CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 711)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

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 2009, together with the relevant comparative figures for the previous year:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Revenue	*2*	**2,010,338**	2,952,736
Cost of sales		**(1,863,665)**	(2,669,125)
Gross profit		**146,673**	283,611
Other income		**20,497**	28,211
Fair value changes on investment properties		**(1,429)**	22,275
Selling expenses		**(11,866)**	(29,108)
General and administrative expenses		**(209,475)**	(176,818)
Fair value changes on embedded derivatives of convertible bonds		**22,000**	57,000
Share of results of associates		**3,099**	—
Share of results of jointly controlled entities		**3,840**	904
Finance costs	*3*	**(73,614)**	(62,978)
(Loss) profit before tax		**(100,275)**	123,097
Income tax expense	*4*	**(19,602)**	(42,542)
(Loss) profit for the year	*5*	**(119,877)**	80,555
Attributable to:			
Equity holders of the parent		**(119,877)**	80,548
Minority interests		**—**	7
		(119,877)	80,555
Dividends	*6*	**15,030**	59,827
(Loss) earnings per share			
— Basic	*7*	**(14.0) cents**	9.8 cents
— Diluted		**N/A**	4.0 cents

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	8	**159,423**	132,879
Prepaid lease payments		**24,936**	27,277
Investment properties		**617,051**	618,480
Interests in associates		**62,629**	42,783
Interests in jointly controlled entities		**39,884**	48,892
Amounts due from associates		**106,498**	103,232
		1,010,421	973,543
Current assets			
Amounts due from customers for contract work		**534,293**	506,762
Debtors, deposits and prepayments	9	**397,626**	396,450
Prepaid lease payments		**644**	683
Properties under development		**676,613**	890,456
Deposits paid for properties under development		**238,465**	78,678
Properties held for sale		**174,136**	23,861
Deposits paid for properties held for sale		**53,999**	—
Investments held for trading		**2,474**	16,488
Amounts due from associates		**1,233**	1,222
Amounts due from jointly controlled entities		**25,242**	37,482
Tax recoverable		**28,618**	30,630
Pledged bank deposits		**22,454**	10,171
Bank balances and cash		**435,882**	611,324
		2,591,679	2,604,207
Current liabilities			
Amounts due to customers for contract work		**53,830**	36,999
Creditors, deposits and accrued charges	10	**600,801**	334,803
Deposits received from pre-sales of properties under development		**72,323**	437,522
Amount due to an associate		**12,436**	9,338
Amounts due to jointly controlled entities		**36,886**	48,864
Tax payable		**14,712**	17,757
Obligations under finance leases		**546**	1,073
Borrowings		**1,010,835**	419,639
Derivative financial instruments		**88,000**	110,000
		1,890,369	1,415,995
Net current assets		**701,310**	1,188,212
Total assets less current liabilities		**1,711,731**	2,161,755
Non-current liabilities			
Obligations under finance leases		**—**	555
Borrowings		**101,111**	469,006
Convertible bonds		**259,270**	212,820
Deferred tax liabilities		**64,445**	66,413
		424,826	748,794
Net assets		**1,286,905**	1,412,961

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital		**85,884**	85,882
Reserves		**1,200,671**	1,326,729
Equity attributable to equity holders of the parent		**1,286,555**	1,412,611
Minority interests		**350**	350
Total equity		**1,286,905**	1,412,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

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

In the current year, the Group has applied the following amendments 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 current accounting period.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The application of the 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.

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[6]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

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

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

5 Effective for annual periods ending on or after 30 June 2009

6 Effective for annual periods beginning on or after 1 July 2008

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

8 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The application of the amendment to HKAS 40 "Investment Property" included in improvements to HKFRS will affect the accounting for property under construction or development for future use as an investment property of the Group. The amendment to HKAS 40 brings such property within the scope of HKAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group's accounting policy. Such property is currently accounted for at cost less impairment in accordance with HKAS 16 "Property, Plant and Equipment". The amendment is to be applied prospectively and is effective for the Group's financial year beginning 1 April 2009.

