construction
City Security Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	100	100	Security guard services
Racing Way Group Limited	British Virgin Islands ("BVI")	US\$1 ordinary	100	100	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of Incorporation/ registration and operations	Nominal value of issued share capital/paid registered capital	Percentage of issued share capital/ registered capital				Principal activities
			held by the Company/ subsidiaries		attributable to the Group		
			2008 %	2007 %	2008 %	2007 %	
Rich Resource Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Property development and property investment
Rich Score Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Property investment
Shanghai Jin Chun Wo Construction Engineering Co., Ltd.	PRC	US\$3,000,000 registered capital	100	100	100	100	Construction
Smart Rise Investment Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Securities investment
Smartwill Asia Limited	Hong Kong	HK\$1 ordinary shares	100	100	100	100	Property development
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	100	100	Property development
揚州俊杰房地產開發有限公司 (note b)	PRC	HK\$55,000,000 registered capital	100	100	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	100	100	Property development
沈陽盛隆房地產開發有限公司 (note b)	PRC	US\$30,000,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

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 2008 or at any time during the year.

43. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates 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 2008

44. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities are as follows:

Name of jointly controlled entity	Form of business structure	Place of registration/operation	Attributable interest to the Group %	Principal activities
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

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.

The Group is entitled to share the operating results of these jointly-controlled entities based on the Group's ownership interest/profit sharing ratio under the respective joint venture agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2008

45. COMPANY'S BALANCE SHEET

	2008 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES		
Total assets	1,171,233	987,625
Total liabilities	<u>597,919</u>	<u>579,856</u>
	<u>573,314</u>	<u>407,769</u>
CAPITAL RESERVES		
Share capital	85,882	74,705
Reserves	<u>487,432</u>	<u>333,064</u>
	<u>573,314</u>	<u>407,769</u>

FINANCIAL SUMMARY

	Year ended 31 March				2008 HK\$'000
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	
RESULTS					
Revenue	<u>3,191,310</u>	<u>2,564,083</u>	<u>2,600,638</u>	<u>4,034,066</u>	<u>2,952,736</u>
Profit before tax	91,820	59,801	62,237	578,303	123,097
Income tax expense	<u>(20,434)</u>	<u>(8,321)</u>	<u>(6,967)</u>	<u>(98,748)</u>	<u>(42,542)</u>
Profit for the year	<u>71,386</u>	<u>51,480</u>	<u>55,270</u>	<u>479,555</u>	<u>80,555</u>
Attributable to:					
Equity holders of the parent	71,368	51,630	56,525	480,376	80,548
Minority interests	<u>18</u>	<u>(150)</u>	<u>(1,255)</u>	<u>(821)</u>	<u>7</u>
	<u>71,386</u>	<u>51,480</u>	<u>55,270</u>	<u>479,555</u>	<u>80,555</u>
At 31 March					
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
ASSETS AND LIABILITIES					
Total assets	2,283,032	2,737,830	3,351,549	3,441,968	3,577,750
Total liabilities	<u>(1,573,398)</u>	<u>(1,985,977)</u>	<u>(2,555,807)</u>	<u>(2,190,580)</u>	<u>(2,164,789)</u>
	<u>709,634</u>	<u>751,853</u>	<u>795,742</u>	<u>1,251,388</u>	<u>1,412,961</u>
Equity attributable to:					
Equity holders of the parent	706,847	749,131	794,266	1,251,045	1,412,611
Minority interests	<u>2,787</u>	<u>2,722</u>	<u>1,476</u>	<u>343</u>	<u>350</u>
	<u>709,634</u>	<u>751,853</u>	<u>795,742</u>	<u>1,251,388</u>	<u>1,412,961</u>

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
A parcel of land located at southern portion of Jiunan Road, Henan Village Huanke Garden, Yixing Jiangsu Province the PRC	Foundation work in progress	June 2009	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 PRC	Superstructure work in progress	December 2011	Residential, commercial and carpark	111,554	331,823	100%
A parcel of land located at the western portion of Yangzijiang Road Central Yangzhou, Jiangsu Province the PRC	Superstructure work in progress	December 2008	Residential, commercial and carpark	17,505	35,732	100%
A parcel of land located at the northern side of Hengshan Reservoir, Xujing Village, Taihua Town, Yixing City, Jiangsu Province, the PRC	Planning	January 2009	Hotel and town houses	20,226	10,113	100%
Plot No. S5-C35 at Shams Development, Reem Island, Abu Dhabi	Planning	–	Residential	2,425	22,715	100%
Plot No. S6-C05 at Shams Development, Reem Island, Abu Dhabi	Planning	–	Residential	1,646	5,644	100%
New Kowloon Inland Lot No. 6179 Clear Water Bay Road Kowloon Hong Kong	Completed	Completed	Residential	N/A	226	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
Level 23, Wing Kin Square No. 31 Jiansheliu Road Dongshan District, Guangzhou City the PRC	Commercial	Medium
Unit B, Level 11, Tower 1 Onward Science & Trade Centre No. 2 Dong Huan South Road Chao Yang District, Beijing the PRC	Commercial	Medium