



CHUN Wo DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 711

Warrant Code: 1032



Interim
Report
2012

Vision

- To be an acclaimed contractor and developer in Asia with dynamic and sustainable growth

Mission

- Improve people's quality of life through city and infrastructure development
- Grow with our employees through fulfilling work environment and career development
- Create value for shareholders

Core Values



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Pang Yat Ting, Dominic (*Chairman*)
Pang Yat Bond, Derrick (*Deputy Chairman*)
Kwok Yuk Chiu, Clement (*Managing Director*)
Li Wai Hang, Christina

Independent Non-executive Directors

Au Son Yiu
Chan Chiu Ying, Alec
Hui Chiu Chung, Stephen
Lee Shing See

AUDIT COMMITTEE

Chan Chiu Ying, Alec (*Chairman*)
Au Son Yiu
Hui Chiu Chung, Stephen

EXECUTIVE COMMITTEE

Pang Yat Ting, Dominic (*Chairman*)
Pang Yat Bond, Derrick
Kwok Yuk Chiu, Clement
Liu Chun Ming, Robin

MANAGEMENT COMMITTEE

Pang Yat Bond, Derrick (*Chairman*)
Pang Yat Ting, Dominic
Kwok Yuk Chiu, Clement
Li Wai Hang, Christina

NOMINATION COMMITTEE

Lee Shing See (*Chairman*)
Au Son Yiu
Pang Yat Ting, Dominic

REMUNERATION COMMITTEE

Au Son Yiu (*Chairman*)
Chan Chiu Ying, Alec
Pang Yat Bond, Derrick

SECRETARY

Chan Sau Mui, Juanna

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Conyers Dill & Pearman
Reed Smith Richards Butler
Woo Kwan Lee & Lo

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong Spinners Industrial Building
601–603 Tai Nan West Street
Cheung Sha Wan
Kowloon
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
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Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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Wanchai
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WEBSITE

<http://www.chunwo.com>

STOCK CODE

711

WARRANT CODE

1032

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2012	2011
Total Revenue (including share of jointly controlled entities)	HK\$2.44 billion	HK\$2.18 billion
Profit attributable to owners of the Company	HK\$37.2 million	HK\$33.8 million
Earnings per share	HK3.80 cents	HK3.69 cents
	30 September 2012	31 March 2012 (Restated ¹)
Equity per share*	HK\$1.54	HK\$1.51
Gearing ratio [#]	0.58	0.55

* *Equity per share refers to equity attributable to owners of the Company divided by the total number of issued ordinary share capital as at 30 September 2012 and 30 September 2011 respectively.*

[#] *Gearing ratio represented the proportion of net interest bearing debts to equity attributable to owners of the Company.*

¹ *The results have been restated to reflect the Group's adoption of HKAS 12. The relevant amounts of deferred tax previously provided have been reversed and the comparative figures are also restated for comparison purpose.*

BUSINESS REVIEW

Interim Results

For the six months ended 30 September 2012, Chun Wo Development Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group" or "Chun Wo") recorded revenue of approximately HK\$2.44 billion, which included the Group's share of revenue from jointly controlled entities. This represents an increase of 12% over HK\$2.18 billion for the last corresponding period. Profit attributable to owners of the Company rose to approximately HK\$37.2 million, up from HK\$33.8 million for the corresponding period of last year.

Construction

In respect of the construction business, the Group has continued to capitalise on opportunities created by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government"), which is committed to developing major infrastructure and cross-boundary projects. As at 30 September 2012, the Group has on hand contracts worth approximately HK\$22.01 billion of which HK\$10.64 billion remains outstanding, representing an increase of 7% and 4% over the figures recorded as at 31 March 2012 respectively.

During the review period, the Group was awarded with nine major projects worth a total contract sum of approximately HK\$2.71 billion. These involved a number of important and lucrative new construction projects from different government departments. These contracts help further reinforce the trust built between local authorities and the Group, as well as confidence in its capacity to undertake integrated construction works that contribute to the Hong Kong Government's infrastructure development initiatives.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Construction *(Continued)*

Government projects that the Group is participating in include the Happy Valley Underground Stormwater Storage Scheme, which represents a major New Engineering Contract (NEC) with the Drainage Services Department worth HK\$678 million. Furthermore, the Group has signed another HK\$700 million term contract with the Water Supplies Department for Waterworks, District E — New Territories East and has reached an agreement with the Architectural Services Department regarding construction of an open space in Tin Shui Wai.