The Directors of the Company anticipate the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently 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 2009

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	1,275,382	594,364	27,752	112,840	—	2,010,338
RESULT						
Segment result	(64,137)	2,498	19,893	6,812	(6,123)	(41,057)
Unallocated corporate expenses						(19,150)
Interest income						4,607
Fair value changes on embedded derivatives of convertible bonds						22,000
Share of results of associates	—	3,099	—	—	—	3,099
Share of results of jointly controlled entities	3,840	—	—	—	—	3,840
Finance costs						(73,614)
Loss before tax						(100,275)
Income tax expense						(19,602)
Loss for the year						(119,877)

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	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
Unallocated corporate expenses						(27,179)
Interest income						2,825
Gain on disposal of an associate						912
Fair value changes on embedded derivatives of convertible bonds						57,000
Share of results 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

Geographical segments

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

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

	2009 ***HK$'000***	2008 *HK$'000*
Hong Kong	**1,209,695**	1,922,518
Macau	**37,003**	433,822
Elsewhere in the PRC	**730,609**	596,396
UAE	**10,527**	—
Others	**22,504**	—
	2,010,338	2,952,736

3. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**35,772**	63,054
Bank loans not wholly repayable within five years	**2,825**	5,987
Effective interest expense on convertible bonds	**46,450**	13,520
Finance leases	**39**	146
Total borrowing costs	**85,086**	82,707
Less: Amount attributable to contract work	**(1,906)**	(8,420)
Amount attributable to properties under development	**(9,566)**	(11,309)
	73,614	62,978

4. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax		
— current year	**2,835**	8,557
— overprovision in prior years	**(670)**	(2,380)
	2,165	6,177
— Other jurisdictions	**1,297**	2,750
— PRC Enterprise Income Tax ("EIT")	**12,501**	19,547
— PRC Land Appreciation Tax ("LAT")	**5,607**	4,435
	21,570	32,909
Deferred tax liabilities		
— current year	**1,436**	9,633
— attributable to a change in tax rate	**(3,404)**	—
	(1,968)	9,633
	19,602	42,542

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

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

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.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The relevant tax rate for the Company's subsidiaries in the PRC is 25%.

According to the New Law, the Implementation Regulation of the New Law, and a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui [2008] No. 1, starting from 1 January 2008, withholding income tax at 10% will be imposed on dividends relating to profits earned in the calendar year 2008 or onwards and being distributed by enterprises established in the PRC to their foreign shareholders, if there is no applicable tax treaty. Deferred tax liability of HK$1,434,000 (2008: nil) on the undistributed earnings of subsidiaries has been charged to the consolidated income statement for the year.

5. (LOSS) PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Depreciation and amortisation	**21,667**	23,787
Less: Amount attributable to contract work	**(17,219)**	(20,190)
	4,448	3,597
Release of prepaid lease payments	**683**	683
Gain on disposal of prepaid lease payments	**2,090**	—
Gain on disposal of property, plant and equipment	**189**	7,132

6. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Final dividend paid in respect of 2008 of HK1.75 cents (2007: HK2.75 cents) per share	**15,030**	23,485
Interim dividend paid in respect of 2008 of HK1.00 cent per share	**—**	8,588
Special final dividend in respect of 2007 of HK3.25 cents per share	**—**	27,754
	15,030	59,827

7. (LOSS) EARNINGS PER SHARE

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

	2009	2008
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purposes of basic earnings per share		
— (Loss) profit attributable to equity holders of the parent	**(119,877)**	80,548
Effect of dilutive potential ordinary shares from convertible bonds:		
— Imputed interest expense	**—**	13,520
— Fair value changes on embedded derivatives	**—**	(57,000)
(Loss) earnings for the purposes of diluted earnings per share	**(119,877)**	37,068

	2009	2008
Number of shares		
Weighted average number of shares for the purposes of basic (loss) earnings per share	**858,835,111**	820,240,958
Effect of dilutive potential shares in respect of		
— Share options	**—**	9,900,474
— Warrants	**—**	41,196,620
— Convertible bonds	**—**	54,593,548
Weighted average number of shares for the purposes of diluted (loss) earnings per share	**858,835,111**	925,931,600

No diluted loss per share for the year ended 31 March 2009 is presented as the conversion of convertible bonds would result in a reduction in loss per share and the exercise price of the Company's share options and warrants was higher than the average market price for shares for the year ended 31 March 2009.

8. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$51,905,000 (2008: HK$8,843,000) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK$3,760,000 (2008: HK$3,442,000).

