Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)

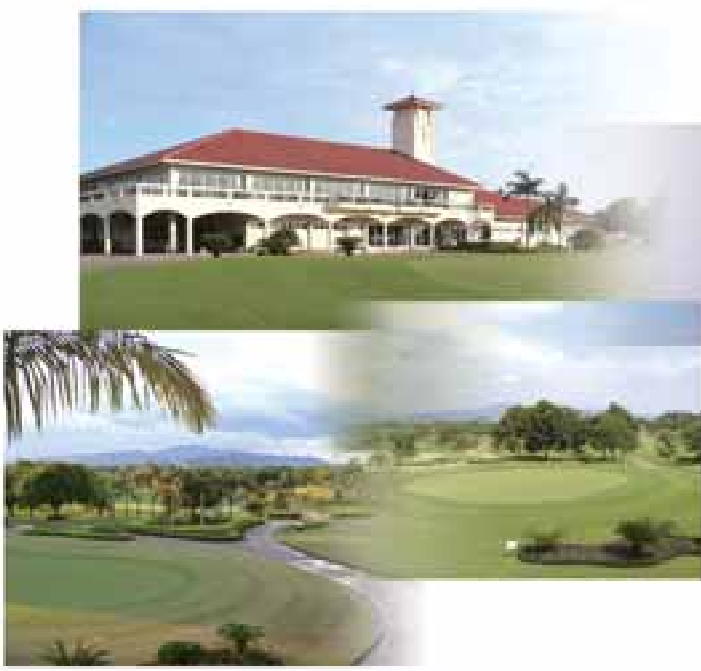
ANNUAL REPORT 2007

工程項目 Construction / E&M Project

山頂普樂徑10, 12, 16及18號（原址為天比高）四座高級獨立洋房，每座設有室外游泳池。為總承包商，工程包括結構及機電工程。
Four individual prestige houses with outside swimming pools which located at 10, 12, 16 & 18 Pollock's Path, The Peak (former Sky Height). Main Contractor for the construction of building structure, external finishes and E&M works.

沙田石門一直資中小學之電氣、空調及消防設備之安裝工程
Building Services Installation (Electrical, HVAC, Fire Services) for the Construction of a Direct Subsidy Scheme School (Secondary-cum-Primary) in Area 11, Shatin

物業投資 Property Investment



位於惠州高爾夫球場內面積近500畝之土地，將發展低密度住宅，並已取得國有土地使用證。
A lower density residential project will be developed inside HuiZhou Golf stadium with a land area about 500 chinese acres and already obtained the Land Use Right Certificate.

去年購入之海口麗都假日酒店（原奧斯薩克酒店），總面積約22,000平方米，計有客房225間及商業面積4,000平方米，位於海口市中心點，現正全面翻新修及更新設備，預計將於本年底重新開業。
Li Du Holiday Hotel (formerly known as Hotel Oasis), was acquired last year is located at the prime area of Haikou city, with a total gross floor area 22,000 square metre combined with 225 guest rooms and 4,000 square metre commercial area. Li Du Holiday Hotel is currently under renovation and renew the facilities which is expected to be reopened at the end of this year.

會所投資 Club Investment

下列兩間大型美格菲會所約於今年十月份在上海下列地點開幕，該等會所集健身、高溫瑜珈、恒溫泳池、美容及餐廳於一身。

Two large-scale Megafit fitness clubs will inaugurate in Shanghai around this October. These fitness clubs will provide fitness training facilities, hot yoga, indoor heated swimming pool, beauty & spa treatments and restaurant services.

位於上海核心地段之梅龍鎮的新都會，總佔地5.43公頃，
集商業、高級商務寫字樓及酒店融為一體，
其中美格菲會所面積約5000平方米。
Situated at the prime center of Mei Long Zhen in Shanghai,
the Max-Mall is occupies 5.43 hectares and integrates commerce,
top-notch office building and hotel, in which,
Megafit Max-Mall Fitness Centre is almost 5000 ㎡ in area.

新浦江城佔地約2平方公里，總開發面積逾130萬平方米，
上海版圖中心，世博會址之南，是集意大利風貌及
中國四合院設計之聯排別墅及綜合商業物業之發展項目，
其中美格菲會所面積超過4000平方米。
Citta Pujiang occupies 2 square kilometres of land and the total
development area is over 1.3 Million sq.m. It is situated in
the center of the Shanghai territory and south of
the World Expo Shanghai site. It is a development project of
villas and integrated commercial properties with a blend of
Italian and Chinese Si He Yuan architectural styles.
Megafit Citta Pujiang Fitness Centre occupies more than 4000㎡.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Wang Ke Duan *(Chairman)*
Mr. Tjia Boen Sien
(Managing Director and Deputy Chairman)
Mr. Wang Jing Ning
Mr. Keung Kwok Cheung
Mr. Ong Chi King
Dr. Ho Chung Tai, Raymond*
Mr. Siu Man Po*
Mr. Wong Shing Kay, Oliver*

(Independent non-executive directors)*

COMPANY SECRETARY

Mr. Ong Chi King

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Wing Hang Bank, Limited

LEGAL ADVISERS

Appleby Corporate Services (Bermuda) Ltd.
Morrison & Foerster

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, Nanyang Plaza
57 Hung To Road
Kwun Tong
Kowloon
Hong Kong

FOREWORDS

I have pleasure to present to the Shareholders the Group's annual report for the year ended 31 March 2007.

During the year under review, the Group face tough challenges resulting from fierce competition in the construction contracting market, whilst the Group is enjoying the fruitful return from the property development and investment business, especially in the Shanghai region where residential property prices are continuously increasing. In addition, during the year under review, the Group acquired a hotel property in Hainan, the People's Republic of China (the "PRC") for the purpose of earning recurring rental income, and the Group recorded a fair value gain on this property in the amount of HK$28 million, which demonstrate the precise investment strategy of the Group.

BUSINESS REVIEW

The Group's turnover for the year was HK$453,943,000 which represented a decrease of 26% as compared with last year. The net profit attributable to equity holders of the Company amounted to approximately HK$7,684,000 representing a decrease of 25% as compared with last year. Earnings per share is approximately HK1.44 cent.

The Group's major business segment during the year comprises (i) construction, as a main contractor, as well as the provision of contracting intelligent building engineering, and electrical and mechanical ("E&M") services; (ii) property development and investment; and (iii) the operation of fitness club and trading of fitness equipment business.

During the year, the Group completed projects such as the main contractor for construction of a residential building at no.1 The Peak, Hong Kong, main contractor for design and build of a monastery building including E&M works at Lautau Island, Hong Kong, 2 years' term contract for inspection, repair, overhaul and testing of electrical and mechanical installations at various sewage treatment works and pumping station in the New Territories, Hong Kong and several school improvement works in Hong Kong.

More to note, during the year, the Group sold certain units in Phase II and Phase III of Asian Villas, Phase I of Asian Villas City Square, Haikou, Hainan Province, and certain apartments and villas in Parkview Garden, Shanghai, which contributed a meaningful turnover and profit to the Group. The enthusiastic sales response together with the fair value gain on investment properties were demonstrated by the 257% increase in the segment results as compared to last year.

On the other hand, the fitness club and related business generated a meaningful turnover totaling HK$68 million to the Group during the year. In the current year, two new fitness centres were opened at Fortune-King Plaza in Chengdu and Xinjiagwan, Shanghai, PRC, and positive feedback and enquiries were received since the opening.

FINANCIAL REVIEW

Turnover

During the year, the Group's turnover amounted to HK$454 million, down by 26% as compared to last year. The decrease is mainly driven by the contraction in the construction contracting business, as a result of the construction market remained intensely competitive, and certain significant projects in Hong Kong had been completed in last year, whilst new projects, such as main contractor for redevelopment of Good Hope School at Ngau Chi Wan, Hong Kong with a contract value of HK$169 million, are still at the preliminary stage. However, construction contracting business still accounted for 60% of the Group's turnover. Turnover generated from property development and investment business and fitness club business amounted to approximately HK$112 million and HK$68 million respectively, which represent 25% and 15% of the Group's total turnover respectively.

Gross profit margin

During the year under review, the Group's gross profit margin was approximately 22%, up by 4% as compared to last year's 18%, this improvement was mainly contributed by the distinctive sales record achieved for the villas at Parkview, Shanghai and the increasing trend of Shanghai residential property price.

Liquidity and financial resources

As at 31 March 2007, the Group had total assets of HK$892,595,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK$365,086,000, HK$110,767,000, HK$414,830,000 and HK$1,912,000, respectively.

The gearing ratio for the Group is, at 21% (2006: 7.7%). It was calculated based on the long term borrowings of HK$110,767,000 (2006: HK$31,377,000) and long term capital of HK$527,509,000 (2006: HK$407,759,000).

Capital expenditure

Total capital expenditure for the year was approximately HK$100 million, which are mainly used in purchase of building, leasehold improvements, equipment in connection with the expansion of its property investment and fitness club businesses in PRC.

Contingent liabilities

At the balance sheet date, there were no significant contingent liabilities for the Group.

Commitments

Details of the commitments of the Group are set out in note 39 to the financial statements.

Charges on group assets

Details of the charges on asset of the Group are set out in note 30 to the financial statements.

Treasury policies

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the fact that Hong Kong dollars interest rate had risen in the past few months to a level similar to Renminbi interest rate, the Group will take consideration on the Renminbi fund planning to adequately finance the property development in Kaifeng and Huizhou. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and Renminbi, hence, there is no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Since some of the Group's business are based in the People's Republic of China, the continuing appreciation of RMB inevitably increase the development cost and operating cost, however, the fluctuation in RMB is still mild for the time being and therefore the management does not foresee any significant foreign currency exposure.

PROSPECTS

Construction business (including E&M works)

The Group will uphold an on-going parallel development of its construction business (including E&M works) in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, in April 2006, the Group had been promoted from "List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the HKSAR" to "List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR". Together with the license in Group II under the "Turn-key Interior Design and Fitting-out Works" under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" and the 11 licenses held under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR", enables the Group to take an active part in the construction business development (including E&M works).

During the year, new projects such as main contractor for redevelopment of Good Hope School at Ngau Chi Wan, Hong Kong, decoration work for 4th and 5th floors of Ongoing Department Store, Shanghai, PRC, decoration work for a hotel at Beijing, PRC, air-conditioning and mechanical ventilation installation at Hong Kong School of Creativity at Kowloon Tong, Hong Kong, fitting out works for Club Monaco at New World Tower, Hong Kong, and building services installation for the construction of several primary school in Hong Kong. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK$688 million.

Property development and investment

The development of high-class residential property development project, Parkview, near the Botanical Gardens in Shanghai with a gross floor area of approximately 56,000 sq. metres was completed in December 2003. Certain units of the Parkview were sold at a total contractual sum of over RMB356 million. As Shanghai is now vigorously developing into a metropolis serving as an international financial, information and logistic center, the Directors believe that this project has great market potential and bright prospects by virtue of its unique Botanical Gardens surroundings.

In addition, Asian Villas City Square, Haikou, Hainan Province is developing into a residential and commercial complex with a total gross floor area of approximately 130,000 sq. metres. Construction is on schedule, up to now, Phase I and II were completed and 2 blocks of residential building of Phase III are under pre-sale. It is expected the whole development will be completed by the end of 2007. Up to the date of this report, the total contract sum achieved amounted to approximately RMB140 million.

On 9 June 2005, the Group has been granted the land use rights of a development site in Long Ting District of the City of Kai Feng. The Directors intend to develop a commercial complex on the site with an estimated gross floor area of approximately 177,000 sq. metres. Up to now, the development is at the removal and demolish stage, processing smoothly, and the removal and demolish is expected to be completed by August 2007. In April 2007, the Group was granted another land use rights of a development site adjacent to the original site in Long Ting District, with a site area of approximately 20,000 sq. metres, the Directors intend to develop this additional site together with the original site.

On 2 November 2006, the Group obtained the land use rights of a development site in Huidong province of PRC. The Directors intend to develop residential villas on the site with an estimated gross floor area of approximately 220,796 sq. metres. It is expected the development will soon be commenced.

During the year, the Group had purchased a hotel in Haikou, the capital of Hainan Province, PRC through the acquisition of a subsidiary. The hotel has a gross floor area of 20,868 square metres and is under decoration. The Group intends to lease out the hotel to generate recurring rental income. In view of the great potential which Hainan Province has as an upscale tourist destination, the Directors consider the growth prospects to be promising.