Other new construction contracts include residential development projects in Kwun Tong and Tsuen Wan, fitting out works for clubhouse and tower entrance lobbies of a proposed residential development project in Pak Shek Kok and foundation works for a proposed office development project in Cheung Sha Wan. The aggregate value of the four contracts is approximately HK\$1.10 billion.

All projects are proceeding according to schedule, including three contracts for the Central-Wan Chai Bypass. All railway contracts with MTR Corporation Limited are progressing satisfactorily, including trackwork and overhead line system for the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong section), construction of the Whampoa Station and overrun tunnel on the Kwun Tong Line Extension, and site formation and piling works for the Wong Chuk Hang Depot, South Island Line (East).

Property Development

In view of market volatility in certain parts of Mainland China, the Group has started to focus on establishing property developments in Hong Kong and Southern China.

With respect to the Group's Arc de Royal development in Shijiazhuang, Hebei Province, 16% of the units in Tower 8 and 76% of the units in Tower 9, representing the final residential phase of the project, have been sold as at 30 September 2012. At Le Palais Royal in Shanwei, Guangdong Province, 64% of the residential units and 88% of the retail units have been sold as at 30 September 2012.

As for the Group's property development in Abu Dhabi, United Arab Emirates, topping out of the 10-storey Reem Diamond low-rise residential project has been achieved. The building is scheduled for completion by the second quarter of 2013.

Property Investment

The "Infinity 8" shopping mall in Choi Hung, Hong Kong, represents one of the Group's major property investments. The performance of this property has been satisfactory, with rental revenue achieving a double-digit growth as compared with the last corresponding period.

Security and Property Management Services

The Group's security and property management services subsidiaries have continued to achieve sustainable and satisfactory growth in profitability. These two subsidiaries have been awarded with a security service contract from The Hong Kong University of Science and Technology and a cleaning contract from Nan Fung Centre in Tsuen Wan respectively. The security service subsidiary is also the security service provider to the 47th Hong Kong Brands and Products Expo organised by CMA Exhibition Services Limited, which is an immense honour. This marks the third consecutive year that the subsidiary has provided security service to the event.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Security and Property Management Services (Continued)

The Group's security and property management services subsidiaries have a healthy flow of business as they are able to not only reap the fruits of their own business development efforts, but also enjoy benefits that come from the Group's integrated business model.

Liquidity and Financial Resources

The Group mainly relies upon internally generated funds as well as bank and other borrowings to finance its operations and expansion, which is supplemented by equity funding when it is required.

At 30 September 2012, the total net debts of the Group amounted to approximately HK\$868.3 million, representing total debts of approximately HK\$1,382.8 million less total of pledged bank deposits and bank balances and cash of approximately HK\$514.5 million. The debt maturity profile based on scheduled repayment dates set out in loan agreements of the Group at 30 September 2012 is analysed as follows:

	30 September 2012 HK\$ million	31 March 2012 HK\$ million
Borrowings and obligations under finance leases repayable:		
Within 1 year or on demand	1,125.7	1,141.9
After 1 year, but within 2 years		
— On demand shown under current liabilities	64.5	87.7
— Remaining balances	10.9	36.0
After 2 years, but within 5 years		
— On demand shown under current liabilities	19.7	20.1
— Remaining balances	4.5	27.4
Over 5 years		
— On demand shown under current liabilities	7.5	8.4
	1,232.8	1,321.5
Unsecured bonds		
— repayable after 2 years, but within 5 years	150.0	150.0
Total debts	1,382.8	1,471.5

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

At 30 September 2012, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to owners of the Company was 0.58 (31 March 2012: 0.55 (restated)).

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

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

Employee and Remuneration Policies

The Group had approximately 3,530 employees at 30 September 2012. Total remuneration of employees for the six months ended 30 September 2012 amounted to approximately HK\$406.4 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective companies and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions.

