



VANTAGE INTERNATIONAL (HOLDINGS) LIMITED

盈信控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 15)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2007

The directors (the “Directors”) of the Company are pleased to announce the consolidated results of Vantage International (Holdings) Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 March 2007, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, together with the comparative figures for the previous year, set out as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
REVENUE	5	1,529,196	1,274,815
Contract costs		(1,447,906)	(1,203,545)
Property expenses		(1,441)	(1,118)
Gross profit		79,849	70,152
Other income and gains	5	36,322	65,278
Administrative expenses		(38,776)	(32,870)
Other expenses		(3,837)	(22,799)
Finance costs	6	(30,504)	(20,903)
PROFIT BEFORE TAX	7	43,054	58,858
Tax	8	(5,914)	(17,041)
PROFIT FOR THE YEAR		37,140	41,817
Attributable to:			
Equity holders of the parent		37,140	41,817
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		HK3.9 cents	HK4.4 cents
Fully diluted		HK3.9 cents	N/A

CONSOLIDATED BALANCE SHEET

31 March 2007

	<i>Notes</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		12,204	20,504
Properties held for development		115,586	115,500
Investment properties		412,810	518,790
Prepaid land lease payments		9,709	–
Deposits for purchase of properties		–	670
		<hr/>	<hr/>
Total non-current assets		550,309	655,464
CURRENT ASSETS			
Gross amount due from customers			
for contract work		157,391	35,055
Properties under development		17,021	61,730
Property held for sale		44,833	–
Accounts receivable	11	192,759	138,235
Prepayment, deposits and other receivables		66,221	50,342
Amount due from a jointly-controlled entity		120	–
Derivative financial instruments		680	–
Tax recoverable		849	768
Pledged deposits		8,445	8,180
Cash and cash equivalents		49,550	77,010
		<hr/>	<hr/>
		537,869	371,320
Non-current assets classified as held for sale		113,000	–
		<hr/>	<hr/>
Total current assets		650,869	371,320
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET (CONTINUED)*31 March 2007*

	<i>Notes</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
CURRENT LIABILITIES			
Accounts payable	12	262,370	194,055
Gross amount due to customers for contract work		44,133	51,392
Tax payable		1,286	1,387
Other payable and accruals		9,627	9,836
Derivative financial instruments		–	752
Interest-bearing bank and other borrowings		305,558	112,835
		<hr/>	<hr/>
Total current liabilities		622,974	370,257
		<hr/>	<hr/>
Net current assets		27,895	1,063
		<hr/>	<hr/>
Total assets less current liabilities		578,204	656,527
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		255,015	371,676
Finance lease payable		–	29
Deferred tax liabilities		14,612	13,570
		<hr/>	<hr/>
Total non-current liabilities		269,627	385,275
		<hr/>	<hr/>
Net assets		308,577	271,252
		<hr/>	<hr/>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		23,519	23,519
Reserves		285,058	247,733
		<hr/>	<hr/>
Total equity		308,577	271,252
		<hr/>	<hr/>

Notes:

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 investment properties and derivative financial instruments, 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 except when otherwise indicated.

2. IMPACT OF NEW AND REVISED HKFRSs

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 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) *HKAS 39 Financial Instruments: Recognition and Measurement
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.

(b) *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.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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 objective, 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.

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.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 Segment Reporting.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11, HK(IFRIC)-Int 12 and HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

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.

4. SEGMENT INFORMATION

Business segments – primary reporting format

The following tables present the segment revenue and profit of the Group's business segments:

Year ended 31 March 2007

	Building construction HK\$'000	Renovation, repairs and maintenance HK\$'000	Civil engineering works** HK\$'000	Property investment* HK\$'000	Property development# HK\$'000	Total HK\$'000
Segment revenue:						
Sales to external customers	<u>577,034</u>	<u>796,021</u>	<u>137,596</u>	<u>15,165</u>	<u>3,380</u>	<u>1,529,196</u>
Segment results	<u>19,453</u>	<u>32,581</u>	<u>10,710</u>	<u>31,483</u>	<u>2,876</u>	<u>97,103</u>
Interest and unallocated income and gains						17,215
Unallocated expenses						(40,760)
Finance costs						(30,504)
Profit before tax						43,054
Tax						(5,914)
Profit for the year						<u>37,140</u>
Segment assets	<u>161,053</u>	<u>156,918</u>	<u>51,860</u>	<u>525,999</u>	<u>177,440</u>	<u>1,073,270</u>
Unallocated assets						127,908
Total assets						<u>1,201,178</u>
Segment liabilities	<u>185,607</u>	<u>94,807</u>	<u>25,594</u>	<u>3,736</u>	<u>1,130</u>	<u>310,874</u>
Unallocated liabilities						581,727
Total liabilities						<u>892,601</u>
Other segment information:						
Capital expenditure	-	-	-	2,113	-	2,113
Unallocated capital expenditure						8,782
						<u>10,895</u>
Depreciation on unallocated asset						3,861
Amortisation of prepaid land lease payments – unallocated						256
Impairment of accounts receivable	1,688	-	-	-	-	1,688
Impairment of properties under development	-	-	-	-	171	171
Gain on changes in fair value of investment properties, net	-	-	-	19,107	-	<u>19,107</u>