Although the residual effect of the macro-economic tightening measures have added uncertainties to the growth of the PRC economy, the Directors believe that the austerity measure had only a moderate and short term impact on the property market in PRC. With strong sustained economic growth in PRC, coupled with the expected appreciation of RMB, the PRC property market offers tremendous opportunities, and the Group will continue to place emphasis on strengthening the property development and investment business, and may acquire additional land bank to richen its land reserve, specifically in the second and third tier cities in PRC which the market trend and growth potential is consistently increasing, however, the Group has no specific investment plan in relation to any particular project currently.

Noteworthy is the fact that Directors believe the hosting of the World Expo in 2010 which will have a positive impact on the PRC property market and the property development and investment segment will continue to provide a sizable contribution to the Group's operating results in the coming years.

Operation of "Megafit" sports club, fitness and spa centres and related business

In the past few years, several fitness and spa centres were opened in various locations in the PRC including Shanghai, Xian, Wuhan and Chengdu. In May 2004, one of the biggest sport club in the PRC was opened in Jinqaio, Shanghai, PRC, this sports club has a total gross floor area of approximately 11,000 square metres equipped with swimming pool, tennis court, spa and gym facilities, also this sports club is the first club in Shanghai who has obtained "Approved China Sport Service (Fitness Club) Five Star Certification" in year 2007. In addition, one new fitness club was opened at Xinjiagwan, Shanghai with a gross floor area of approximately 4,500 square metres, fine-equipped with indoor heated swimming pool, squash field, gymnasium and aerobic exercise equipment etc. The brand "Megafit" is very well known in PRC, especially when Megafit obtained the right to name the "Megafit 2007 Asian Body Building and Fitness Championships" under "Megafit", a championship which will be held at the end of August, 2007 in Shanghai and will have more than 40 countries participated, furthermore, Megafit has becomes one of the co-operative unit in this championship, and the organization of which will greatly increase "Megafit"'s reputation in fitness club business and it's brand name. There are currently 9 fitness clubs which are operating under the brand name "Megafit". The Group currently has over 11,000 members. As Beijing has won the right to host the 2008 Olympic Games and Guangzhou has won the right to host the 2010 Asian Games, the Directors believe that these events will stimulate the public's enthusiasm in fitness and sports and this business segment will provide a favourable contribution to the Group's revenue in the future.

During the year, the Group had signed two co-operation agreements to open two more fitness clubs at Meilongzhen, Shanghai and Xinpujiang, Shanghai, these fitness clubs will have gross floor area of approximately 5,000 square metres and 4,000 square metres respectively, fine-equipped with indoor heated swimming pool, spa, children's workshop, spinning room, gymnasium and aerobic exercise equipments etc. The soft opening of these fitness clubs will be in October 2007.

HUMAN RESOURCES

As at 31 March 2007, the Group has 437 employees, 295 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year under review amounted to HK$46 million as compared to HK$42 million in last year.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code on Corporate Governance Practices for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the annual results for the year ended 31 March 2007. The audit committee comprise of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Wong Shing Kay, Oliver is the Chairman of the committee.

SUMMARY

The Group's fruitful achievement in the property development business in PRC, were confirmed by the satisfactory operating results in current year. In the future, the Group expects competition in the construction contracting industry remain intense, however, with its proven track records and valuable expertise, the Group will strengthen the development of construction business (including E&M). The Group will also focus on the property development and investment business, the "Megafit" fitness club brand marketing and expansion. On the other hand, the Group will keep on seeking new opportunities and corporate development so as to accelerate the growth momentum.

ACKNOWLEDGEMENTS

On behalf of the directors, I would like to express my gratitude to our Shareholders, business partners and customers for their continued support, I would also like to thank my colleagues for their hard work and continuous commitment over the past few years, their work has contributed significantly to our favourable results. We will carry on dedicating our efforts towards the Group's long-term development.

Tjia Boen Sien
Management Director and Deputy Chairman

Hong Kong
24 July 2007

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of (a) the construction, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and Mainland China; (b) property development and investment; and (c) the operation of fitness centres and trading of fitness equipment. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 100.

No interim dividend was paid during the year and the directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2007. (2006: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated / reclassified as appropriate, is set out below.

	Year ended 31 March				
	2007	2006	2005	2004	2003
RESULTS	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
REVENUE					
Continuing operations	**453,943**	617,414	570,827	538,118	529,273
PROFIT /(LOSS) FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	**26,182**	9,963	(61,434)	48,989	11,099
Share of profits and losses of jointly-controlled entities	**(3,090)**	55	16	(25)	–
Share of profits and losses of associates	**710**	101	184	(6,201)	2,968
PROFIT/(LOSS) BEFORE TAX	**23,802**	10,119	(61,234)	42,763	14,067
Tax	**(17,167)**	(1,656)	(5,773)	(22,685)	(8,565)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**6,635**	8,463	(67,007)	20,078	5,502
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**–**	–	120,054	–	–
PROFIT FOR THE YEAR	**6,635**	8,463	53,047	20,078	5,502
Attributable to:					
Equity holders of the parent	**7,684**	10,181	40,242	23,418	8,809
Minority interests	**(1,049)**	(1,718)	12,805	(3,340)	(3,307)
	6,635	8,463	53,047	20,078	5,502

SUMMARY OF FINANCIAL INFORMATION *(Continued)*

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**892,595**	649,676	643,474	568,577	636,367
Total liabilities	**(475,853)**	(273,294)	(307,669)	(278,909)	(361,641)
Minority interests	**(1,912)**	(2,275)	(2,006)	(11,182)	(10,889)
	414,830	374,107	333,799	278,486	263,837

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 19.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of movements in the share capital, share options and convertible notes during the year are set out in notes 33, 34 and 32 to the financial statements, respectively.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$155,130,000. In addition, the Company's share premium account and capital redemption reserve, in the aggregate amount of HK$131,925,000, may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions from its contributed surplus in certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 21% (2006: 27%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 5% (2006: 7%). Purchases from the Group's five largest suppliers accounted for approximately 17% (2006: 18%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 5% (2006: 5%).

None of the directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) or any other shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DIRECTORS

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

Executive directors

Mr. WANG Ke Duan *(Chairman)*
Mr. TJIA Boen Sien# *(Managing Director and Deputy Chairman)*
Mr. WANG Jing Ning#
Mr. KEUNG Kwok Cheung
Mr. ONG Chi King

Independent non-executive directors

Dr. HO Chung Tai, Raymond*#
Mr. SIU Man Po*#
Mr. WONG Shing Kay, Oliver*#

* audit committee members
\# remuneration committee members

Mr. Wang Jing Ning, Mr. Keung Kwok Cheung and Mr. Wong Shing Kay, Oliver will retire by rotation according to the Company's bye-laws and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver, and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Chairman

WANG Ke Duan, aged 76, is one of the co-founders of the Group. He is the chairman of the Group. He has over 52 years' experience in the construction engineering industry in the Mainland China and Hong Kong. He was the deputy general manager of Fujian Province Construction Corporation for three years prior to the establishment of the Group. He is responsible for the daily operations of the Group.

Executive Directors

TJIA Boen Sien, aged 63, is one of the co-founders of the Group. He is the Managing Director and Deputy Chairman of the Group. Mr. Tjia is responsible for the overall corporate strategy and the daily operations of the Group, including business development and overall management. He graduated from the Fujian Overseas Chinese University in the Mainland China. Mr. Tjia is well respected and has established connections in the Mainland China construction industry through his extensive experience. He has over 24 years' experience in the construction industry in the Mainland China and Hong Kong. Mr. Tjia is the Vice Chairman and a committee member of Zhan Tian You Civil Engineering Development for Science and Technology; a member of China Civil Engineering Society, the People's Republic of China; a corporate member of the Chartered Institute of Building and a professional member of The Royal Institution of Chartered Surveyors in the United Kingdom.

WANG Jing Ning, aged 51, joined the Group in 1989 and is an executive director of the Group. Mr. Wang has over 27 years' experience in hotel management and construction engineering in the Mainland China and Hong Kong. He is responsible for managing the Group's projects in the Mainland China.

KEUNG Kwok Cheung, aged 49, joined the Group in March 1989. He is an executive director of the Group and is in charge of the Group's engineering and contracts departments. He has over 25 years' experience in the fields of civil, structural and building engineerings and in the management of large-scale projects. He also holds an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University and a Master degree in Business Administration. He is a fellow member of the Hong Kong Institute of Directors. He is also a member of the China Civil Engineering Society, the People's Republic of China.

ONG Chi King, aged 34, joined the Group in October 1999. He is an executive director of the Group. He is responsible for the business development, listing compliance and company secretarial functions of the Group. He holds a Master degree of Corporate Finance from the Hong Kong Polytechnic University and a Bachelor degree in Business Administration from the Hong Kong University of Science and Technology. He is a fellow of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 11 years' experience in accounting, auditing and finance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
(Continued)

Independent non-executive directors

Dr. Raymond HO Chung-Tai, SBS, MBE, S.B. St. J., JP, aged 68, is currently a member of the third Legislative Council (Engineering Functional Constituency). Dr. Ho has 44 years' experience in the fields of civil, structural environmental and geotechnical engineering and project management including 34 years in Hong Kong and 10 years in the United Kingdom, with direct responsibility in major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial / residential buildings, geotechnical work, environmental studies and projects as well as project management. Dr. Ho holds a doctorate degree in civil engineering from the City University of London, U.K., Hon. Doctor of Business Administration from the City University of H.K., Honorary Doctor of Laws from University of Manchester, U.K., a postgraduate diploma in geotechnical engineering from Manchester University, U.K. and a bachelor degree in civil engineering from the University of Hong Kong. Dr. Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. Dr. Ho was formerly President of the Hong Kong Institution of Engineers (1987/1988), Council Chairman of the City University of Hong Kong, Council Chairman of the former City Polytechnic of Hong Kong, Chairman of Hong Kong Technology Committee of the Industry & Technology Development Council (ITDC) and member of ITDC, member of the first and second Legislative Council (Engineering Functional Constituency), member of the Provisional Legislative Council, Chairman of the Transport Advisory Committee, Hong Kong Affairs Adviser, member of Consultative Committee on the New Airport and Related Projects, and member of the Gas Safety Advisory Committee. Dr. Ho is currently Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee.

Ir SIU Man-po was awarded the MEDAL OF HONOUR (MH) by the Chief Executive of the Government of the Hong Kong Special Administrative Region (HKSAR) in July 2004 for his dedication and meritorious services to the engineering profession and the community.

Mr. Siu, aged 69, obtained his Master of Science in Civil Engineering in 1963 from Auburn University in Auburn, Alabama, U.S.A.

Mr. Siu has extensive experience in construction field including the construction of Tsing Yi Power Stations in 1966-1977, MTR stations in 1977-1987, and Hong Kong Baptist University campus development in 1989-1999.

Mr. Siu is a Fellow Member of the Hong Kong Institution of Engineers, American Society of Civil Engineers, the Hong Kong Institute of Facility Management and the Hong Kong Institute of Directors.

Mr. Siu is currently the Managing Director of Ho Wang Siu Mak Management Ltd.

Mr. WONG Shing Kay, Oliver, aged 55 , obtained his professional accounting qualifications in both Hong Kong and Canada. Mr. Wong is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Wong is also a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of Certified General Accountants of Canada. Mr. Wong had worked in various renowned auditing firms in Hong Kong with over 16 years of experience in handling auditing, financial accounting and taxation matters. Mr. Wong is currently appointed as an independent non-executive director and a member of Auditing Committee of several listed companies in Hong Kong. He also assumed the duty of Financial Controller for several listed companies in both Hong Kong and Canada for over ten years. Mr. Wong is presently practicing as a Certified Public Accountant in Hong Kong. He is knowledgeable with expertise in financial accounting, taxation, import-export business and company management.

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

Senior management

CHAN Chi Kwong, aged 44, joined the Group in July 1992. He is a senior project manager of the Group and is responsible for the supervision of the Group's construction projects both in Hong Kong and in the Mainland China. He has over 23 years' experience in the field of civil and structural engineering. He holds a Bachelor Degree of Science in Construction Management from the University of Wolverhampton.