OUTLOOK AND PROSPECTS

Construction

Benefiting from the "Ten Major Infrastructure Projects" and a golden age in the construction industry as a whole, the management remains optimistic about prospects for the Group's construction segment. The total value of infrastructure and logistic projects approved by the Legislative Council of the Hong Kong Government is expected to increase by almost threefold — up from HK\$62 billion in 2007–08 to HK\$184 billion in 2012–13, while annual actual expenditure on capital works has risen from HK\$20.5 billion in 2007–08 to HK\$62.3 billion in 2012–13. Hong Kong's current shortage of developable land and the growing call for such development and associated infrastructure will help sustain, if not further drive, public construction for a long time to come. The Group has already started to bid for many large-scale public projects, such as the MTR Shatin-Central Link, the Tuen Mun-Chek Lap Kok Link, the remainder of the Central-Wan Chai Bypass, the Liantang/Heung Yuen Wai Boundary Control Point and other infrastructure projects.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK AND PROSPECTS *(Continued)*

Construction *(Continued)*

Aside from the Hong Kong Government's commitment to bolstering infrastructure development, addressing local housing needs will also create opportunities for the Group over the long term. The Northeast New Territories development plan is a perfect example of creating more land principally for residential applications.

While opportunities for securing new projects are abundant, the demand for resources has increased dramatically. Professionals, skilled labour and plant resources are in shortage. Moreover, the cost of employing subcontractors and consultants has been rising dramatically due to demand. The cost of scarce resources has risen to levels that adversely affect the Group's bottom line. The Group is currently exploring various means to secure needed resources for its existing projects and to prepare for future opportunities. Efforts to control costs and plan for potential contingencies are underway as well, with sustaining profitability as the underlying objective.

Property Development

The Hong Kong property market continues to realise stable growth, driven by solid demand and limited land supply. The management expects the local market to sustain growth, thus creating good opportunities for the Group in the coming years.

In view of the opportunities ahead, the Group is directing its property development focus principally on Hong Kong, with secondary focus on Southern China. It also intends to capitalise on measures proposed by the Hong Kong Government to relieve pent-up demand, such as the redevelopment of industrial buildings into residential flats or commercial offices.

The management is convinced that focusing on the Hong Kong property sector allows the Group to fully leverage its expertise in building and project management, which leads to generating higher returns.

In Mainland China, the unpredictability of upcoming property-related policies, compounded by possible new land and housing development restrictions to be introduced following the 18th National Congress of the Communist Party of China (CPC), will inevitably create challenges for the Group. Nevertheless, the management fully believes that by continuing to exercise restraint and closely examine market developments, it can turn challenges into opportunities. The property development in Shijiazhuang and Shanwei are examples of such opportunities, and have generated stable sales during the review period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK AND PROSPECTS *(Continued)*

Overview

The management remains optimistic about the Group's outlook and generally bullish about the construction business. Large-scale construction projects have the potential to appreciably bolster the Group's growth and ability to diversify. With regards to property development, the Group is focusing on enhancing its presence in the more mature and stable Hong Kong and Southern China markets. The primary objective of the Group is to achieve an annual net profit growth rate of approximately 10%.

CORPORATE SOCIAL RESPONSIBILITY

Committed to being a responsible corporate citizen, the Group actively engages in a variety of activities and sponsorship programmes in order to have a positive and lasting impact on society, local community and staff.

While participating in the Flag Day campaigns of the Society for the Prevention of Cruelty to Animals (SPCA) and Hong Kong Young Women's Christian Association (YWCA), is a continuing tradition, the Group is also a patron of the Wu Zhi Qiao (Bridge to China) Charitable Foundation and the "Green Joyful Home for Disabled" programme of Habitat for Humanity China. In the case of the former, Chun Wo staff were directly involved in building a footbridge for the residents of Heyuan Village, Yuannan, while in the latter, they helped refurbish the homes of low-income groups and the disabled.

In Hong Kong, the Group has continued to co-organise the "Youth Outreach x Chun Wo Charity Night" with Youth Outreach, helping raise funds to support the charity's overnight outreach service. The Group has also supported the efforts of Hong Kong New Arrivals Services Foundation Limited, sponsoring its "To Be A Boss" programme and "Grassroots Students Enrolling In University Scholarship" programme.

