CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 711)

(Warrant Code : 654)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

RESULTS

The Board of Directors (the "Board" or the "Directors") of Chun Wo Development Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2008, together with the relevant comparative figures for the previous year:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
Revenue	2	**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	3	**(62,978)**	(32,462)
Profit before tax	4	**123,097**	578,303
Income tax expense	5	**(42,542)**	(98,748)
Profit for the year		**80,555**	479,555
Attributable to:			
Equity holders of the parent		**80,548**	480,376
Minority interests		**7**	(821)
		80,555	479,555
Dividends	6	**59,827**	42,812
Earnings per share			
– basic	7	**9.8 cents**	64.5 cents
– diluted		**4.0 cents**	64.3 cents

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties		**618,480**	620,183
Property, plant and equipment		**132,879**	150,979
Prepaid lease payments		**27,277**	27,960
Interests in associates		**42,783**	42,783
Interests in jointly controlled entities		**48,892**	79,489
Amounts due from associates		**103,232**	128,108
		973,543	1,049,502
Current assets			
Amounts due from customers for contract work		**506,762**	698,344
Debtors, deposits and prepayments	8	**396,450**	570,313
Prepaid lease payments		**683**	683
Properties under development		**890,456**	548,808
Deposits paid for properties under development		**78,678**	–
Properties held for sale		**23,861**	181,833
Investments held for trading		**16,488**	15,973
Amounts due from associates		**1,222**	1,207
Amounts due from jointly controlled entities		**37,482**	33,316
Tax recoverable		**30,630**	6,865
Pledged bank deposits		**10,171**	34,667
Bank balances and cash		**611,324**	300,457
		2,604,207	2,392,466
Current liabilities			
Amounts due to customers for contract work		**36,999**	87,849
Creditors, deposits and accrued charges	9	**334,803**	491,805
Deposits received from pre-sales of properties under development		**437,522**	217,650
Amounts due to jointly controlled entities		**48,864**	70,512
Amount due to an associate		**9,338**	–
Tax payable		**17,757**	46,731
Obligations under finance leases – due within one year		**1,073**	1,566
Borrowings – due within one year		**419,639**	726,197
Derivative financial instruments		**110,000**	–
		1,415,995	1,642,310
Net current assets		**1,188,212**	750,156
Total assets less current liabilities		**2,161,755**	1,799,658
Non-current liabilities			
Obligations under finance leases – due after one year		**555**	1,640
Borrowings – due after one year		**469,006**	489,850
Convertible bonds		**212,820**	–
Deferred tax liabilities		**66,413**	56,780
		748,794	548,270
Net assets		**1,412,961**	1,251,388

	2008	2007
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**85,882**	74,705
Reserves	**1,326,729**	1,176,340
Equity attributable to equity holders of the parent	**1,412,611**	1,251,045
Minority interests	**350**	343
Total equity	**1,412,961**	1,251,388

Notes:

1. 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.

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

2. 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 provision of security and property management services) and other activities. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 March 2008

INCOME STATEMENT

	Construction work	**Property development**	**Property investment**	**Professional services**	**Other activities**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	2,312,762	515,441	28,535	95,998	–	2,952,736
RESULT						
Segment result	(35,495)	138,980	45,296	3,648	(816)	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						(62,978)
Profit before tax						123,097
Income tax expense						(42,542)
Profit for the year						80,555

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

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	**–**	–
	2,952,736	4,034,066

3. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'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
	82,707	65,152
Less: Amount attributable to contract work	**(8,420)**	(16,801)
Amount attributable to properties under development	**(11,309)**	(15,889)
	62,978	32,462

4. PROFIT BEFORE TAX

	2008	2007
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Depreciation and amortisation on:		
Owned assets	**23,096**	25,893
Assets held under finance leases	**691**	854
	23,787	26,747
Less: Amount attributable to contract work	**(20,190)**	(23,432)
	3,597	3,315
Release of prepaid lease payments	**683**	491
Gain on disposal of property, plant and equipment	**(7,132)**	(3,611)

5. INCOME TAX EXPENSE

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

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

Income taxes arising in other jurisdictions and the PRC are calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

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

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Earnings for the purposes of basic earnings per share		
– Profit attributable to equity holders of the parent	**80,548**	480,376
Effect of dilutive potential ordinary shares from convertible bonds:		
– Imputed interest expense	**13,520**	–
– Fair value changes on embedded derivatives	**(57,000)**	–
Earnings for the purposes of diluted earnings per share	**37,068**	480,376
	Number of shares	
Weighted average number of shares for the purposes of basic earnings per share	**820,240,959**	744,674,904
Effect of dilutive potential shares in respect of		
– Warrants	**41,196,620**	1,823,312
– Share options	**9,900,474**	–
– Convertible bonds	**54,593,548**	–
Weighted average number of shares for the purposes of diluted earnings per share	**925,931,601**	746,498,216

The computation of diluted earnings per share for 2007 did not assume the exercise of the outstanding share options as the exercise prices of the Company's outstanding share options were higher than the average market price for the shares for that year.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

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.

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	2007
	HK$'000	*HK$'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
	127,351	270,807

9. 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	2007
	HK$'000	*HK$'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
	99,343	342,443

10. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	2008	2007
	HK$'000	*HK$'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
	231,889	404,175
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	**48,000**	48,000
Extent of a guarantee issued to a customer to indemnify contract work of a subsidiary	**115,900**	115,900
Extent of guarantee provided for a property development project to banks which granted facilities to purchasers of the Group's pre-sale properties	**129,013**	81,315

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.

11. 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	2007
	HK$'000	*HK$'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
	976,006	1,080,503

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.

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.

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

Property Development & Property Investment

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.

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.

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 projects with a total GFA of approximately 28,000 square meters in Abu Dhabi, United Arab Emirates where under current government plans, significant development is scheduled to take place over the next two decades.

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.

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 and also provides 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.

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.

ISSUANCE OF CONVERTIBLE BONDS

In December 2007, the Group issued an aggregate principal amount of HK$372.3 million of zero coupon convertible bonds to DKR Soundshore Oasis Holding Fund Ltd., GLG Market Neutral Fund and HSBC Bank Plc. The five-year bonds may be convertible into 170,779,816 new shares at the conversion price of HK$2.18 per share, subject to adjustment. The new shares represent 19.92% of the issued share capital at the date of the issue of convertible bond and 16.61% of the issued share capital as enlarged by the shares to be issued upon conversion of the bonds. The Group intends to use 90% of the net proceeds from the convertible bond issue for acquiring new land for development in Mainland China.

OUTLOOK AND PROSPECTS

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.

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 cites 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

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.

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.

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

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

CORPORATE GOVERNANCE 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 the Listing of 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.

The Company has adopted the Model Code regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Mode Code during the year under review.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in the Company's 2007/8 Annual Report.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company (the "Audit Committee") comprises three members, namely Mr. Au Son Yiu, Mr. Chan Chiu Ying and Mr. Hui Chiu Chung, all are Independent Non-executive Directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the final results of the Group for the year ended 31 March 2008.

By Order of the Board
Pang Kam Chun
Chairman

Hong Kong, 23 July 2008

As at the date of this announcement, the executive directors of the Company are Mr. Pang Kam Chun, Madam Li Wai Hang, Christina and Mr. Kwok Yuk Chiu, Clement and the independent non-executive directors of the Company are Mr. Au Son Yiu, Mr. Chan Chiu Ying, Mr. Hui Chiu Chung JP and Mr. Lee Shing See GBS, OBE, JP.