Year ended 31 March 2006

	Building construction HK\$'000	Renovation, repairs and maintenance HK\$'000	Civil engineering works** HK\$'000	Property investment* HK\$'000	Property development# HK\$'000	Total HK\$'000
Segment revenue:						
Sales to external customers	681,619	506,710	74,334	8,837	3,315	1,274,815
Segment results	33,214	21,286	(10,099)	65,133	(4,209)	105,325
Interest and unallocated income and gains						6,481
Unallocated expenses						(32,045)
Finance costs						(20,903)
Profit before tax						58,858
Tax						(17,041)
Profit for the year						41,817
Segment assets	139,910	61,089	17,009	519,602	177,288	914,898
Unallocated assets						111,886
Total assets						1,026,784
Segment liabilities	145,596	92,229	7,261	3,553	1,108	249,747
Unallocated liabilities						505,785
Total liabilities						755,532
Other segment information:						
Capital expenditure	–	–	–	226,193	–	226,193
Unallocated capital expenditure						5,346
						231,539
Depreciation on unallocated assets						2,676
Impairment of goodwill	–	–	14,717	–	–	14,717
Impairment of properties held for development	–	–	–	–	5,883	5,883
Impairment of properties under development	–	–	–	–	1,251	1,251
Gain on changes in fair value of investment properties, net	–	–	–	58,797	–	58,797

- ** For the year ended 31 March 2006, the segment results of the civil engineering works segment include an impairment loss on goodwill of HK\$14,717,000.
- * The segment results of the property investment segment include a net gain on changes in fair value of investment properties of HK\$19,107,000 (2006: HK\$58,797,000).
- # The segment results of the property development segment include the impairment loss on properties under development of HK\$171,000 (2006: HK\$1,251,000). For the year ended 31 March 2006, the segment results of the property development segment also include the impairment loss on properties held for development of HK\$5,883,000.

No geographical information is presented as all of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the appropriate proportion of contract revenue from construction, renovation and other contracts, and the gross rental income received and receivable from properties during the year.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue		
Contract revenue	1,510,651	1,262,663
Property gross rental income	18,545	12,152
	<u>1,529,196</u>	<u>1,274,815</u>
Other income and gains		
Interest income	7,455	3,276
Sundry income	762	2,212
Gain on disposal of items of property, plant and equipment	6,440	5
Gain on changes in fair value of investment properties, net	19,107	58,797
Gain on derivative financial instruments	2,558	–
Exchange gains, net	–	988
	<u>36,322</u>	<u>65,278</u>

6. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loans and overdrafts	30,504	21,798
Interest on finance leases	–	2
	<hr/>	<hr/>
Total interest	30,504	21,800
Less: Interest capitalised	–	(897)
	<hr/>	<hr/>
	30,504	20,903
	<hr/> <hr/>	<hr/> <hr/>

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Depreciation	3,861	2,676
Amortisation of prepaid land lease payments	256	–
Gain on changes in fair value of investment properties, net*	(19,107)	(58,797)
Impairment of accounts receivable**	1,688	–
Impairment of goodwill**	–	14,717
Impairment of properties held for development**	–	5,883
Impairment of properties under development**	171	1,251
Staff costs (excluding directors' remuneration):		
Salaries and wages	61,234	49,920
Equity-settled share option expense	185	–
Defined contribution retirement schemes contributions	1,582	1,224
Forfeited contributions	(99)	(274)
Net retirement schemes contributions	1,483	950
	<hr/>	<hr/>
	62,902	50,870
	<hr/>	<hr/>
Interest income	(7,455)	(3,276)
	<hr/> <hr/>	<hr/> <hr/>

* Included in “Other income and gains”

** Included in “Other expenses”

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2007 HK\$'000	2006 HK\$'000
Current – Hong Kong:		
Charge for the year	4,919	6,025
Overprovision in prior years	(47)	–
Deferred	1,042	11,016
	<u>5,914</u>	<u>17,041</u>
Total tax charge for the year	<u>5,914</u>	<u>17,041</u>

9. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2006: Nil).