As a further means of supporting underprivileged students, the Group has established scholarships for those attending The University of Hong Kong and The Hong Kong University of Science and Technology.

AWARDS AND RECOGNITIONS

Indicative of the Group's unwavering commitment to enhancing occupational safety, it has earned several awards during the review period, including the following:

Award Name	Issuing Authority
Safe Subcontractor Award 2012 – Recognising Excellence in Safety (Champion)	Lighthouse Club
Construction Industry Safety Award Scheme 2011–2012 – Safety Team (Silver and Bronze Prizes)	Labour Department
Construction Safety Promotional Campaign 2012 – Best Refurbishment and Maintenance Contractor in OSH (Silver Award)	Occupational Safety & Health Council
Construction Safety Promotional Campaign 2012 – Best Safety Culture Activity Team (Silver Award)	Occupational Safety & Health Council
11th Hong Kong Occupational Safety & Health Award 2012 – Safety Management System Award (Merit Award)	Occupational Safety & Health Council
11th Hong Kong Occupational Safety & Health Award 2012 – OSH Annual Report Award (Merit Award)	Occupational Safety & Health Council
Three awards in Considerate Contractors Site Award	Development Bureau

The Group is also committed to the professional development of its staff, and has received the Manpower Developer Award from the Employees Retraining Board in recognition of its efforts. The award will help spur the Group to provide an even more rewarding environment for its workforce in the future.

Serving as testament to the Group's commitment to environmental friendly construction is the Expansion of Tseung Kwan O Hospital. It has been selected by Hong Kong Green Building Council as a Finalist in Green Building Awards 2012 – New Building Category [Completed Building] – Hong Kong.

The renovation works and fitting out project at Windsor House has brought honour to the Group as well. The exceptional quality of work at the project has earned the Certificate of Merit Award by – Quality Building Award 2012.

In recognising the Group's outstanding management strength, The Hong Kong Management Association has awarded the Group with the HKMA Quality Award – Bronze. This will direct public attention to the Group's high-calibre management, whose members have been fully committed to the successful operation of the Group.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012 (Unaudited)

		Six months ended 30 September	
	Notes	2012 HK\$'000	2011 HK\$'000
Revenue	3	1,763,156	1,425,325
Cost of sales		(1,601,790)	(1,327,983)
Gross profit		161,366	97,342
Other income		28,216	18,645
Other gains and losses		(521)	(1,539)
Fair value changes on investment properties	10	(2,199)	–
Selling expenses		(3,580)	(2,238)
General and administrative expenses		(114,691)	(100,466)
Share of results of associates		2,975	–
Share of results of jointly controlled entities		19,311	58,624
Finance costs	4	(21,481)	(11,862)
Profit before tax		69,396	58,506
Income tax expense	5	(32,228)	(24,731)
Profit for the period	6	37,168	33,775
Other comprehensive (expense) income			
Exchange differences arising on translation		(5,846)	21,163
Total comprehensive income for the period		31,322	54,938
Profit for the period attributable to:			
Owners of the Company		37,168	33,775
Non-controlling interests		–	–
		37,168	33,775
Total comprehensive income attributable to:			
Owners of the Company		31,322	54,938
Non-controlling interests		–	–
		31,322	54,938
Earnings per share			
– Basic	8	3.80 cents	3.69 cents
– Diluted	8	3.80 cents	3.69 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012 (Unaudited)

	Notes	30 September 2012 HK\$'000	31 March 2012 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	9	216,585	215,890
Investment properties	10	432,117	422,622
Interests in associates		69,240	66,387
Interests in jointly controlled entities		96,937	77,626
Deferred tax assets		13,852	10,015
Amounts due from associates		103,427	103,420
		932,158	895,960
Current assets			
Amounts due from customers for contract work		601,057	564,814
Debtors, deposits and prepayments	11	589,610	578,998
Properties under development		646,664	642,587
Deposits paid for properties under development		172,590	179,783
Properties held for sale		396,147	457,088
Deposits paid for properties held for sale		27,805	36,004
Investments held for trading		423	468
Amounts due from associates		705	705
Amounts due from jointly controlled entities		90,197	54,581
Tax recoverable		20,583	17,010
Pledged bank deposits		159,577	242,082
Bank balances and cash		354,956	414,944
		3,060,314	3,189,064