KWOK Koon Keung, aged 39, joined the Group in February 1996. He is the contracts manager of the Group and in-charge of the contracts department. He has over 17 years' experience in the industry and holds a Bachelor of Science degree in Building from South Bank University in United Kingdom. He is a Professional Associate Member of the Royal Institute of Chartered Surveyors.

YEUNG Yam Chi, aged 45, joined the Group in April 1994. He is a senior project manager of the Group and is responsible for supervision of the Group's construction projects in Hong Kong and in the Mainland China. He has over 21 years' experience in the field of civil and structural engineering. He holds a Master's degree in Civil and Structural Engineering from the University of Sheffield in the United Kingdom.

LO Wing Ling, age 47, joined the Group in 2000. He is the director of Kenworth Engineering Limited and incharge of the E & M engineering division of the Group. He is responsible for the planning and co-ordination of projects which cover the co-ordination of engineering resources, progress monitoring and work performance. Mr. Lo has over 24 years' experience in environmental engineering and building services work. He holds a Bachelor of Science degree in Mechanical Engineering, a Bachelor of Arts degree in Business Studies and a degree of Master of Science in Environmental Management. He is also a director of The Hong Kong Project Management Exchange Centre.

WONG Ka Yan, aged 34, joined the Group in April 2001. She is the Financial Controller of the Group. She is responsible for monitoring all of the Group's accounting and finance functions. She holds a Bachelor degree in Commerce from the University of Adelaide, Australia. She is a certified public accountant of CPA Australia. Before joining the Group, she had several years' experience with an international accounting firm.

KONG Ping, aged 71, joined the Group in April 1990 as the accountant of the Group. She is responsible for overseeing all of the Group's accounting matters in the Mainland China. She obtained her accountancy qualification in Fujian Province in 1983 after having graduated from Fujian Finance School in the Mainland China. She has more than 41 years' cost accounting experience in major enterprises in the Mainland China.

LI Ngan Mei, aged 46, joined the Group in December 1988 and is the administration manager of the Group. She has more than 22 years' experience in personnel and administration management.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests and short positions of the directors in the share capital and share option of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Mr. Tjia Boen Sien*	35,984,400	226,250,000	262,234,400	45.79
Mr. Wang Jing Ning	12,839,600	–	12,839,600	2.24
Mr. Wang Ke Duan	268,960	–	268,960	0.05
Mr. Ong Chi King	1,550,000	–	1,550,000	0.27
Mr. Siu Man Po	180,000	–	180,000	0.03

* Sparta Assets Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.

The interests of the directors in the share options of the Company are separately disclosed in note 34 to the financial statements.

Save as disclosed above and note 34 to the financial statements, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 34 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Number of underlying shares (under equity derivatives of the Company)	Aggregate interest	Percentage of the Company's issued share capital
Sparta Assets Limited	Directly beneficially owned	226,250,000	–	226,250,000	39.51
Mr. Tjia Boen Sien (Note 1)	Interests of controlled corporation	226,250,000	–	226,250,000	39.51
	Directly beneficially owned	35,984,400	–	35,984,400	6.28
Penta Investment Advisers Limited ("Penta") (Note 2)	Investment manager	97,260,000	35,000,000	132,260,000	23.09
Mr. John Zwaanstra (Note 2 & 3)	Interests of controlled corporation	97,260,000	35,000,000	132,260,000	23.09
Penta Japan Fund, Ltd. ("Penta Japan") (Note 4 & 5)	Interests of controlled corporation	55,147,000	23,333,333	78,480,333	13.70
Mr. Todd Zwaanstra (Note 4 & 5)	Trustee (other than a bare trustee)	55,147,000	23,333,333	78,480,333	13.70
Mercurius GP LLC ("Mercurius") (Note 4 & 6)	Founder of a discretionary trust	55,147,000	23,333,333	78,480,333	13.70

Note:

1. Sparta Assets Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.

2. These include (i) an interest in 97,260,000 shares and (ii) an interest of HK$15,750,000 convertible note at the exercise price of HK$0.45 per new share (subject to adjustment).

3. Mr. John Zwaanstra was deemed to have interests in the shares and underlying shares through his 100% interest in Penta. Mr. John Zwaanstra was also deemed to have interests in the shares and underlying shares in which Penta Japan and Mercurius were interested through his control of more than one-third of the voting power of Penta Japan and Mercurius.

4. These duplicated parts of the interests of Penta and Mr. John Zwaanstra and include (i) an interest in 55,147,000 shares and (ii) an interest of HK$10,500,000 convertible note at the exercise price of HK$0.45 per new share (subject to adjustment).

5. The interests were held by Penta Master Fund, Ltd. ("Penta Master"), a wholly owned subsidiary of Penta Japan. Mr. Todd Zwaanstra was deemed to have interests in the shares and underlying shares in which Penta Master was interested pursuant to his control of more than one-third of the voting power of Penta Japan as trustee of the Mercurius Partners Trust ("Mercurius Trust"), being a discretionary trust.

6. Mercurius was the founder of the Mercurius Trust and was therefore deemed to have interests in the shares and underlying shares in which Mr. Todd Zwaanstra and Mercurius Trust were interested.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

On 16 January 2007, Winsome Properties Limited, a wholly-owned subsidiary of the Company entered into an agreement with 海南京都實業發展有限公司（"海南京都"), a substantial shareholder of a subsidiary of the Company, for the acquisition of 30% interest in 海南亞豪置業有限公司（"海南亞豪"), and related shareholder's loan at a total consideration of HK$9,500,000. Upon completion of the agreement, 海南亞豪 became a wholly-owned subsidiary of the Company. The transaction was completed in February 2007.

As 海南京都 is a substantial shareholder of 海南亞豪, accordingly, 海南京都 is a connected person of the Company, and the acquisition constitutes a connected transaction of the Company within the meaning of the Listing Rules on the Stock Exchange. As each of the applicable percentage ratios of the transaction, when aggregated with the acquisition of 70% interest in 海南亞豪 completed in April 2006, is more than 2.5% but less than 25% and the total consideration involved is less than HK$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, it is exempted from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements of the Listing Rules.

On 15 March 2007, Hua Sheng International Real Estate Development (Shanghai) Co. Ltd. ("Hua Sheng"), an indirect wholly-owned subsidiary of the Company entered into sales and purchase agreements and decorative agreements with Mr. Tjia Boen Sien ("Mr. Tjia"), the Managing Director and Deputy Chairman of the Company, Mr. Tjia Wai Yip and Ms. Tse Hoi Ying, in relation to the sale and purchase of three apartments in Parkview, a property development project of Hua Sheng, at a total consideration of RMB8,895,685. The transactions were completed in March 2007.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 45.79% equity interest in the Company at that time, and Mr. Tjia Wai Yip and Ms. Tse Hoi Ying is the son and daughter, respectively, of Mr. Tjia, Mr. Tjia Wai Yip and Ms. Tse Hoi Ying are associates of Mr. Tjia and each of them is a connected person of the Company within the meaning of the Listing Rules. The transactions therefore constitutes connected transactions of the Company under Rule 14A.13(1)(a) of the Listing Rules. Since the transactions (taken in aggregate) falls within the exemption under Rule 14A.32 of the Listing Rules, it is exempted from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements of the Listing Rules.

PARTICULARS OF PROPERTIES

The properties under development for sale of the Group are as follows:

Location	Group's interest	Stage of completion	Expected completion date	Expected use	Gross floor area
中國河南省開封市 西大街1號	100%	Removal and demolish stage	End of 2008	Residential/ commercial complex	The total gross floor area is 177,000 sq. m.
惠東縣梁化鎮大嶺 十二托地段 惠州高爾夫球場內	60%	Design stage	End of 2008	Residential	The total gross floor area is 220,796 sq. m.
Phase III and IV of Asian Villas City Square Southern Area Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	Construction stage	End of 2007	Residential/ commercial complex	The total gross floor area is 35,988 sq. m.

PARTICULARS OF PROPERTIES *(Continued)*

The completed properties held for sale of the Group are as follows:

Location	Group's interest	Tenure	Current use	Gross floor area
Phases II & III, Asian Villas Jinpen Industrial Development Zone Xinhua District Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Residential	The total gross floor area is 89,251 sq. m.
Apartments, villas, at Park View Nos. 206,208,218,220,222, 228 & 238 Baise Road Xuhui District Shanghai PRC	100%	The properties are held for a term of 70 years, commencing on 18 February 1993 and expiring on 17 February 2063	Residential	The total gross floor area is 56,174 sq. m.
Phase I and II of Asian Villas City Square Southern Area Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Residential/ commercial complex	The total gross floor area is 85,389 sq. m.

The investment properties of the Group are as follows:

Location	Group's interest	Tenure	Current use	Gross floor area
12 Haixiu Avenue Meilan District Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 September 2006 and expiring on 14 September 2076	Commercial	The total gross floor area is 20,868 sq. m.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 March 2007.

AUDITORS

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

Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong
24 July 2007

The Company is committed to a high standard of corporate governance practices in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Company's corporate governance practices are based on the principles ("Principles") and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with most of the Code Provisions save for the deviation from the Code Provision A4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Summary of derivation of the CG Code:

Code Provision A4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation once every three years in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Company acknowledges the important role of its Board of Directors ("Board") in providing effective leadership and direction of the Company towards its objectives and ensuring transparency and accountability of all operations. The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Company has a division of functions reserved to the Board and delegated to the management. The Board provides leadership and approves strategic policies and plans with a view to enhance shareholder interests while the day-to-day operations of the Company are delegated to the management. The Board reserves for its decisions all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board. The Company has arranged appropriate insurance cover in respect of legal actions against the Board.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the Managing Director and the management to discharge its responsibilities.

Composition

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

The Board of the Company comprises the following directors:

Executive Directors

Mr. Wang Ke Duan *(Chairman)*
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman) (Chairman of Remuneration Committee)*
Mr. Wang Jing Ning *(Member of Remuneration Committee)*
Mr. Keung Kwok Cheung
Mr. Ong Chi King

Independent Non-Executive Directors

Mr. Wong Shing Kay, Oliver (Chairman of Audit *Committee and Member of Remuneration Committee)*
Dr. Ho Chung Tai, Raymond *(Member of Remuneration Committee and Audit Committee)*
Mr. Siu Man Po *(Member of Remuneration Committee and Audit Committee)*

None of the members of the Board is related to one another.

During the year ended 31 March 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors will scrutinize the performance of the Company.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors. Any Board member is entitled to recommend suitable candidate that meet the requirements of the Listing Rules for consideration by the Board. No Board meeting was held for appointment and change of Board members as there was no change in the Board composition during the year.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. In accordance with the Company's Bye-Laws, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Although the independent non-executive directors do not have a specific term of appointment, all the existing directors of the Company retire by rotation once every three years. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

Training for Directors

Each newly appointed director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

Board Meetings

Code Provision A1.1 stipulates that the Company should hold as least four regular Board meetings a year at approximately quarterly intervals with active participation of a majority of directors, either in person or through other electronic means of communication.

Regular Board meetings were held during the year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year under review, four full board meetings were held. Details of the attendance of the Directors are as follows:–

Executive Directors	**Directors' Attendance**
Mr. Wang Ke Duan *(Chairman)*	3/4
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman)*	4/4
Mr. Wang Jing Ning	4/4
Mr. Keung Kwok Cheung	4/4
Mr. Ong Chi King	4/4
Independent Non-Executive Directors	
Dr. Ho Chung Tai, Raymond	3/4
Mr. Wong Shing Kay, Oliver	3/4
Mr. Siu Man Po	3/4

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate information are sent to all directors at least three days before each Board meeting or committee meeting to give an opportunity and sufficient time to include matters in the agenda. The Board is also obligated to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the executives whenever necessary.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection. Directors are entitled to have access to board papers and queries will be responded fully. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. Such director must abstain from voting and will not be counted as quorum.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Managing Director, who performs a similar role as Chief Executive Officer, to ensure a balance of power and authority. The respective responsibilities of the Chairman and the Managing Director are clearly defined and set out in writing. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the management, the Chairman is also responsible for ensuring that the directors receive adequate information and appropriate briefing on issues arising at Board meetings.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Managing Director is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval. The position of the Chairman is held by Mr. Wang Ke Duan while the position of the Managing Director is held by Mr. Tjia Boen Sien.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver are the members of the Remuneration Committee and Mr. Tjia Boen Sien is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the executives after consultation with the Chairman / Managing Director and accessed to professional advice, at the Company's expense, when necessary. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee normally meets towards the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the executives and other related matters. The Remuneration Committee met once during the year ended 31 March 2007 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive directors and the executives for the year under review.