10. EARNINGS PER SHARE

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.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. 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 of all dilutive potential ordinary shares into ordinary shares.

No diluted earnings per share for the year ended 31 March 2006 has been disclosed as the Company's outstanding share options did not have a dilutive effect for that year.

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

	2007 HK\$'000	2006 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, for the purposes of basic and diluted earnings per share	<u>37,140</u>	<u>41,817</u>
	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	940,758,000	940,758,000
Effect of dilutive potential ordinary shares:		
Share options	<u>177,217</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>940,935,217</u>	<u>940,758,000</u>

11. ACCOUNTS RECEIVABLE

Accounts receivable consist of receivables from contract works and rentals under operating leases. The payment terms of contract works were stipulated in the relevant contracts. Rentals are normally payable in advance.

The following is the ageing analysis of accounts receivable at the balance sheet date:

	2007 HK\$'000	2006 HK\$'000
Current – 3 months	141,785	132,421
4 – 6 months	14,381	323
Over 6 months	36,593	5,491
	<u>192,759</u>	<u>138,235</u>

12. ACCOUNTS PAYABLE

The following is the ageing analysis of accounts payable at the balance sheet date:

	2007 HK\$'000	2006 HK\$'000
Current – 3 months	203,964	167,901
4 – 6 months	24,482	2,860
Over 6 months	33,924	23,294
	<u>262,370</u>	<u>194,055</u>

13. CAPITAL COMMITMENT

The Group had the following capital commitments at the balance sheet date:

	2007 HK\$'000	2006 HK\$'000
Contracted, but not provided for:		
Purchase of investment properties	–	943
Development of investment properties (see note 15)	17,943	–
	<u>17,943</u>	<u>–</u>

14. CONTINGENT LIABILITIES

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

	2007 HK\$'000	2006 HK\$'000
Guarantees in respect of performance bonds in favour of contract customers	<u>129,125</u>	<u>82,698</u>

- (b) At the balance sheet date, the Group had the following material outstanding litigations:
- (i) On 2 April 2005, 15 June 2005, 7 November 2005, 16 March 2006, 10 April 2006, 8 May 2006, 11 May 2006, 18 May 2006, 24 July 2006, 12 September 2006, 13 October 2006, 23 November 2006, 28 November 2006, 25 January 2007, 13 February 2007, 14 February 2007 and 28 February 2007, four District Court actions and one High Court action were commenced by employees of the Group against the Group, and ten District Court actions and three High Court action were brought by the employees of the Group's subcontractors against the Group and other respondents in respect of the claims for employees' compensation under the Employee's Compensation Ordinance and the common law for personal injuries sustained by the employees in the accidents occurred in the course of their employment.
 - (ii) Subsequent to the balance sheet date, on 15 May 2007, 16 May 2007, 17 May 2007, 22 May 2007, 31 May 2007 and 20 June 2007, five District Court actions were commenced by employees of the Group against the Group and one District Court action was brought by the employees of the Group's subcontractors against the Group and other respondents in respect of the claims for employees' compensation under the Employees' Compensation Ordinance and the common law for personal injuries sustained by the employees in the accidents arising out of and in the course of their employment.

No settlement has been reached for the above actions up to the date of this announcement and no judgement has been made against the Group in respect of the claims. The directors are of the opinion that the claims will be covered by insurance and would not have material adverse impact to the income statement of the Group.

- (c) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$1.6 million (2006: HK\$1.4 million) as at 31 March 2007. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that there will be a material future outflow of resources from the Group.

Save as disclosed above, as at 31 March 2007, the Group had no other material contingent liabilities.

15. POST BALANCE SHEET EVENT

On 28 October 2006, the Group entered into a cooperation agreement ("Cooperation Agreement") with an independent party whereby the Group had committed to pay for the construction costs of approximately HK\$17,943,000 for the development of certain properties in Beijing (the "Beijing Property Project"). However, subsequent to the balance sheet date, the Group entered into another agreement with that independent party to terminate the Cooperation Agreement with effect from 17 May 2007. As a result, the Group's commitment under the Cooperation Agreement has been released with effect from 17 May 2007. The Group has not paid any amount in respect of the Beijing Property Project.

Details of the Beijing Property Project and the termination of the Cooperation Agreement were disclosed in the Company's circular dated 17 November 2006 and announcement dated 18 May 2007 respectively.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year (2006: Nil).