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 September 2012 (Unaudited)

	Notes	30 September 2012 HK\$'000	31 March 2012 HK\$'000 (Restated)
Current liabilities			
Amounts due to customers for contract work		157,694	120,476
Creditors, deposits and accrued charges	12	702,907	765,213
Deposits received from pre-sales of properties under development		60,188	63,646
Amounts due to associates		15,864	15,893
Amounts due to jointly controlled entities		52,524	69,905
Tax payable		92,595	82,796
Dividend payable		7,829	–
Obligations under finance leases		15,374	15,864
Borrowings	13	1,202,014	1,242,185
		2,306,989	2,375,978
Net current assets			
		753,325	813,086
Total assets less current liabilities			
		1,685,483	1,709,046
Non-current liabilities			
Unsecured bonds		150,000	150,000
Obligations under finance leases		15,459	15,250
Borrowings	13	–	48,189
Deferred tax liabilities		14,786	14,638
		180,245	228,077
Net assets			
		1,505,238	1,480,969
Capital and reserves			
Share capital	14	97,864	97,864
Reserves		1,407,024	1,382,755
		1,504,888	1,480,619
Equity attributable to owners of the Company			
Non-controlling interests		350	350
		1,505,238	1,480,969
Total equity			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012 (Unaudited)

	Notes	Attributable to owners of the Company								Non-controlling interests	Total	
		Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000			Total HK\$'000
At 1 April 2011, as previously reported		91,613	367,884	2,900	6,755	8,531	85,657	-	761,222	1,324,562	350	1,324,912
Impact of change in accounting policy	2	-	-	-	-	-	-	-	30,467	30,467	-	30,467
At 1 April 2011 (restated)		91,613	367,884	2,900	6,755	8,531	85,657	-	791,689	1,355,029	350	1,355,379
Profit for the period		-	-	-	-	-	-	-	33,775	33,775	-	33,775
Exchange differences arising on translation		-	-	-	-	-	21,163	-	-	21,163	-	21,163
Total comprehensive income for the period		-	-	-	-	-	21,163	-	33,775	54,938	-	54,938
Recognition of equity-settled share-based payments		-	-	-	1,410	-	-	-	-	1,410	-	1,410
Issue of shares upon exercise of warrants		1	2	-	-	-	-	-	-	3	-	3
Lapse of share options		-	-	-	(94)	-	-	-	94	-	-	-
At 30 September 2011 (restated)		91,614	367,886	2,900	8,071	8,531	106,820	-	825,558	1,411,380	350	1,411,730
At 1 April 2012, as previously reported		97,864	386,636	2,900	9,107	8,531	119,440	8,154	814,855	1,447,487	350	1,447,837
Impact of change in accounting policy	2	-	-	-	-	-	-	1,611	31,521	33,132	-	33,132
At 1 April 2012 (restated)		97,864	386,636	2,900	9,107	8,531	119,440	9,765	846,376	1,480,619	350	1,480,969
Profit for the period		-	-	-	-	-	-	-	37,168	37,168	-	37,168
Exchange differences arising on translation		-	-	-	-	-	(5,846)	-	-	(5,846)	-	(5,846)
Total comprehensive (expense) income for the period		-	-	-	-	-	(5,846)	-	37,168	31,322	-	31,322
Recognition of equity-settled share-based payments		-	-	-	776	-	-	-	-	776	-	776
Lapse of share options		-	-	-	(408)	-	-	-	408	-	-	-
Dividend recognised as distribution	7	-	-	-	-	-	-	-	(7,829)	-	(7,829)	(7,829)
At 30 September 2012		97,864	386,636	2,900	9,475	8,531	113,594	9,765	876,123	1,504,888	350	1,505,238

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012 (Unaudited)