Details of attendance record of members of the Remuneration Committee are set out below:

Name of member	Meeting attended
Tjia Boen Sien *(Chairman of Remuneration Committee)*	1/1
Wang Jing Ning	1/1
Ho Chung Tai, Raymond	1/1
Siu Man Po	1/1
Wong Shing Kay, Oliver	1/1

Audit Committee

The Audit Committee comprises the three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr. Wong Shing Kay, Oliver is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any) or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 March 2007 to review the financial results and reports, financial reporting and compliance procedures, effectiveness of internal control systems and the re-appointment of the external auditors. There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resources is provided by the Company for the Audit Committee to perform its duties.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee held two meetings during the year under review. Details of the attendance of the Audit Committee Meetings are as follows:

Name of member	**Members' Attendance**
Mr. Wong Shing Kay, Oliver *(Chairman of Audit Committee)*	2/2
Dr. Ho Chung Tai, Raymond	2/2
Mr. Siu Man Po	2/2

AUDITORS' REMUNERATION

For the year ended 31 March 2007, the Group had engaged the Group's external auditors, Ernst & Young, to provide the following services and their respective fees charged are set out as below:

Fee charged for the year ended 31 March 2007

Types of Services	HK$
Audit for the Group	2,200,000
Non-audit services – taxation services	64,000
Non-audit services – others	–
Total	2,264,000

Nomination Committee

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure for agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting either to fill a casual vacancy or as an addition to the existing directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2007.

The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2007. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 28 to 29. Management of the Company is obligated to provide explanation and information to the Board to make informed assessment of relevant matters.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control system of the Group. Internal control system policies and procedures are designed to identify and manage the risks that the Group may be exposed to, thereby providing reasonable assurance regarding the achievement of corporate objectives. Controls are monitored by periodic management review. Internal financial systems also allow the Board to monitor the Group's overall financial position, to protect the Group's assets and to mitigate against material financial misstatement or loss. Through the Audit Committee of the Company, the Board has conducted reviews of the effectiveness of the system of internal control of the Company and its subsidiaries in accordance with the Code provisions on internal control. The reviews cover material controls, including financial, operational and compliance controls and risk management functions.

INVESTORS RELATIONS

The Company is committed to maintain an open and effective investors relations policy and to update investors on relevant information/developments in a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts are conducted from time to time. The Company also replied the enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The corporate website of the Company has provided a communication platform via which the public and investor community can access to up-to-date information regarding the Group.

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-Laws. Details of such rights and procedures are included in all circulars to shareholders convening shareholders' meetings and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained.

Poll results will be counted by Hong Kong Branch Share Registrar, Tengis Limited and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

ERNST & YOUNG
安永會計師事務所

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

執業會計師
香港中環金融街8號
國際金融中心2期18樓

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

We have audited the financial statements of Deson Development International Holdings Limited set out on pages 30 to 100, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

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

Ernst & Young
Certified Public Accountants

Hong Kong
24 July 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**453,943**	617,414
Cost of sales		**(355,209)**	(509,177)
Gross profit		**98,734**	108,237
Other income and gains	5	**10,595**	13,201
Fair value gain on investment properties	14	**27,880**	–
Fair value gain, net on available-for-sale investments (transfer from equity)	20	**8,970**	–
Administrative expenses		**(114,264)**	(105,106)
Impairment for goodwill	16	**–**	(4,000)
Finance costs	7	**(5,733)**	(2,369)
Share of profits and losses of:			
A jointly-controlled entity		**(3,090)**	55
Associates		**710**	101
PROFIT BEFORE TAX	6	**23,802**	10,119
Tax	10	**(17,167)**	(1,656)
PROFIT FOR THE YEAR		**6,635**	8,463
Attributable to:			
Equity holders of the parent	11	**7,684**	10,181
Minority interests		**(1,049)**	(1,718)
		6,635	8,463
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**1.44 cents**	2.04 cents
Diluted		**1.44 cents**	2.04 cents

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**105,309**	63,151
Investment properties	14	**80,106**	–
Prepaid land lease payments	15	**13,012**	13,262
Interest in a jointly-controlled entity	18	**11,409**	11,691
Interests in associates	19	**7,900**	7,403
Available-for-sale investments	20	**–**	16,174
Amounts due from investees	21	**17,721**	–
Long term deposits	22	**–**	30,200
Deferred tax assets	31	**262**	413
Total non-current assets		**235,719**	142,294
CURRENT ASSETS			
Amounts due from associates	19	**24,563**	19,166
Amounts due from minority shareholders	23	**7**	7
Properties held for sale	24	**395,379**	228,446
Gross amount due from contract customers	25	**12,283**	23,149
Inventories	26	**8,537**	8,674
Accounts receivable	27	**68,544**	60,083
Prepayments, deposits and other receivables		**26,220**	52,390
Cash and cash equivalents	28	**53,159**	47,167
Pledged time deposits	28	**68,184**	68,300
Total current assets		**656,876**	507,382
CURRENT LIABILITIES			
Gross amount due to contract customers	25	**29,104**	32,853
Accounts payable	29	**38,670**	61,682
Other payables and accruals		**175,060**	80,534
Amounts due to associates	19	**534**	443
Amounts due to minority shareholders	23	**11,824**	3,984
Tax payable		**22,334**	17,759
Interest-bearing bank and other borrowings	30	**87,560**	44,662
Total current liabilities		**365,086**	241,917
NET CURRENT ASSETS		**291,790**	265,465
TOTAL ASSETS LESS CURRENT LIABILITIES		**527,509**	407,759

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Convertible notes	*32*	**14,856**	–
Interest-bearing bank and other borrowings	*30*	**84,162**	28,800
Deferred tax liabilities	*31*	**11,749**	2,577
Total non-current liabilities		**110,767**	31,377
Net assets		**416,742**	376,382
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*33*	**57,268**	49,668
Reserves	*35(a)*	**356,303**	324,439
Equity component of convertible notes	*32*	**1,259**	–
		414,830	374,107
Minority interests		**1,912**	2,275
Total equity		**416,742**	376,382

Tjia Boen Sien
Director

Wang Jing Ning
Director

		Attributable to equity holders of the parent													
	Notes	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Reserve funds	Retained profits	Total	Minority interests	Total equity
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005		51,675	105,783	15,262	3,167	(9,121)	7,355	914	5,860	–	3,260	155,504	339,659	2,006	341,665
Exchange realignment		–	–	–	–	–	–	2,142	–	–	–	–	2,142	117	2,259
Share of reserves of associates		–	–	–	–	–	–	106	1,455	–	–	–	1,561	–	1,561
Surplus on revaluation of leasehold buildings	13	–	–	–	28,629	–	–	–	–	–	–	–	28,629	–	28,629
Deferred tax liabilities arising from revaluation of leasehold buildings	31	–	–	–	(1,906)	–	–	–	–	–	–	–	(1,906)	–	(1,906)
Changes in fair value of available-for-sale investments	20	–	–	–	–	–	–	–	4,161	–	–	–	4,161	–	4,161
Total income and expense recognised directly in equity		-	–	–	26,723	–	–	2,248	5,616	–	–	–	34,587	117	34,704
Profit for the year		–	–	–	–	–	–	–	–	–	–	10,181	10,181	(1,718)	8,463
Total income and expense for the year		–	–	–	26,723	–	–	2,248	5,616	–	–	10,181	44,768	(1,601)	43,167
Offset against amount due to minority shareholder upon acquisition of additional interest in a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	2,777	2,777
Dividend paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	–	(286)	(286)
Disposal of a subsidiary	36	–	–	–	–	–	–	–	–	–	–	–	–	(621)	(621)
Repurchase of shares	33	(2,007)	(8,982)	–	–	–	2,007	–	–	–	–	(2,007)	(10,989)	–	(10,989)
Share repurchase expenses	33	–	(130)	–	–	–	–	–	–	–	–	–	(130)	–	(130)
Equity-settled share option arrangements	34	–	–	–	–	–	–	–	–	799	–	–	799	–	799
At 31 March 2006		49,668	96,671	15,262	29,890	(9,121)	9,362	3,162	11,476	799	3,260	163,678	374,107	2,275	376,382

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2007

		Attributable to equity holders of the parent														
	Notes	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Equity component of convertible notes	Reserve funds	Retained profits	Total	Minority interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006		49,668	96,671	15,262	29,890	(9,121)	9,362	3,162	11,476	799	–	3,260	163,678	374,107	2,275	376,382
Exchange realignment		–	–	–	–	–	–	7,328	–	–	–	–	–	7,328	347	7,675
Share of reserves of associates		–	–	–	–	–	–	340	359	–	–	–	–	699	–	699
Release of revaluation reserve		–	–	–	(1,049)	–	–	–	–	–	–	–	1,049	–	–	–
Changes in fair value of available-for-sale investments	20	–	–	–	–	–	–	–	(1,051)	–	–	–	–	(1,051)	–	(1,051)
Release upon disposal of available-for-sale investments	20	–	–	–	–	–	–	–	(8,970)	–	–	–	–	(8,970)	–	(8,970)
Total income and expense recognised directly in equity		-	–	–	(1,049)	–	–	7,668	(9,662)	–	–	–	1,049	(1,994)	347	(1,647)
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	7,684	7,684	(1,049)	6,635
Total income and expense for the year		–	–	–	(1,049)	–	–	7,668	(9,662)	–	–	–	8,733	5,690	(702)	4,988
Acquisition of additional interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	–	620	620
Dividend paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	–	–	(260)	(260)
Disposal of partial interest in a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	–	(21)	(21)
Issue of shares	33	6,500	23,600	–	–	–	–	–	–	–	–	–	–	30,100	–	30,100
Share issue expenses	33	–	(401)	–	–	–	–	–	–	–	–	–	–	(401)	–	(401)
Exercise of share options	33	1,100	2,693	–	–	–	–	–	–	(733)	–	–	–	3,060	–	3,060
Equity-settled share option arrangements	34	–	–	–	–	–	–	–	–	1,015	–	–	–	1,015	–	1,015
Equity component of convertible notes	32	–	–	–	–	–	–	–	–	–	1,259	–	–	1,259	–	1,259
At 31 March 2007		57,268	122,563*	15,262*	28,841*	(9,121)*	9,362*	10,830*	1,814*	1,081*	1,259	3,260*	172,411*	414,830	1,912	416,742

* These reserve accounts comprise the consolidated reserves of HK$356,303,000 (2006: HK$324,439,000) in the consolidated balance sheet.

The capital reserve as at 1 April 2006 and 31 March 2007 comprises goodwill arising from the acquisition of subsidiaries prior to 1 April 2002 as detailed in note 16.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange therefor, pursuant to the Group reorganisation on 21 May 1997.

The reserve funds of the Group include statutory reserves required to be appropriated from the profit after tax of the Company's Mainland China subsidiaries under laws and regulations of the People's Republic of China (the "PRC"). The amount of the appropriation is at the discretion of the PRC subsidiaries' board of directors.