BUSINESS AND OPERATION REVIEW

Property Investment

On 6 February 2007, we entered into an agreement to dispose of the property at No. 36 Jardine's Bazaar, Causeway Bay for a price of HK\$113,000,000. The disposal was completed subsequent to the balance sheet date on 31 May 2007. As a result of this disposal, the Group has realised cash proceeds of around HK\$49 million after payment of the related mortgage loan, commission and legal and professional fees, which has resulted in a positive effect on the Group's gearing position.

Due to the exceptionally high offer by the HKSAR Government for the lease modification, we had been reviewing the redevelopment plan for the site at No. 9 Belfran Road, Kowloon. In the second half of the financial year under review, the Board has decided it is in the best interest of the Company to sell the property in its existing state. Therefore, we have appointed property agents and started a marketing plan.

Our investment properties (including No. 36 Jardine's Bazaar classified as held for sale) were valued at an aggregate value of HK\$525,810,000 as of 31 March 2007 by independent professional valuers. As a result of the valuation, we recorded a gain of approximately HK\$19,107,000.

As the retail property market in Hong Kong is experiencing a steady uptake, we have noted a remarkable increase of 53% in the Group's gross rental income from approximately HK\$12,152,000 for the previous year to HK\$18,545,000 for the year under review.

Property Development

After our acquisition of the whole block at Nos. 123-125 Tung Choi Street together with the whole block except Ground Floor at No. 127 Tung Choi Street, Mongkok, we have decided to acquire the remaining portion of No. 127 Tung Choi Street and pursue a redevelopment plan of the site at Nos. 123, 125 and 127 as a whole. Accordingly, we had submitted the application to the Lands Tribunal for an order under the Land (Compulsory Sales for Redevelopment) Ordinance to sell all the undivided shares in the lots at Nos. 125 & 127 for redevelopment purposes. The hearing of our application was completed in March 2007. Unfortunately, the Lands Tribunal dismissed our application. Nevertheless, we have already applied to the Lands Tribunal for a review of its decision and court hearings have been scheduled in the coming few months.

In the meantime, pending the legal proceedings, the shops on Ground Floor of Nos. 123-125 continue to be rented out on short-term leases.

In July 2005, we acquired a land in Tai Po with a site area of about 1,000 m² and having a view of the Tolo Harbour. We plan to develop a two-storey luxury residential house of a total floor area of about 400 m² and with spacious gardens and a swimming pool. Building plans have been submitted to Buildings Department and were approved. Site investigation has been completed. Piling work will commence in September 2007. However, as the design and planning stage has taken a longer period than previously expected, the expected completion date will extend from 2007 to the fourth quarter of 2008.

Construction and Engineering Work

We are pleased to report that our construction segment's expansion to the private sector has noted remarkable results during the year under review. We successfully secured a contract to construct 5 blocks of 52 to 56-storey residential towers with a total number of 2,096 flat units sitting on a 5-storey podium at the mass residential development, Dream City in Tseung Kwan O and a contract to construct 6 blocks of 18-storey residential towers at Tung Chung Station Development. The aggregate value of these two contracts amounts to HK\$1,155 million.

In addition, during the year under review, our engineering segment has secured from the Water Supplies Development two significant contracts for the replacement and rehabilitation of water mains with an aggregate value of HK\$426 million.

China Business

We experienced a setback in one JV project in the mainland China. As announced in the Company's circular dated 17 November 2006, we entered into a cooperation agreement with China Radio and TV International Techno-Economic Cooperation Co. ("China Radio and TV") regarding a property development project in Beijing. However, due to the undue delay in obtaining the necessary government approval for the establishment of a property joint venture company in Beijing, that was essential to kicking off the project, we agreed with China Radio & TV to terminate the cooperation agreement with effect from 17 May 2007, which has been considered in mutual interests.

PROSPECT

We will continue to bid contracts of new works as well as maintenance works from the Government of the HKSAR. It is expected that more opportunities will arise from the public sector. On 1 July 2007, the Government set up the Development Bureau and has announced that it will spend HK\$29 billion per year in infrastructure development. Furthermore, in preparation of the East Asian Games 2009 to be held in Hong Kong, the Government is upgrading various existing sport and recreation facilities. Subsequent to 31 March 2007, we have secured the contract for improvement works to Kowloon Park Swimming Pool and Hong Kong Stadium with a contract value of HK\$170 million. We anticipate that the Group will further benefit from the increasing public spending in construction works.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 March 2007, the Group's cash and cash equivalents amounted to HK\$49,550,000 (excluding pledged deposits of HK\$8,445,000), representing a decrease by 36% from 2006 of HK\$77,010,000 (excluding pledged deposits of HK\$8,180,000). Current ratio, measured as total current assets divided by total current liabilities, was 1.0 as of 31 March 2007, as compared to 2006 of 1.0.