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Net cash used in operating activities	(9,361)	(5,313)
Investing activities		
Decrease in pledged bank deposits	81,208	54,757
Interest received	2,046	2,014
Proceeds from disposal of property, plant and equipment	480	2,241
Amount advanced to an associate	(7)	–
Purchase of property, plant and equipment	(8,242)	(11,605)
Dividends received from jointly controlled entities	–	16,176
Dividend received from an associate	–	6,217
Net cash from investing activities	75,485	69,800
Financing activities		
New trust receipt loans raised	578,023	472,975
Repayment of trust receipt loans	(527,768)	(483,225)
New bank loans raised	166,970	265,623
Repayment of bank loans	(303,855)	(256,199)
Repayment of mortgage loans	(885)	(885)
Repayment of principal portion of obligations under finance leases	(10,781)	(7,194)
Interest paid	(26,958)	(17,696)
Repayment to a shareholder	–	(207,068)
Proceeds from issue of shares	–	3
Net cash used in financing activities	(125,254)	(233,666)
Net decrease in cash and cash equivalents	(59,130)	(169,179)
Cash and cash equivalents at beginning of the period	414,944	605,295
Effect of foreign exchange rate changes	(858)	9,936
Cash and cash equivalents at end of the period	354,956	446,052
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	354,956	452,385
Bank overdraft	–	(6,333)
	354,956	446,052

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012 except for those described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets *(Continued)*

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK\$33,132,000 as at 31 March 2012, with the corresponding adjustment being recognised in retained earnings.

The application of the other amendment to HKFRSs in the current interim period has had no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle ²
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities are currently accounted for using the equity method of accounting or proportionate accounting under HKAS 31.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors of the Group have already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures or measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results and financial position.

The directors of the Group anticipate that the application of the other new and revised standards, amendments or interpretations will not have material impact on the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3 SEGMENT INFORMATION

Revenue of the Group represents the contract revenue arising on construction contracts, revenue from sale of properties, rental and leasing income from properties and service income from security and property management services for the period.

The chief operating decision-maker of the Group has been identified as the executive directors and certain senior management (collectively referred as the “CODM”). For the purpose of performance assessment and resource allocation by the CODM, the Group’s business activities are categorised under the following operating and reportable segments:

1. Construction work – provision of civil engineering, electrical and mechanical engineering, foundation and building construction work
2. Property development – sale of properties
3. Property investment – leasing of properties
4. Professional services – provision of security and property management services
5. Other activities – other activities including trading of securities

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the six months ended 30 September 2012

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
REVENUE						
External sales (Note)	1,466,291	182,243	6,033	108,589	-	1,763,156
Share of revenue of jointly controlled entities	678,749	-	-	-	-	678,749
Segment revenue	2,145,040	182,243	6,033	108,589	-	2,441,905
RESULT						
Operating results	5,645	57,610	4,112	6,109	(119)	73,357
Share of results of associates	-	2,975	-	-	-	2,975
Share of results of jointly controlled entities	19,311	-	-	-	-	19,311
Segment profit (loss)	24,956	60,585	4,112	6,109	(119)	95,643
Unallocated corporate expenses						(6,812)
Interest income						2,046
Finance costs						(21,481)
Profit before tax						69,396
Income tax expense						(32,228)
Profit for the period						37,168

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2011

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
REVENUE						
External sales (Note)	1,168,961	136,255	4,417	115,692	-	1,425,325
Share of revenue of jointly controlled entities	757,734	-	-	-	-	757,734
Segment revenue	1,926,695	136,255	4,417	115,692	-	2,183,059
RESULT						
Operating results	(33,160)	38,348	5,526	3,046	(8)	13,752
Share of results of jointly controlled entities	58,624	-	-	-	-	58,624
Segment profit (loss)	25,464	38,348	5,526	3,046	(8)	72,376
Unallocated corporate expenses						(4,022)
Interest income						2,014
Finance costs						(11,862)
Profit before tax						58,506
Income tax expense						(24,731)
Profit for the period						33,775

Note: The external sales represented the revenue of the Group as presented in condensed consolidated statement of comprehensive income.

The share of revenue of jointly controlled entities has been included in segment revenue for the purpose of performance assessment by the CODM.