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**23,802**	10,119
Adjustments for:			
Finance costs	7	**5,733**	2,369
Share of profits and losses of:			
A jointly-controlled entity		**3,090**	(55)
Associates		**(710)**	(101)
Interest income	5	**(3,761)**	(2,981)
Fair value gain on investment properties	14	**(27,880)**	–
Fair value gain, net on available-for-sale investments	20	**(8,970)**	–
Release of discounted amount of long term receivable arising from the passage of time	5	**–**	(2,318)
Dividend income from available-for-sale investments	5	**(160)**	(194)
Gain on disposal of partial interest in a subsidiary	5	**(21)**	–
Loss on disposal of items of property, plant and equipment	6	**255**	746
Equity-settled share option expense	6, 34	**1,015**	799
Depreciation	6	**6,660**	3,886
Recognition of prepaid land lease payments	6	**250**	250
Gain on disposal of subsidiaries	5, 36	**–**	(1,768)
Impairment of amount due from a jointly-controlled entity	6	**2,544**	–
Impairment of goodwill	6	**–**	4,000
Provision for inventories	6	**17**	905
Impairment/(reversal of impairment) of accounts receivable	6	**3,491**	(457)
Impairment/(reversal of impairment) of other receivables	6	**(1,407)**	2,641
		3,948	17,841
Increase in completed properties held for sale		**(90,562)**	(15,776)
Decrease/(increase) in properties under development		**(65,997)**	18,929
Decrease/(increase) in gross amount due from contract customers		**10,866**	(2,568)
Decrease/(increase) in inventories		**120**	(8,744)
Decrease/(increase) in accounts receivable		**(11,952)**	46,695
Decrease/(increase) in prepayments, deposits and other receivables		**27,577**	(12,915)
Decrease in gross amount due to contract customers		**(3,749)**	(11,729)
Decrease in accounts payable		**(23,012)**	(18,187)
Increase in other payables and accruals		**94,526**	13,242
Cash generated from/(used in) operations		**(58,235)**	26,788
Interest paid		**(13,139)**	(4,651)
Hong Kong profits tax refunded		**1,043**	63
Overseas taxes paid		**(4,312)**	(3,169)
Net cash inflow/(outflow) from operating activities		**(74,643)**	19,031

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,761**	2,981
Increase in long term deposits		**–**	(30,200)
Dividends received from available-for-sale investments		**160**	194
Dividends received from associates		**912**	360
Purchases of items of property, plant and equipment		**(34,077)**	(7,587)
Purchases of investment properties		**(36,066)**	–
Proceeds from disposal of items of property, plant and equipment		**356**	148
Proceeds from disposal of available-for-sale investments		**15,123**	–
Settlement of long term receivable		**–**	48,673
Acquisition of additional interest in a subsidiary		**–**	(4,000)
Disposal of subsidiaries	36	**–**	758
Advance to a jointly-controlled entity, net		**(5,352)**	(5,032)
Advances to associates, net		**(5,306)**	(10,476)
Advances to investees		**(17,721)**	–
Decrease/(increase) in pledged time deposits		**1,466**	(10,520)
Net cash outflow from investing activities		**(76,744)**	(14,701)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	33	**33,160**	–
Share issue expenses	33	**(401)**	–
Repurchase of the Company's shares	33	**–**	(10,989)
Share repurchase expenses	33	**–**	(130)
New bank loans		**116,610**	38,400
New convertible notes	32	**15,750**	–
Repayment of bank loans, trust receipt loans and other borrowings		**(31,772)**	(64,527)
Repayment from minority shareholders, net		**8,460**	104
Dividends paid to minority shareholders		**(260)**	(286)
Net cash inflow/(outflow) from financing activities		**141,547**	(37,428)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(9,840)**	(33,098)
Cash and cash equivalents at beginning of year		**18,736**	49,605
Effect of foreign exchange rate changes, net		**2,410**	2,229
CASH AND CASH EQUIVALENTS AT END OF YEAR		**11,306**	18,736
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**53,159**	47,167
Bank overdrafts, secured	30	**(41,853)**	(28,431)
		11,306	18,736

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**361,998**	317,275
Deferred tax asset	31	**262**	262
Total non-current assets		**362,260**	317,537
CURRENT ASSETS			
Cash and cash equivalents	28	**59**	62
CURRENT LIABILITIES			
Other payables and accruals		**800**	532
NET CURRENT LIABILITIES		**(741)**	(470)
TOTAL ASSETS LESS CURRENT LIABILITIES		**361,519**	317,067
NON-CURRENT LIABILITIES			
Convertible notes	32	**14,856**	–
Net assets		**346,663**	317,067
EQUITY			
Issued capital	33	**57,268**	49,668
Reserves	35(b)	**288,136**	267,399
Equity component of convertible notes	32	**1,259**	–
Total equity		**346,663**	317,067

Tjia Boen Sien
Director

Wang Jing Ning
Director

1. CORPORATE INFORMATION

Deson Development International Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was principally engaged in the following activities:

- the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and Mainland China;
- property development and investment; and
- the operation of fitness centres and trading of fitness equipment.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold buildings and investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

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

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effect of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

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

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

The HKAS 23 (Revised) is applicable for annual periods beginning on or after 1 January 2009 and will supersede HKAS 23 issued in 2004. The revisions to HKAS 23 are principally concerned with the elimination of one of the two treatments that exist for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. This HKFRS will replace HKAS 14 Segment Reporting and has main impacts on the identification of segments and the measurement of segment information.

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entity

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

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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

Goodwill

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

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

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

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 Segment Reporting.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

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

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

Goodwill previously eliminated against consolidated reserves

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

Impairment of non-financial assets other than goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

Property, plant and equipment and depreciation

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

Leasehold buildings	2.5% on the straight-line basis
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

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

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

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

Investment properties

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

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

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

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

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

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

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

Loans and receivables

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

Available-for-sale financial asset

Available-for-sale financial asset is a non-derivative financial asset in listed and unlisted equity securities that are designated as available for sale or is not classified in the loans and receivables category above. After initial recognition, available-for-sale financial asset is measured at fair value with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial asset

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instrument classified as available for sale are not reversed through the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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

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

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

Financial guarantee contracts

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

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Construction contracts

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

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

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

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

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

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contracts for services *(Continued)*

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

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

Properties held for sale

Properties under development which are intended for sale are included in properties held for sale and are stated at the lower of cost and net realisable value, which is estimated by the directors based on the prevailing market conditions. Costs include all costs directly incurred in the properties under development, including development expenditure, borrowing costs and other direct costs.

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) from the rendering of services, when the services are rendered or on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;

(d) from the sale of property interests, when all the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

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

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

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

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model, further details of which are given in note 34 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

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

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

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

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 April 2005 and to those granted on or after 1 April 2005.

Paid leave carried forward

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

Pension schemes

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

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Foreign currencies

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

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Land appreciation tax

Under the Provisional Regulations on land appreciation tax (''LAT'') implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to land appreciation taxes, which have been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and provisions of land appreciation taxes in the period in which such determination is made.

Estimation uncertainty

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

(i) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(i) Estimation of fair value of investment properties (Continued)

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of investment properties at 31 March 2007 was HK$80,106,000 (2006: Nil).

(ii) Estimates regarding the realisability of deferred tax assets

Estimating the amount for deferred tax assets arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future taxable profits. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place. While the current financial models indicate that the tax losses recognised can be utilised in the future, any changes in assumptions and estimates and in tax regulations can affect the recoverability of these deferred tax assets. Details of the unrecognised tax losses of the Group are set out in note 31 to the financial statements.

(iii) Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iv) Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

(v) Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice process and current market conditions. The Group carries out an inventory review at each balance sheet date and makes provision against obsolete and slow-moving items. Management reassesses the estimation on each balance sheet date.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the construction business segment is engaged in construction contract works as a main contractor as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services;

(b) the property development and investment business segment is engaged in property development of residential and commercial properties and investment in hotel properties; and

(c) the fitness centre operation and related business segment is engaged in the operation of fitness centres, trading of fitness and medical equipment and the provision of related installation and maintenance services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

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

	Construction business		Property development and investment business		Fitness centre operation and related business		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**274,241**	431,929	**112,094**	116,683	**67,608**	68,802	**453,943**	617,414
Other income and gains	**2,460**	2,869	**3,036**	1,999	**1,157**	1,074	**6,653**	5,942
Total	**276,701**	434,798	**115,130**	118,682	**68,765**	69,876	**460,596**	623,356
Segment results	**(10,283)**	15,510	**51,586**	14,449	**(17,871)**	(14,475)	**23,432**	15,484
Interest income and dividend income							**3,921**	5,491
Fair value gain, net on available-for-sale investments							**8,970**	–
Gain on disposal of partial interest in a subsidiary							**21**	–
Gain on disposal of subsidiaries	**–**	–	**–**	1,768	**–**	–	**–**	1,768
Unallocated expenses							**(4,429)**	(6,411)
Impairment of goodwill	**–**	–	**–**	–	**–**	(4,000)	**–**	(4,000)
Finance costs							**(5,733)**	(2,369)
Share of profits and losses of:								
A jointly-controlled entity	**(3,090)**	55	**–**	–	**–**	–	**(3,090)**	55
Associates	**710**	101	**–**	–	**–**	–	**710**	101
Profit before tax							**23,802**	10,119
Tax							**(17,167)**	(1,656)
Profit for the year							**6,635**	8,463

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Construction business		Property development and investment business		Fitness centre operation and related business		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities:								
Segment assets	**179,760**	202,436	**571,248**	332,431	**79,431**	54,350	**830,439**	589,217
Interest in a jointly-controlled entity	**11,409**	11,691	**–**	–	**–**	–	**11,409**	11,691
Interests in associates	**7,900**	7,403	**–**	–	**–**	–	**7,900**	7,403
Unallocated assets							**42,847**	41,365
Total assets							**892,595**	649,676
Segment liabilities	**(90,149)**	(77,064)	**(249,619)**	(77,715)	**(48,913)**	(22,897)	**(388,681)**	(177,676)
Unallocated liabilities							**(87,172)**	(95,618)
Total liabilities							**(475,853)**	(273,294)
Other segment information:								
Depreciation	**2,118**	1,293	**481**	254	**4,061**	2,339	**6,660**	3,886
Recognition of prepaid land lease payments	**250**	250	**–**	–	**–**	–	**250**	250
Loss on disposal of items of property, plant and equipment	**16**	–	**–**	–	**239**	746	**255**	746
Impairment of amount due from a jointly-controlled entity	**2,544**	–	**–**	–	**–**	–	**2,544**	–
Impairment/(reversal of impairment) of accounts receivable	**(1,706)**	693	**5,114**	116	**83**	(1,266)	**3,491**	(457)
Impairment/(reversal of impairment) of other receivables	**(1,407)**	5,798	**–**	(3,169)	**–**	12	**(1,407)**	2,641
Provision/(write-back of provision) for inventories	**(6)**	(209)	**–**	–	**23**	1,114	**17**	905
Fair value gain of investment properties	**–**	–	**27,880**	–	**–**	–	**27,880**	–
Capital expenditure	**113**	481	**58,959**	242	**41,271**	6,864	**100,343**	7,587

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

	Hong Kong		**Mainland China**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**163,219**	333,769	**290,724**	283,645	**453,943**	617,414
Other segment information:						
Segment assets	**188,030**	214,840	**704,565**	434,836	**892,595**	649,676
Capital expenditure	**8,947**	4,559	**91,396**	3,028	**100,343**	7,587

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross revenue earned from construction works and the net amount of maintenance works invoiced, property development and investment business, and fitness centre operations and related business.