9. DEBTORS, DEPOSITS AND PREPAYMENTS

Except for the 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 debtors of HK$189,221,000 (2008: HK$127,351,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	2009	2008
	HK$'000	*HK$'000*
Not yet due	**168,969**	114,198
0–30 days	**10,496**	8,940
31–90 days	**2,115**	597
91–180 days	**2,707**	172
Over 180 days	**4,934**	3,444
	189,221	127,351

10. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK$176,866,000 (2008: HK$99,343,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	2009	2008
	HK$'000	*HK$'000*
Not yet due	**118,160**	58,715
0–30 days	**35,242**	16,240
31–90 days	**11,799**	10,657
91–180 days	**1,689**	4,587
Over 180 days	**9,976**	9,144
	176,866	99,343

11. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	2009	2008
	HK$'000	*HK$'000*
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
— subsidiaries	**224,248**	221,639
— an associate	**4,400**	4,400
— jointly controlled entities	**5,850**	5,850
	234,498	231,889
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 properties held for sale and pre-sale properties	**221,530**	129,013

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.

12. PLEDGE OF ASSETS

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

	2009	2008
	HK$'000	*HK$'000*
Investment properties	**608,000**	608,000
Leasehold buildings and related prepaid lease payments	**—**	9,547
Properties under development	**416,420**	371,565
Properties held for sale	**172,888**	16,723
Bank deposits	**22,454**	10,171
	1,219,762	1,016,006

13. POST BALANCE SHEET EVENT

On 20 April 2009, the Group entered into a provision agreement with an independent third party to dispose of certain investment properties for a total cash consideration of HK$303 million. This disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and requires the approval of the shareholders at the special general meeting to be convened for such purpose. The transaction has not yet completed up to the date of this report. Details of the disposal are set out in the Company's announcement dated 23 April 2009.

Subsequent to 31 March 2009, the Company entered into agreements with the bondholders to repurchase all convertible bonds at approximately HK$346 million. The Directors consider that the financial impact of the repurchase is not significant.

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 2009, the total net debts of the Group amounted to approximately HK$913.5 million, representing total debts of approximately HK$1,371.8 million less bank balances and cash of approximately HK$458.3 million. The debt maturity profile of the Group at 31 March 2009 is analysed as follows:

	As at 31 March 2009 *HK$ million*	As at 31 March 2008 *HK$ million*
Borrowings repayable:		
Within one year or on demand	**1,011.4**	420.7
After one year, but within two years	**8.7**	368.5
After two years, but within five years	**26.0**	26.0
Over five years	**66.4**	75.1
	1,112.5	890.3
Convertible bonds due 2012	**259.3**	212.8
Total borrowings	**1,371.8**	1,103.1

At 31 March 2009, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 0.71 (2008: 0.34).

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars or Renminbi which are the same as the functional currency of the relevant group entity. The Group has no significant exposure to foreign exchange rate fluctuations and does not use any derivative contracts to hedge against its exposure to currency risk. Furthermore, the Group's borrowings have not been hedged by any interest rate financial instruments.

Subsequent to 31 March 2009, the Company repurchased all convertible bonds due 2012.

The Group's financial position is sound and strong. With available bank balances and cash at 31 March 2009 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

EMPLOYEE AND REMUNERATION POLICIES

The Group has approximately 2,340 employees at 31 March 2009. Total remuneration of employees for the year ended 31 March 2009 amounted to approximately HK$448.2 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2009 to shareholders (2008: HK1.75 cents per share).

BUSINESS REVIEW

The substantial decrease in turnover and loss incurred was due to a reduction in work in the construction business and slow down in property sales with reduced selling prices. This financial year has been difficult as the Group faced for the first half of the year a continued downturn due to sustaining competition in its construction business in 2008, compounded by a decrease in demand for property. For the second half of the year after the October global financial tsunami, management has taken a conservative approach due to the uncertainties in the global economy and financial markets. Increasing economic adversities caused by the worldwide recession and the margin reduction caused by the highly fluctuating material prices have been the two major risks to our operation.

For the first half and early second half of the financial year, the Group was highly selective in taking on new construction projects and property development opportunities. As material prices stabilized in the later part of the financial year, the Group became active in tendering new projects. However, economic conditions continued to be challenging, and the Group had not seen significant improvement in construction market. Nevertheless, the Group was able to win a number of new and high-profile projects.

Construction

As at 31 March 2009, the Group has approximately HK$8.3 billion contracts in hand with about HK$5.5 billion outstanding.