Meanwhile, bank overdrafts and loans at 31 March 2007 increased by 16% to approximately HK\$560,544,000, as compared to 2006 of HK\$484,461,000. At 31 March 2007, the Group's net gearing was 163% (2006: 147%), measured as total bank borrowings and finance lease payables less pledged deposits and cash and cash equivalents, divided by total shareholders' equity.

At 31 March 2007, the Group's bank borrowings are all denominated in Hong Kong dollars. Whilst the Group's borrowings are principally on a floating rate basis, in order to mitigate the risk of interest rate upward trends, we entered into interest rate swaps with a bank for an aggregate notional amount of HK\$150 million.

Due to the increase in bank borrowings over the year, interest expenses increased by 46% to HK\$30,504,000 for the year under review (2006: HK\$20,903,000 excluding interest capitalised). No interest was capitalised during the year under review (2006: HK\$897,000).

Our banking facilities, comprising primarily bank loans and overdrafts, amounted to approximately HK\$887 million at 31 March 2007 (2006: HK\$873 million), of which approximately HK\$198 million (2006: HK\$306 million) was unutilised.

Charges on Assets

At 31 March 2007, fixed deposits of approximately HK\$8,445,000 (2006: HK\$8,180,000), investment properties (including No. 36 Jardine's Bazaar classified as held for sale) with an aggregate carrying value of HK\$525,470,000 (2006: HK\$518,450,000), building and prepaid land lease payments with carrying values of approximately HK\$3,881,000 and HK\$9,965,000 respectively (2006: HK\$14,432,000 classified as leasehold land and building), properties held for development of HK\$115,586,000 (2006: HK\$115,500,000) and property held for sale of HK\$44,833,000 (2006: HK\$44,730,000 classified as properties held for development) were pledged in favour of certain banks to secure the banking facilities granted by those banks to the Group. In addition, accounts receivable of certain construction contracts of the Group were assigned in favour of certain banks to secure the banking facilities at 31 March 2007.

Capital commitment

Details of the Group's capital commitment are disclosed in note 13.

Contingent liabilities

Details of the Group's contingent liabilities are disclosed in note 14.

STAFF AND REMUNERATION POLICY

At 31 March 2007, the Group employed 300 full-time staff in Hong Kong. The Group remunerates its staff based on their performance and work experience and the prevailing market rates. Staff benefits include mandatory provident fund, medical insurance and training programmes.

The Company also maintains a share option scheme. The purposes of the share option scheme are to provide incentives for the full-time employees and executives, to recognise their contributions to the growth of the Group and to provide more flexibility for the Group in formulating its remuneration policy.

On 7 December 2006, the Company granted options to various employees to subscribe for an aggregate of 6,900,000 shares of the Company. The vesting period of these options is 7 December 2006 to 6 June 2007. These options can be exercised within 5 years from 7 June 2007 through 6 June 2012 at a subscription price of HK\$0.165.

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.

CORPORATE GOVERNANCE

The Group recognizes the importance in maintaining high standards of corporate governance and believes that good corporate governance is fundamental to enhancing the confidence of the investors and minimizing our exposure to risks.

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 March 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding the Directors' securities transactions. Following specific enquiry made by the Company, the Directors have confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purposes of reviewing and providing supervision of the financial reporting process and internal controls of the Group. The audit committee has held meetings to review and discuss with the management and the external auditors financial reporting matters including the annual results for the year ended 31 March 2007. The current members of the audit committee comprise the Independent Non-executive Directors, namely Mr. Ip Kwok Him, GBS, JP, Professor Ko Jan Ming and Mr. Fung Pui Cheung Eugene.

BOARD OF DIRECTORS

As at the date of this announcement, the Directors of the Company comprise:

Executive Directors

Mr. Ngai Chun Hung
Mr. Yau Kwok Fai
Mr. Li Chi Pong

Non-executive Director

Mr. Shek Yu Ming Joseph

Independent Non-executive Directors

Professor Ko Jan Ming
Mr. Ip Kwok Him, GBS, JP
Mr. Fung Pui Cheung Eugene

By order of the Board

Ngai Chun Hung

Chairman

Hong Kong, 23 July 2007