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

	Notes	2007 HK$'000	2006 HK$'000
Revenue:			
Income from construction contracting and related business		**274,241**	431,929
Income from property development and investment business		**112,094**	116,683
Income from fitness centre operation and related business		**67,608**	68,802
		453,943	617,414
Other income and gains:			
Bank interest income		**2,583**	1,017
Other interest income		**1,178**	1,964
Release of discounted amount of long term receivable arising from the passage of time		**–**	2,318
Gross rental income	*6*	**2,930**	2,161
Dividend income from available-for-sale investments		**160**	194
Gain on disposal of partial interest in a subsidiary		**21**	–
Gain on disposal of subsidiaries	*36*	**–**	1,768
Others		**3,723**	3,779
		10,595	13,201

6. PROFIT BEFORE TAX

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

	Notes	2007 HK$'000	2006 HK$'000
Cost of properties sold		**72,891**	98,948
Cost of construction contracting		**261,263**	382,414
Cost of inventories sold and services provided		**21,055**	27,815
Auditors' remuneration		**2,200**	2,150
Depreciation	*13*	**6,660**	3,886
Recognition of prepaid land lease payments	*15*	**250**	250
Minimum lease payments under operating leases on land and buildings		**11,402**	9,929
Loss on disposal of items of property, plant and equipment		**255**	746
Impairment of goodwill	*16*	**–**	4,000
Gross rental income	*5*	**(2,930)**	(2,161)
Less: Outgoings		**270**	371
Net rental income		**(2,660)**	(1,790)
Provision for inventories		**17**	905
Impairment of amount due from a jointly-controlled entity	*18*	**2,544**	–
Impairment/(reversal of impairment) of accounts receivable		**3,491**	(457)
Impairment/(reversal of impairment) of other receivables		**(1,407)**	2,641
Foreign exchange differences, net		**(230)**	492
Employee benefits expense (including directors' emoluments - note 8):			
Wages and salaries		**43,645**	39,905
Equity-settled share option expense	*34*	**1,015**	799
Pension scheme contributions		**1,214**	1,260
Less: Forfeited contributions*		**–**	–
Net pension scheme contributions		**1,214**	1,260
		45,874	41,964

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

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**12,549**	4,651
Interest on convertible notes (note 32)	**955**	–
Total interest	**13,504**	4,651
Less: Interest capitalised on properties under development	**(7,771)**	(2,282)
	5,733	2,369

8. DIRECTORS' REMUNERATION

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**312**	305
Salaries and allowances	**4,171**	4,071
Equity-settled share option expense	**–**	417
Pension scheme contributions	**113**	111
	4,284	4,599
	4,596	4,904

In the prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and was included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	Fees *HK$'000*	Equity-settled share option expense *HK$'000*	Total remuneration *HK$'000*
2007			
Independent non-executive directors:			
Dr. Ho Chung Tai, Raymond	**120**	**–**	**120**
Mr. Siu Man Po	**96**	**–**	**96**
Mr. Wong Shing Kay, Oliver	**96**	**–**	**96**
	312	**–**	**312**
2006			
Independent non-executive directors:			
Dr. Ho Chung Tai, Raymond	120	33	153
Mr. Siu Man Po	93	33	126
Mr. Wong Shing Kay, Oliver	90	–	90
Ms. Wong Sin Yee	2	–	2
	305	66	371

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

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees HK$'000	Salaries and allowances HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007					
Executive directors:					
Mr. Wang Ke Duan	**–**	**540**	**–**	**–**	**540**
Mr. Tjia Boen Sien	**–**	**1,561**	**–**	**24**	**1,585**
Mr. Wang Jing Ning	**–**	**480**	**–**	**12**	**492**
Mr. Keung Kwok Cheung	**–**	**927**	**–**	**45**	**972**
Mr. Ong Chi King	**–**	**663**	**–**	**32**	**695**
	–	**4,171**	**–**	**113**	**4,284**
2006					
Executive directors:					
Mr. Wang Ke Duan	–	540	–	–	540
Mr. Tjia Boen Sien	–	1,561	26	24	1,611
Mr. Wang Jing Ning	–	471	65	12	548
Mr. Keung Kwok Cheung	–	878	130	44	1,052
Mr. Ong Chi King	–	621	130	31	782
	–	4,071	351	111	4,533

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

9. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries and allowances	**1,418**	1,418
Pension scheme contributions	**49**	49
	1,467	1,467

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

10. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

LAT in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK$4,200,000 is charged to the consolidated income statement for the year ended 31 March 2007 (2006: Nil).

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current - Hong Kong		
Underprovision in prior years	**–**	79
Current - Elsewhere		
Charge for the year	**3,644**	3,221
Overprovision in prior years	**–**	(1,613)
Deferred (note 31)	**9,323**	(31)
LAT in Mainland China	**4,200**	–
Total tax charge for the year	**17,167**	1,656

10. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**23,802**	10,119
Tax at the statutory tax rate of 17.5% (2006: 17.5%)	**4,165**	1,770
Effect of different rates for companies operating in other jurisdictions	**4,317**	(537)
Adjustment in respect of current tax of previous periods	**–**	(1,534)
Profits and losses attributable to associates	**(124)**	(91)
Profits and losses attributable to a jointly-controlled entity	**541**	(10)
Income not subject to tax	**(7,209)**	(5,679)
Expenses not deductible for tax	**4,546**	6,481
Tax losses utilised from previous periods	**(30)**	(4,622)
Tax losses and temporary differences not recognised	**6,779**	5,878
LAT	**4,200**	–
Others	**(18)**	–
Tax charge at the Group's effective rate	**17,167**	1,656

The share of tax attributable to associates amounting to HK$377,000 (2006: HK$580,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

On 16 March 2007, the 10th National People's Congress approved the Corporate Income Tax Law of the PRC (the "New Corporate Income Tax Law"), which will become effective from 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the corporate income tax ("CIT") rate for domestic-invested and foreign-invested enterprises at a rate of 25%. This change in the CIT rate will directly offset the Group's effective tax rate prospectively from 2008.

At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New Corporate Income Tax Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2007 includes a loss of HK$5,437,000 (2006: HK$5,744,000) which has been dealt with in the financial statements of the Company (note 35(b)).

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the share placements and exercise of share options during the year ended 31 March 2007.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**7,684**	10,181
Interest on convertible notes (note 32)	**955**	–
Profit attributable to ordinary equity holders of the parent before interest on convertible notes	**8,639***	10,181
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**534,710,415**	499,790,777
Effect of dilution - weighted average number of ordinary shares:		
Share options **	**266,667**	255,573
Convertible notes	**6,063,658**	–
	541,040,740*	500,046,350

* Because the diluted earnings per share amount is increased when taking convertible notes into account, the convertible notes had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$7,684,000 and the weighted average of 534,977,082 ordinary shares.

** The share options granted on 23 December 2006 had an anti-dilutive effect on the basis earnings per share and have not been included in the diluted earnings per share calculation for the year ended 31 March 2007.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings HK$'000	Leasehold improve-ments HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost or valuation							
At 1 April 2006	45,398	7,716	4,016	6,863	11,453	5,376	80,822
Additions	40,696	57	962	466	5,797	139	48,117
Disposals	–	(210)	–	(132)	(662)	–	(1,004)
Exchange realignment	–	604	5	195	865	86	1,755
At 31 March 2007	86,094	8,167	4,983	7,392	17,453	5,601	129,690
Accumulated depreciation							
At 1 April 2006	–	2,202	3,064	4,138	4,289	3,978	17,671
Depreciation provided during the year	2,216	1,556	198	674	1,712	304	6,660
Disposals	–	(103)	–	(83)	(207)	–	(393)
Exchange realignment	–	111	1	80	209	42	443
At 31 March 2007	2,216	3,766	3,263	4,809	6,003	4,324	24,381
Net book value							
At 31 March 2007	83,878	4,401	1,720	2,583	11,450	1,277	105,309
At 31 March 2006	45,398	5,514	952	2,725	7,164	1,398	63,151
Analysis of cost or valuation:							
At cost	–	8,167	4,983	7,392	17,453	5,601	43,596
At valuation	86,094	–	–	–	–	–	86,094
	86,094	8,167	4,983	7,392	17,453	5,601	129,690

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Leasehold buildings	Leasehold improve-ments	Furniture and fixtures	Office equipment	Tools and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost or valuation							
At 1 April 2005	17,861	4,975	3,949	6,663	10,147	5,120	48,715
Additions	–	4,920	67	510	1,646	444	7,587
Disposals	–	(2,197)	–	(341)	(354)	(213)	(3,105)
Surplus on revaluation	27,537	–	–	–	–	–	27,537
Exchange realignment	–	18	–	31	14	25	88
At 31 March 2006	45,398	7,716	4,016	6,863	11,453	5,376	80,822
Accumulated depreciation							
At 1 April 2005	536	2,710	2,902	3,609	3,364	3,910	17,031
Depreciation provided during the year	556	1,143	162	679	1,101	245	3,886
Disposals	–	(1,667)	–	(167)	(185)	(192)	(2,211)
Reverse upon revaluation	(1,092)	–	–	–	–	–	(1,092)
Exchange realignment	–	16	–	17	9	15	57
At 31 March 2006	–	2,202	3,064	4,138	4,289	3,978	17,671
Net book value							
At 31 March 2006	45,398	5,514	952	2,725	7,164	1,398	63,151
At 31 March 2005	17,325	2,265	1,047	3,054	6,783	1,210	31,684
Analysis of cost or valuation:							
At cost	–	7,716	4,016	6,863	11,453	5,376	35,424
At valuation	45,398	–	–	–	–	–	45,398
	45,398	7,716	4,016	6,863	11,453	5,376	80,822

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

No revaluation of the Group's leasehold buildings had been carried out in 2007 as the directors considered that the carrying amounts of the Group's leasehold buildings did not differ materially from that which would otherwise be determined by valuation on the basis adopted as at 31 March 2006.

As at 31 March 2006, the Group's leasehold buildings were individually revalued at an aggregate open market value of HK$45,398,000, by B.I. Appraisals Limited, independent professionally qualified valuers, based on their existing use. A revaluation surplus of HK$28,629,000 resulting from the revaluation has been credited to the property revaluation reserve in the prior year.

Had the Group's leasehold buildings been carried at cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$53,817,000 as at 31 March 2007 (2006: HK$14,733,000).

As at 31 March 2007, certain leasehold buildings of the Group were pledged to banks to secure banking facilities granted to the Group (note 30).

Certain leasehold buildings of the Group with an aggregate carrying value of HK$7,670,000 (2006: HK$8,000,000) were leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements.

14. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 April	**–**	–
Additions	**52,226**	–
Fair value adjustment	**27,880**	–
Carrying amount at 31 March	**80,106**	–

The investment properties are held under long term leases and are situated in Mainland China.

The Group's investment properties were revalued on 31 March 2007 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK$80,106,000 on an open market, existing use basis.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**13,512**	13,762
Recognised during the year	**(250)**	(250)
Carrying amount at 31 March	**13,262**	13,512
Current portion included in prepayments, deposits and other receivables	**(250)**	(250)
Non-current portion	**13,012**	13,262

An analysis of the carrying amounts of prepaid land lease payments of the Group at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Situated in Hong Kong held under:		
Medium term leases	**5,236**	5,367
Long term leases	**8,026**	8,145
	13,262	13,512

At 31 March 2007, the leasehold lands of the Group were pledged to secure certain of the Group's bank borrowings (note 30).

16. GOODWILL

	Group
	HK$'000
At 1 April 2005:	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 April 2005, net of accumulated impairment	–
Arising from acquisition of additional interest in a subsidiary	4,000
Impairment during the year	(4,000)
At 31 March 2006	–
At 31 March 2006, 1 April 2006 and 31 March 2007:	
Cost	4,000
Accumulated impairment	(4,000)
Net carrying amount	–

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

The amounts of goodwill remaining in consolidated capital reserve, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, were HK$9,121,000 as at 31 March 2007 and 2006.

16. GOODWILL *(Continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations in the prior year has been allocated to the fitness centre operation and related business cash-generating unit, which is a reportable segment, for impairment testing.

The recoverable amount of this cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a three-year period approved by senior management. The discount rate applied to cash flow projections is 4%.

Key assumptions were used in the value in use calculation of this cash-generating unit for 31 March 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year.

Discount rates - The discount rates used are before tax and reflect specific risks relating to the cash-generating unit.

As at 1 April 2005, Mega Fitness (Shanghai) Investments Limited was a 75%-owned subsidiary of the Company. In the prior year, the remaining 25% equity interest in Mega Fitness (Shanghai) Investments Limited with nil carrying value was acquired by the Group at a cash consideration of HK$4,000,000, resulting in goodwill of HK$4,000,000. As the estimated recoverable amount arising from Mega Fitness (Shanghai) Investments Limited was of minimal amount, an impairment loss of HK$4,000,000 was resulted.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**156,031**	156,031
Due from subsidiaries	**205,967**	161,244
	361,998	317,275

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of all amounts due from subsidiaries approximate to their fair values.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Class of shares held	Percentage of equity attributable to the parent		Principal activities
				Direct	Indirect	
Beijing Chang De Architectural & Decoration Co., Ltd. #	PRC/ Mainland China	RMB16,000,000	(ii)	–	60	Decoration engineering
Deson Development Holdings Limited	British Virgin Islands/ Hong Kong	US$200	Ordinary	100	–	Investment holding
Deson Development Limited	Hong Kong	HK$20,000,100 HK$20,000,000	Class A Class B (i)	–	100	Construction contracting and investment holding
Deson Property Development (Kaifeng) Co., Ltd. *	PRC/ Mainland China	HK$27,000,000	(ii)	–	100	Property development

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries *(Continued)*:

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Class of shares held	Percentage of equity attributable to the parent		Principal activities
				Direct	Indirect	
Deson Ventures Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Fitness Concept Limited	Hong Kong	HK$11,611,111	Ordinary	–	100	Investment holding
Fitness Concept Leisure Supplies Limited	Hong Kong	HK$2	Ordinary	–	100	Trading and retailing of fitness and leisure equipment
Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. *	PRC/ Mainland China	US$6,400,000	(ii)	–	100	Property development
Kenworth Engineering Limited	Hong Kong	HK$34,374,140 HK$20,000,000	Ordinary Preference (iii)	–	100	Provision of electrical and mechanical engineering services
惠州怡海房地產開發有限公司*	PRC/ Mainland China	HK$18,000,000	(ii)	–	60	Property development
Medical Technologies Limited	Hong Kong	HK$10,000	Ordinary	–	100	Trading of medical equipment

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries *(Continued)*:

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Class of shares held	Percentage of equity attributable to the parent Direct	Percentage of equity attributable to the parent Indirect	Principal activities
Super Sight Investments Inc.	British Virgin Islands/ Mainland China	US$1	Ordinary	–	100	Property development
Wonderful Hope Limited	British Virgin Islands/ Mainland China	US$1	Ordinary	–	100	Property development
美格菲(成都)康體發展有限公司*	PRC/ Mainland China	RMB15,000,000	(ii)	–	100	Operation of fitness centre
海南亞豪置業有限公司*	PRC/ Mainland China	RMB10,000,000	(ii)	–	100	Property investment

\# Registered as a sino-foreign investment enterprise under the PRC law.