In this financial year the Group incurred a loss in its construction business due to reduced turnover, increased cost of materials and high overhead cost. During the year under review, some private development projects in Hong Kong were put on hold or were scaled down due to the uncertain economic environment. The construction market in Macau has also slowed down significantly with major gaming operators suspending construction works. The Group had two foundation projects canceled in Macau. This has adversely affected both our revenue and profit due to undischarged overhead. In anticipation of the upcoming 10 "mega" projects in Hong Kong, the Group maintained its core staff and had high overhead cost for the year.

In addition, the drastically changing economic environment has prompted some clients to delay payment and settle outstanding accounts less readily, inevitably impacting on our financial results.

The Group's construction of civil and building projects is showing signs of recovery. The revenue from the maintenance of existing infrastructure has increased and the Group will continue to expand its specialized construction activities.

Projects

The maintenance and minor works division had 7 contracts with the Water Supplies Department ("WSD"), part of their major program to maintain Hong Kong's essential water infrastructure at world class level. These projects included 2 maintenance term contracts and 5 pipeline rehabilitation contracts. It also serviced a minor works contract for the Architectural Services Department ("ASD") and a building maintenance contract for a private developer.

The building division's works at Upper Wong Tai Sin Phase 3 for the Hong Kong Housing Authority and the construction of a private development above the MTR station in Huangsha, Guangzhou have been progressing satisfactorily. The division was awarded 4 new contracts worth nearly HK$2.4 billion (HK$1.7 billion excluding joint venture amounts); a design and build contract for Tseung Kwan O Hospital Expansion, construction of the podium structure of a private development in Tseung Kwan O, a hostel with 1,800 units for the University of Hong Kong, and a contract for redevelopment of the Hong Kong Sports Institute and temporary velodrome in Whitehead.

The civil division worked on a new contract for road and master utility works at TKOTL 70 in Tseung Kwan O.

The Group's foundation subsidiary completed projects for a private development at No. 55 Conduit Road in Hong Kong. Projects at TKOTL 70, Area 86, Site E, Tsueng Kwan O; TPTL No. 188, Pak Shek Kok, Tai Po; No. 3 Connaught Road and Tseung Kwan O Hospital were on schedule.

The railway division won a joint venture contract worth HK$2 billion from the State Railway of Thailand for "The Red Line" in Thailand with approximately HK$240 million for track work. It completed the Kowloon Southern Link tracklaying contract during the financial year and has started to construct noise barriers for MTR Corporation at Olympic Station.

The Group's electrical and mechanical ("E&M") subsidiary completed works at Lok Fu Shopping Centre, water mains at Deepwater Bay Road, Sandy Bay DSD PV system, and Lok Fu Dry Market. It has also assisted the maintenance and minor works division on ASD's minor work contract. The subsidiary has worked on 3 contracts for The Link Management Limited and a major project at Windsor House. Work on installing a photovoltaic solar panel and wind turbine was ongoing at Sunny Bay for WSD.

With the increasing awareness of protecting our environment, the Group has set up a new subsidiary to focus on providing products and services to assist corporations to reduce energy consumption. Other products include bio toilets and organic bio-decomposer that effectively remove unpleasant odor from surroundings.

The Group's fitting-out subsidiary has ongoing work for the fitting out and renovation works of Lok Fu complex for The Link Management Limited, an interior decoration contract for Harbour Plaza 8 Degrees in To Kwa Wan and the renovation works of Windsor House in Causeway Bay. A new contract was awarded for fitting out works for residential towers at TKOTL 70, Area 86, Site AB, Tseung Kwan O.

The "Trenchless" subsidiary provides services for the inspection, repair, rehabilitation and replacement of underground pipes, undertook trunk sewer inspection for the Singapore Public Utilities Board and continued its marketing and sales in the Hong Kong market.

Property Development & Property Investment

The Mainland Property Development Sector

The property development market in China slowed down considerably during the year because of austerity measures imposed by the local government and the impact of the financial crisis. The Group acquired a 38% stake in a residential and commercial project of about 70,000 square metres in Shanwei, Guangdong Province in May 2008 and parts of a distressed property in Shenyang, Liaoning Province, which are expected to be converted to clear land for development in the near future.