* Registered as a wholly-foreign-owned enterprise under the PRC law.

Notes:

(i) The holders of these non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return of assets if the assets of the Company are less than HK$100 trillion.

(ii) The issued or paid-up capital of these subsidiaries is not classified.

(iii) The holders of the preference shares have a cumulative preferential right to the company's profits at 10% of the nominal amount of share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or any meeting of directors.

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

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets/(liabilities)	**(2,544)**	546
Due from a jointly-controlled entity	**16,497**	11,145
Impairment (note 6)	**(2,544)**	–
	13,953	11,145
	11,409	11,691

The amount due from the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment except for an amount of HK$7,178,000 (2006: HK$7,178,000) which bears interest at the prime rate plus 1% per annum. The carrying amount of the amount due from the jointly-controlled entity approximates to its fair value.

Particulars of the jointly-controlled entity are as follows:

			Percentage of			
Name	**Place of registration and operations**	**Nominal value of issued ordinary share capital**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Kenworth-Watfield Joint Venture Limited	Hong Kong	HK$1,000,000	50	50	50	Provision of electrical and mechanical engineering services

The interest in jointly-controlled entity is held through a subsidiary of the Company.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

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

	2007	2006
	HK$'000	*HK$'000*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**8,542**	9,295
Non-current assets	**31**	43
Current liabilities	**(11,117)**	(8,792)
Net assets/(liabilities)	**(2,544)**	546
Share of the jointly-controlled entity's results:		
Turnover	**2,339**	18,758
Other revenue	**–**	9
Total revenue	**2,339**	18,767
Total expenses	**(5,429)**	(18,712)
Profit/(loss) after tax	**(3,090)**	55

19. INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**7,900**	7,403
Due from associates	**24,563**	19,166
Due to associates	**(534)**	(443)

The balances with associates are unsecured, interest-free and repayable on demand. The carrying amounts of all amounts with associates approximate to their fair values.

19. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the principal associates as at the balance sheet date are as follows:

Name	Particulars of issued shares held/ registered paid-up capital	Place of incorporation/ registration and operations	Percentage of ownership attributable to the Group	Principal activities
Asia Construction Holdings Limited	Ordinary shares of HK$1 each	Hong Kong	49	Investment holding
Deson Metals Company Limited	Ordinary shares of HK$1 each	Hong Kong/ Mainland China	40	Trading of construction materials
Fortune On Engineering Ltd. *	Ordinary shares of HK$1 each	Hong Kong	40	Property development
Fuzhou Jiandi Concrete Co., Ltd. * (ii)	Registered capital of RMB10,000,000 (i)	PRC/ Mainland China	40	Manufacture of concrete products
Reality Profile Limited	Ordinary shares of US$1 each	British Virgin Islands	45	Investment holding
Visonic Deson Limited *	Ordinary shares of HK$1 each	Hong Kong	50	Selling, distribution and marketing of home security and automation products
W & D Joint Venture Limited	Ordinary shares of HK$1 each	Hong Kong	45	Construction contracting
海南亞豪物業管理有限公司* (ii)	Registered capital of RMB1,000,000 (i)	PRC/ Mainland China	20	Property management

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International members firms.

Notes:

(i) The issued or paid-up capital of this associate is not classified.

(ii) The remittance of dividends to the Group from this associate operating outside Hong Kong is subject to the availability of foreign currencies generated and retained by this associate.

19. INTERESTS IN ASSOCIATES *(Continued)*

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

The Group's shareholdings in the associates all comprise equity shares held through subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of Asia Construction Holdings Limited and Fitness Asia Limited because the share of losses of the associates exceeded the Group's interests in the associates. The Group's aggregate unrecognised share of losses of these associates for the current year and cumulatively was HK$101,000 (2006: HK$198,000) and HK$520,000 (2006: HK$419,000), respectively.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

	2007	2006
	HK$'000	*HK$'000*
Assets	**95,646**	96,397
Liabilities	**81,442**	77,023
Revenues	**127,922**	129,436
Profit	**3,639**	3,843

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Listed equity investment outside Hong Kong, at fair value	**–**	16,174
Unlisted equity investments, at cost *	**–**	–
	–	16,174

* Represented unlisted equity investments, at cost, of HK$79 (2006: Nil)

During the year, the loss of the Group's available-for-sale investments recognised directly in equity amounted to HK$1,051,000 (2006: gain of HK$4,161,000), of which gain of HK$8,970,000 (2006: Nil) was released from equity and recognised in the income statement for the year.

The above investments in equity securities are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

In the prior year, the fair value of listed equity investment was based on quoted market price as at the balance sheet date.

20. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

As at 31 March 2007, unlisted equity investments with a carrying amount of HK$79 (2006: Nil) were stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

21. AMOUNTS DUE FROM INVESTEES

The amounts due from investees are unsecured, interest-free and repayable on demand. In the opinion of the directors, these amounts are classified as non-current assets as the Group has no intention of demanding repayment in the near future. The carrying amounts of these loans approximate to their fair values.

22. LONG TERM DEPOSITS

In the prior year, long term deposits represented a deposit of HK$14,040,000 paid for the acquisition of items of property, plant and equipment and a deposit of HK$16,160,000 for the acquisition of an interest in hotel property. They have been transferred to property, plant and equipment and investment properties, respectively, during the year. The carrying amounts of the amounts approximated to their fair values at 31 March 2006.

23. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

The amounts due from/to minority shareholders are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts approximate to their fair values.

24. PROPERTIES HELD FOR SALE

	Group	
	2007	2006
	HK$'000	*HK$'000*
Completed properties	**234,938**	142,749
Properties under development	**160,441**	85,697
	395,379	228,446

Certain completed properties held for sale with an aggregate carrying value of HK$21,244,000 (2006: HK$20,951,000) were leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements. As at 31 March 2007, certain completed properties held for sale are pledged to banks to secure banking facilities granted to the Group (note 30).

25. CONSTRUCTION CONTRACTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Gross amount due from contract customers	**12,283**	23,149
Gross amount due to contract customers	**(29,104)**	(32,853)
	(16,821)	(9,704)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	**1,472,294**	1,930,673
Less: Progress billings	**(1,489,115)**	(1,940,377)
	(16,821)	(9,704)

26. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trading goods	**8,537**	8,674

27. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and 180 days for the sale of completed properties held for sale. For retention money receivables in respect of construction works carried out by the Group, the due dates are usually one year after the completion of the construction works. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

27. ACCOUNTS RECEIVABLE *(Continued)*

An aged analysis of the accounts receivable as at the balance sheet date, based on the invoice date and net of provision is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current to 90 days	**43,844**	29,743
91 to 180 days	**3,803**	8,037
181 to 360 days	**2,975**	11,564
Over 360 days	**13,813**	6,282
	64,435	55,626
Retention money receivables	**4,109**	4,457
Total	**68,544**	60,083

28. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
		2007	2006	**2007**	2006
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**53,159**	47,167	**59**	62
Time deposits		**68,184**	68,300	**–**	–
		121,343	115,467	**59**	62
Less: Pledged time deposits for banking facilities	*30*	**(68,184)**	(68,300)	**–**	–
Cash and cash equivalents		**53,159**	47,167	**59**	62

At the balance sheet date, the aggregate cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$76,141,000 (2006: HK$72,352,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

29. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current to 90 days	**30,103**	53,929
91 to 180 days	**168**	2,186
181 to 360 days	**1,436**	1,128
Over 360 days	**6,963**	4,439
	38,670	61,682

The accounts payable are non-interest-bearing and are normally settled on 30-day terms.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2007			2006		
Group	**Effective interest rate (%)**	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Bank loans – secured	**6.48 to 7.48**	**2008**	**41,067**	6.85	2007	9,600
Bank overdrafts – secured	**Prime rate + 0.5**	**On demand**	**41,853**	Prime rate + 0.5	On demand	28,431
Trust receipt loans – secured	**Prime rate + 0.875**	**On demand**	**4,640**	Prime rate + 0.875	On demand	6,631
			87,560			44,662
Non-current						
Bank loans – secured	**6.48 to 7.48**	**2011**	**84,162**	6.85	2008	28,800
Convertible notes (note 32)	**4.00**	**2009**	**14,856**	–	–	–
			99,018			28,800
			186,578			73,462

	2007			2006		
Company	**Effective interest rate (%)**	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	HK$'000
Non-current						
Convertible notes (note 32)	**4.00**	**2009**	**14,856**	–	–	–

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans, overdrafts and trust receipt loans repayable:				
Within one year or on demand	**87,560**	44,662	**–**	–
In the second year	**30,927**	16,800	**–**	–
In the third to fifth years, inclusive	**53,235**	12,000	**–**	–
	171,722	73,462	**–**	–
Other borrowings repayable:				
In the third to fifth years, inclusive	**14,856**	–	**14,856**	–
	186,578	73,462	**14,856**	–

The carrying amounts of all bank and other borrowings approximate to their fair values as at the balance sheet date. The fair value of bank and other borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

Except for the convertible notes with a carrying amount of HK$14,856,000 (2006: Nil), all borrowings of the Group bear interest at floating interest rates.

The Group's banking facilities are secured by:

(i) the pledge of certain of the Group's leasehold buildings situated in Hong Kong and Mainland China of HK$77,356,000 (2006: HK$45,398,000) (note 13).

(ii) the pledge of the Group's leasehold lands situated in Hong Kong of HK$13,262,000 (2006: HK$13,512,000) (note 15).

(iii) the pledge of the Group's time deposits of HK$68,184,000 (2006: HK$68,300,000) (note 28).

(iv) the pledge of the Group's completed properties for sale of HK$50,471,000 (2006: HK$74,306,000) (note 24).

In addition, the Group's banking facilities are secured by the Company's corporate guarantees.

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group			**2007**
	Losses available for offset against future taxable profits	**Other temporary timing differences**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 April 2006	**413**	**–**	**413**
Deferred tax charged to the income statement during the year (note 10)	**(151)**	**–**	**(151)**
Deferred tax assets at 31 March 2007	**262**	**–**	**262**

Deferred tax liabilities

Group			**2007**
	Accelerated tax depreciation	**Revaluation of properties**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 April 2006	**331**	**2,246**	**2,577**
Deferred tax charged to the income statement during the year (note 10)	**(92)**	**9,264**	**9,172**
Deferred tax liabilities at 31 March 2007	**239**	**11,510**	**11,749**
Net deferred tax liabilities at 31 March 2007			**11,487**

Deferred tax assets

Group			2006
	Losses available for offset against future taxable profits	Other temporary timing differences	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2005	262	120	382
Deferred tax credited/(charged) to the income statement during the year (note 10)	151	(120)	31
Deferred tax assets at 31 March 2006	413	–	413

31. DEFERRED TAX *(Continued)*

Deferred tax liabilities

Group			2006
	Accelerated tax depreciation	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2005	331	340	671
Deferred tax debited to equity during the year	–	1,906	1,906
Deferred tax liabilities at 31 March 2006	331	2,246	2,577
Net deferred tax liabilities at 31 March 2006			2,164

The Group has tax losses arising in Hong Kong and Mainland China of HK$580,878,000 (2006: HK$561,725,000) and HK$25,365,000 (2006: HK$9,489,000), respectively, that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

At 31 March 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly-controlled entity as the Group has no liability to additional tax should such amounts be remitted.