"Arc de Royal", in Shijiazhuang, Hebei Province is a residential/commercial office mixed development project with a total gross floor area ("GFA") of approximately 400,000 square meters being developed in three phases. During this financial year, the Company sold, completed and delivered almost all the units in Phase 1. Due to the financial tsunami and the lack of market activity in 2008, the Group postponed the start of construction of Phase 2 to June 2009, and the completion date of the entire development is expected to be 2011/2012.

During the financial year, the Group adopted a cautious approach to further investment until the depth and duration of the recession becomes clearer and the opportunities for investment are better.

Overseas Property Development Sector

The Group's holds two residential projects with a total GFA of approximately 28,000 square meters in Abu Dhabi, United Arab Emirates. There has been no significant progress due to the overall poor economic conditions in the United Arab Emirates in the second half of the financial year.

Property Investment

The Group's investment property at "Grandeur Terrace" in Tin Shui Wai and "Infinity 8" in Choi Hung brought in stable income for the Group during the financial year. In April 2009, the Group entered into a provisional agreement for the disposal of "Grandeur Terrace" at a consideration of HK$303 million. The disposal is subject to the approval of the shareholders of the Company.

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. In August 2008, the subsidiary provided services for the Olympic Equestrian events held in Hong Kong.

OUTLOOK AND PROSPECTS

Macro Economic Factors

The outlook for the global economy is uncertain following the economic crisis. The recession in the United States of America in the fourth quarter of 2008 is the worst since 1982 as consumption and imports have plunged. Asia's recession is deepening-exports from China and Hong Kong for example declined over 20% in January and February of 2009 compared to last year. Economic activity has slowed and leading economic indicators of global trade suggest that there is further weakness ahead. This will put pressure on corporate and banking sectors with likely falls in employment. Many governments have cut interest rates, used fiscal measures, and increased spending to stimulate domestic demand. Due to increased government spending, construction projects in infrastructure in both emerging and developed economies are likely to increase in the next few years. For the real estate market, the fundamentals of the market in China and Hong Kong are strong; however, in the short term, demand will be driven by sentiment.

Construction

In the short term, we believe that 2009 will continue to be difficult as the market is still highly competitive, and the construction sector will not begin its turnaround until 2010 as the Hong Kong SAR government accelerates public sector investment. Capital works expenditure for Hong Kong in 2009/10 will be nearly HK$40 billion, almost double the 2008/9 figure. As well as the 10 "mega" infrastructure projects which have already been announced, measures have also been taken to accelerate minor works programs with considerable benefit to the industry. However, there were fewer private building and construction works in the fourth quarter of 2008 as developers weighed the consequences of the economic fallout. We believe commencement of projects in the private sector will continue to be slow due to economic uncertainty. Nevertheless, we believe the construction sector will resume its growth in year 2010.

The Group was able to secure several major building and maintenance projects towards the end of the financial year, and construction turnover should increase for the upcoming year. However, the industry continues to be competitive; and margin will only begin to increase with more civil projects coming out in late 2009 to 2010. Major projects coming up in the next few years include the West Island Line, the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the South Island Line, the Kwun Tong Line extension, the Shatin to Central Link, Kai Tak Redevelopment, including the new cruise terminal development, the development of the West Kowloon Cultural District, the Central-Wan Chai Bypass, the Hong Kong-Zhuhai-Macau Bridge, the Tuen Mun Western Bypass and Tuen Muen-Chek Lap Kok Link. The Group is in a good position to benefit from the eventual increase of civil projects with its strong track record in infrastructure projects, and we believe the construction business is likely to bottom out in 2009 and improve in 2010.

Property Development

We believe in the long term prospects of the property market in China, based on the underlying demand due to the rise in living standards, are good. However, we will maintain our cautious approach of seeking low cost development opportunities in second tier cities.

The Middle East has been affected by the events of late 2008 and 2009. The Group has elected to target Abu Dhabi which commands significant oil reserves and has recently published its long term plan (to the Year 2030) which is aimed at transforming the Emirates. The outlook for property will depend on investor sentiment and recovery in other property markets. The Group will keep these under review before determining its long term and short term strategies in Abu Dhabi.

Other Sectors

The Group has its roots in construction and property and in 2009 it will review construction, property, the environment, and infrastructure investment to develop along profitable but prudent avenues.

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 2008/9 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 2009.

By Order of the Board
Clement Y.C. Kwok
Managing Director

Hong Kong, 20 July 2009

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.