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

Deferred tax asset

Company

	Losses available for offset against future taxable profits
	HK$'000
At 1 April 2005, 31 March 2006, 1 April 2006 and 31 March 2007	262

32. CONVERTIBLE NOTES

On 24 April 2006, the Company issued 4% convertible notes with a total nominal value of HK$15,750,000. There was no movement in the number of these convertible notes during the year. The notes have a three-year term and were issued at par, giving total proceeds of HK$15,750,000. Interest is payable half-yearly in arrears at a nominal annual interest rate of 4%. Each note is convertible at any time from the first anniversary of the issue date to the thirtieth day prior to the maturity date, at the holder's option, into 35,000,000 ordinary shares of the Company at an initial conversion price of HK$0.45 per share.

The fair value of the liability component of the convertible notes was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 7% and is carried as a long term liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders' equity.

The convertible notes issued during the year have been split as to the liability and equity components, as follows:

	2007	2006
	HK$'000	*HK$'000*
Nominal value of convertible notes issued during the year	**15,750**	–
Equity component	**(1,259)**	–
Liability component at the issuance date	**14,491**	–
Interest expense	**955**	–
Interest paid	**(590)**	–
Liability component at 31 March (note 30)	**14,856**	–

33. SHARE CAPITAL

Shares

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 (2006: 1,500,000,000) ordinary shares of HK$0.10 each	**150,000**	150,000
Issued and fully paid:		
572,683,017 (2006: 496,683,017) ordinary shares of HK$0.10 each	**57,268**	49,668

33. SHARE CAPITAL *(Continued)*

A summary of the transactions during the current and prior years with reference to the movements in the Company's issued ordinary share capital as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2005		5,167,540,176	51,675	105,783	157,458
Repurchase of shares	*(i)*	(184,600,000)	(2,007)	(8,982)	(10,989)
Consolidation of shares	*(ii)*	(4,486,257,159)	–	–	–
		496,683,017	49,668	96,801	146,469
Share repurchase expenses		–	–	(130)	(130)
At 31 March 2006 and 1 April 2006		496,683,017	49,668	96,671	146,339
Issue of shares	*(iii)*	65,000,000	6,500	23,600	30,100
Exercise of share options	*(iv)*	11,000,000	1,100	2,693	3,793
		572,683,017	57,268	122,964	180,232
Share issue expenses		–	–	(401)	(401)
At 31 March 2007		572,683,017	57,268	122,563	179,831

Notes:

(i) In the prior year, the Company repurchased a total of 184,600,000 of its own shares on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') at a price of HK$0.265 to HK$0.650 per share, for a total consideration, before expenses, of HK$10,989,000. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK$2,007,000 was transferred from retained profits to the capital redemption reserve. The premium of HK$8,982,000 paid on the repurchased shares and share repurchase expenses of HK$130,000 were charged against the share premium account.

(ii) With effect from 1 September 2005, the Company's authorised share capital of HK$150,000,000 divided into 15,000,000,000 ordinary shares of HK$0.01 each was consolidated into 1,500,000,000 ordinary shares of HK$0.10 each. On the same date, the Company's issued and fully paid share capital of HK$49,847,301 divided into 4,984,730,176 ordinary shares of HK$0.01 each was consolidated into 498,473,017 ordinary shares of HK$0.10 each.

33. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(iii) On 4 April 2006, Sparta Assets Limited (''Sparta Assets''), a company incorporated in the British Virgin Islands with limited liability, which holds approximately 43.29% of the Company's shares at that date, entered into a placing agreement with Penta Investment Advisers Limited (''Penta''), a company incorporated in the British Virgin Islands with limited liability. Pursuant to the placing agreement, Sparta Assets agreed to place 15,000,000 placing shares with Penta at a price of HK$0.34 per share. On the same date, Sparta Assets entered into a share subscription agreement with the Company pursuant to which, Sparta Assets conditionally agreed to subscribe for 15,000,000 subscription shares at the same price of HK$0.34 per share.

On 12 December 2006, the Company entered into a placing agreement with 3V Capital Limited (the ''Placing Agent''), a company incorporated in Hong Kong with limited liability. Pursuant to the placing agreement, the Placing Agent agreed to place 50,000,000 placing shares with Penta at a price of HK$0.50 per share.

(iv) 10,000,000 share options and 1,000,000 share options were exercised at exercise prices of HK$0.272 per share and HK$0.34 per share, respectively (note 34), for a total consideration, before expenses, of HK$3,060,000, together with a release of the share option reserve amounting to HK$733,000, which is credited to the share premium account.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEME

On 14 August 2002, the share option scheme of the Company adopted on 21 May 1997 ceased to operate and a new share option scheme (the "Scheme") was adopted on the same date to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, the Company's shareholders and other employees of the Group. The Scheme became effective on 14 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and expiring on the last date of such period.

34. SHARE OPTION SCHEME *(Continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

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

At 31 March 2006, the Company had 11,800,000 share options outstanding under the Scheme.

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

	Number of share options						Price of the Company's shares***			
Name or category of participant	At 1 April 2006	Granted during the year	Exercised during the year	At 31 March 2007	At date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$* per share	At grant date of options *HK$* per share	Immediately before the exercise date *HK$* per share	At exercise date of options *HK$* per share
Directors										
Tjia Boen Sien	400,000	–	(400,000)	–	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27	0.41	0.41
Wang Jing Ning	1,000,000	–	(1,000,000)	–	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27	0.41	0.41
Keung Kwok Chueng	2,000,000	–	(2,000,000)	–	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27	0.41	0.41
Ong Chi King	2,000,000	–	(2,000,000)	–	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27	0.41	0.41
Ho Chung Tai, Raymond	400,000	–	–	400,000	4 March 2006	5 March 2006 to 4 March 2008	0.34	0.34	–	–
Siu Man Po	400,000	–	–	400,000	4 March 2006	5 March 2006 to 4 March 2008	0.34	0.34	–	–
	6,200,000	–	(5,400,000)	800,000						
Other employees, in aggregate	4,600,000	–	(4,600,000)	–	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27	0.41	0.41
	1,000,000	–	(1,000,000)	–	4 March 2006	5 March 2006 to 4 March 2008	0.34	0.34	0.41	0.41
	–	10,450,000	–	10,450,000	23 December 2006	27 December 2006 to 26 December 2007	0.6	0.58	–	–
	5,600,000	10,450,000	(5,600,000)	10,450,000						
Total	11,800,000	10,450,000	(11,000,000)	11,250,000						

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

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

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing price immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

34. SHARE OPTION SCHEME *(Continued)*

The fair value of the share options granted during the year was HK$1,015,000 (2006: HK$799,000).

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

Dividend yield (%)	0.00
Expected volatility (%)	42.00
Historical volatility (%)	42.00
Risk-free interest rate (%)	3.65
Expected life of option (year)	1.00
Weighted average share price (HK$)	0.58

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

At the balance sheet date, the Company had 11,250,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 11,250,000 additional ordinary shares of the Company, representing approximately 2.0 % of the Company's shares in issue as at the balance sheet date, and additional share capital of HK$1,125,000 and share premium of HK$5,417,000 (before issue expenses).

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 33 to 34 of the financial statements.

35. RESERVES *(Continued)*

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2005		105,783	155,531	–	7,355	12,787	281,456
Loss for the year	11	–	–	–	–	(5,744)	(5,744)
Repurchase of shares	33	(8,982)	–	–	2,007	(2,007)	(8,982)
Share repurchase expenses	33	(130)	–	–	–	–	(130)
Equity-settled share option arrangements	34	–	–	799	–	–	799
At 31 March 2006 and 1 April 2006		96,671	155,531	799	9,362	5,036	267,399
Loss for the year	11	–	–	–	–	(5,437)	(5,437)
Issue of shares	33	23,600	–	–	–	–	23,600
Share issue expenses	33	(401)	–	–	–	–	(401)
Exercise of share options	33	2,693	–	(733)	–	–	1,960
Equity-settled share option arrangements	34	–	–	1,015	–	–	1,015
At 31 March 2007		122,563	155,531	1,081	9,362	(401)	288,136

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 21 May 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a distribution may be made out of the contributed surplus provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, issued share capital and share premium, is less than the realisable value of its assets.

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

36. DISPOSAL OF SUBSIDIARIES

	Note	**2007** **HK$'000**	2006 *HK$'000*
Net assets disposed of:			
Prepayment, deposits and other receivables		–	1,578
Inventories		–	4,440
Cash and bank balances		–	896
Other payables and accruals		–	(6,525)
Minority interests		–	(621)
		–	(232)
Gain on disposal of subsidiaries	*5*	–	1,768
		–	1,536
Satisfied by:			
Cash		–	1,654
Interests in associates		–	(118)
		–	1,536

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007 **HK$'000**	2006 *HK$'000*
Cash consideration	–	1,654
Cash and bank balances disposed of	–	(896)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	758

37. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**–**	–	**255,610**	360,100

In respect of the guarantees granted to subsidiaries, banking facilities in the amount of HK$151,442,000 (2006: HK$73,462,000) were utilised by the subsidiaries as at 31 March 2007.

38. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessor

The Group leases certain of its leasehold buildings (note 13) and certain of its completed properties held for sale (note 24) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	**1,306**	1,655
In the second to fifth years, inclusive	**637**	1,195
	1,943	2,850

38. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) The Group as lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years.

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	**9,425**	10,063
In the second to fifth years, inclusive	**40,341**	29,884
After five years	**31,909**	10,370
	81,675	50,317

The Company had no operating lease arrangements as at 31 March 2007 (2006: Nil).

39. COMMITMENTS

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided for, in respect of:		
Acquisition of properties	**–**	16,503
Renovation cost of investment properties	**11,007**	–
	11,007	16,503
Authorised, but not contracted for, in respect of:		
Renovation cost of investment properties	**17,410**	–
	28,417	16,503

The Company had no material commitment as at 31 March 2007 (2006: Nil).

40. RELATED PARTY TRANSACTIONS

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

	Notes	2007 HK$'000	2006 HK$'000
Sales of properties to a director of the Company and his associates	*(i)*	**8,985**	–
Management fees received from associates	*(ii)*	**775**	553
Interest income from jointly-controlled entity	*(iii)*	**639**	397

Notes:

(i) The Group sold three residential apartment units to Mr. Tjia Boen Sien, Mr. Tjia Wai Yip and Ms. Tse Hoi Ying during the year. Mr. Tjia Boen Sien is a director and a substantial shareholder of the Company, and Mr. Tjia Wai Yip and Ms. Tse Hoi Ying is the son and daughter of Mr. Tjia Boen Sien, respectively. The total consideration for these three residential apartment units was RMB8,896,000, which was referenced to the market value and was on normal commercial terms. These transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The management fees were charged by reference to costs incurred for services provided by the Group.

(iii) The interest income from jointly-controlled entity was charged at the prime rate plus 1% per annum on an amount due from it of HK$7,178,000 (2006: HK$7,178,000).

(b) Outstanding balances with related parties:

(i) Details of the Group's amounts with its jointly-controlled entity and associates as at the balance sheet date are included in notes 18 and 19 to the financial statements, respectively; and

(ii) Details of the Company's amounts with its subsidiaries as at the balance sheet date are included in note 17 to the financial statements.

(c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, convertible notes, available-for-sale investments, cash and cash equivalents and pledged time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable, accounts payable, prepayments, deposits and other receivables, and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

One of the Group's most significant sources of interest rate risk is the repricing risk caused by timing differences in interest rate changes and cash flows that occur in the repricing and maturity of fixed and floating rate assets and liabilities. The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing bank and other borrowings. The Group has an interest rate risk management policy in place to monitor and mitigate interest rate risk within tolerable risk limits.

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Details of the Group's credit policy are set out in note 27 to the financial statements.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged time deposits, and prepayments, deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group consistently maintains a prudent financing policy and ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

42. COMPARATIVE AMOUNTS

LAT provision in the prior year of HK$12,779,000 was included in other payables and accruals on the face of the consolidated balance sheet. To accord with the presentation adopted in the current year, which in the opinion of the directors, better reflects the underlying nature of the transaction, it has been reclassified to tax payable.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2007.