Segment result represents the gross profit (loss) generated from each segment, net of selling expenses and general and administration expenses directly attributable to each segment without allocation of interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4 FINANCE COSTS

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Interests on:		
Bank loans wholly repayable within five years	20,690	16,870
Bank loans not wholly repayable within five years	102	103
Finance leases	728	412
Amount due to a jointly controlled entity	–	311
Unsecured bonds	5,438	–
Total borrowing costs	26,958	17,696
Less: Amount attributable to contract work	(3,920)	(3,084)
Amount attributable to properties under development	(1,557)	(2,750)
	21,481	11,862

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5 INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

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

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

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Current tax		
– Hong Kong Profits Tax	1,823	1,404
– PRC Enterprise Income Tax	13,753	10,750
– PRC LAT	16,404	12,107
– Other Jurisdictions	100	–
	32,080	24,261
Deferred tax	148	470
	32,228	24,731

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

6 PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	17,778	18,469
Less: Amount attributable to contract work	(14,610)	(14,222)
	3,168	4,247
Gain on disposal of property, plant and equipment	(33)	(145)

7 DIVIDENDS

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Final dividend		
Final dividend recognised as distribution in respect of 2012 of HK 0.8 cent (2011: nil) per share	7,829	–

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

8 EARNINGS PER SHARE

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

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	37,168	33,775
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	978,638,531	916,135,974
Effect of dilutive potential ordinary shares in respect of:		
— Share options	91,247	—
— Warrants	—	773
Weighted average number of ordinary shares for the purpose of diluted earnings per share	978,729,778	916,136,747

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$8.2 million (six months ended 30 September 2011: HK\$11.6 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$0.4 million (six months ended 30 September 2011: HK\$2.1 million).

10 INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 April 2012	422,622
Transfer from properties held for sale	11,694
Decrease in fair value recognised in profit or loss	(2,199)
	432,117
At 30 September 2012	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11 DEBTORS, DEPOSITS AND PREPAYMENTS

Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of debtors of HK\$281,736,000 (at 31 March 2012: HK\$276,134,000), which are included in the Group's debtors, deposits and prepayments, is as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Not yet due	262,966	262,739
Amounts past due but not impaired:		
1–30 days	14,148	11,596
31–90 days	3,753	888
91–180 days	463	538
Over 180 days	406	373
	281,736	276,134

12 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK\$481,138,000 (at 31 March 2012: HK\$403,059,000), which are included in the Group's creditors, deposits and accrued charges, is as follows:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Not yet due	338,612	257,700
1–30 days	92,084	92,968
31–90 days	35,082	43,174
91–180 days	8,421	6,758
Over 180 days	6,939	2,459
	481,138	403,059

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13 BORROWINGS

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Borrowings comprise:		
Trust receipt loans	294,395	244,140
Bank loans	891,260	1,028,990
Mortgage loans	16,359	17,244
	1,202,014	1,290,374
Analysed as:		
Secured	493,232	664,782
Unsecured	708,782	625,592
	1,202,014	1,290,374
Carrying amount repayable (<i>Note</i>)		
Within one year	–	30,864
More than one year, but not exceeding two years	–	24,378
More than two years, but not more than five years	–	23,811
	–	79,053
Carrying amount of bank loans that contain a repayment on demand clause		
– repayable within one year	1,110,293	1,095,139
– repayable after one year (shown under current liabilities)	91,721	116,182
	1,202,014	1,290,374
Amounts repayable within one year shown under current liabilities	(1,202,014)	(1,242,185)
Amounts due after one year	–	48,189

Note: The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

All of the Group's borrowings are variable-rate borrowings which carry interest at Hong Kong Interbank Offered Rates plus certain basis points or benchmark interest rate from the People's Bank of China with certain percentage mark-up and subject to cash flow interest rate risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2012 and 30 September 2012	1,500,000,000	150,000
Issued and fully paid:		
At 1 April 2012 and 30 September 2012	978,638,531	97,864

15 CAPITAL COMMITMENTS

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	6,914	11,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	380,331	255,797
– jointly controlled entities	33,491	33,491
	413,822	289,288
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
– an associate	32,000	32,000
– jointly controlled entities	439,000	344,500
	471,000	376,500
Guarantee provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale and pre-sale properties	290,669	269,042

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17 PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to secure the banking facilities granted to the Group:

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Investment properties	409,200	409,200
Property, plant and equipment	28,587	31,497
Properties under development	–	8,679
Properties held for sale	–	132,272
Bank deposits	159,577	242,082
	597,364	823,730

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 RELATED PARTY TRANSACTIONS

- (i) During the period, the Group had the following transactions with related parties:

	Related company (Note) Six months ended 30 September		Jointly controlled entities Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Transactions during the period:				
Contract revenue recognised	-	-	212,342	262,714
Construction project management fee income	-	-	23,956	12,714
Security guard services income	-	-	1,157	474
Interest expense	5,438	-	-	311

	Associates		Jointly controlled entities	
	30 September 2012 HK\$'000	31 March 2012 HK\$'000	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	-	-	33,491	33,491
Extent of guarantee issued to financial institutions to secure credit facilities granted	32,000	32,000	439,000	344,500

Note: On 23 November 2011, the Company entered into a subscription agreement with a related company, Talent Effort Limited ("Talent Effort"), a company indirectly beneficially owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic, both being executive directors of the Company and the substantial shareholders of the ultimate holding company, in relation to the issue of unsecured bonds in the principal amount of HK\$150 million by the Company to Talent Effort. The bonds were issued to Talent Effort on 23 November 2011, which will be matured on 22 November 2014 at par with interest of 7.25% per annum payable semi-annually in arrear.

- (ii) The emoluments of directors, the Group's key management personnel during the period were HK\$4,951,000 (six months ended 30 September 2011: HK\$5,115,000).

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company (the “Board” or the “Directors”) has resolved not to declare an interim dividend for the six months ended 30 September 2012 (2011: Nil).

SHARE OPTION SCHEMES

- (a) The Company had adopted a share option scheme (the “Old Scheme”) on 28 August 2002 to enable the Directors to grant options to eligible participants, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company. The Old Scheme was expired on 27 August 2012 but would in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding share options granted under it prior to its expiry which outstanding share options will continue to be valid and exercisable in accordance with the terms of the Old Scheme.

Details of the movements in share options granted under the Old Scheme during the period under review are as follows:

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options				
				Outstanding at 1/4/2012	Granted during the period	Exercised/Cancelled during the period	Lapsed during the period	Outstanding at 30/9/2012
Directors								
Madam Li Wai Hang, Christina	2/4/2007	1.01	10/4/2007 to 1/4/2017	747,000	-	-	-	747,000
	15/1/2010	0.65	15/1/2011 to 14/1/2014	285,000	-	-	-	285,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	285,000	-	-	-	285,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	380,000	-	-	-	380,000
Mr. Pang Yat Ting, Dominic	15/1/2010	0.65	15/1/2011 to 14/1/2014	510,000	-	-	-	510,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	510,000	-	-	-	510,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	680,000	-	-	-	680,000
Mr. Pang Yat Bond, Derrick	13/8/2004	0.904	21/8/2004 to 12/8/2014	6,326,000	-	-	-	6,326,000
	15/1/2010	0.65	15/1/2011 to 14/1/2014	480,000	-	-	-	480,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	480,000	-	-	-	480,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	640,000	-	-	-	640,000
Mr. Kwok Yuk Chiu, Clement	13/8/2004	0.904	21/8/2004 to 12/8/2014	3,326,000	-	-	-	3,326,000
	15/1/2010	0.65	15/1/2011 to 14/1/2014	810,000	-	-	-	810,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	810,000	-	-	-	810,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	1,080,000	-	-	-	1,080,000
Mr. Au Son Yiu	15/1/2010	0.65	15/1/2011 to 14/1/2014	90,000	-	-	-	90,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	90,000	-	-	-	90,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	120,000	-	-	-	120,000
Mr. Chan Chiu Ying, Alec	15/1/2010	0.65	15/1/2011 to 14/1/2014	90,000	-	-	-	90,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	90,000	-	-	-	90,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	120,000	-	-	-	120,000
Mr. Hui Chiu Chung, Stephen	15/1/2010	0.65	15/1/2011 to 14/1/2014	90,000	-	-	-	90,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	90,000	-	-	-	90,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	120,000	-	-	-	120,000
Mr. Lee Shing See	15/1/2010	0.65	15/1/2011 to 14/1/2014	90,000	-	-	-	90,000
	15/1/2010	0.65	15/1/2012 to 14/1/2014	90,000	-	-	-	90,000
	15/1/2010	0.65	15/1/2013 to 14/1/2014	120,000	-	-	-	120,000

OTHER INFORMATION (Continued)

SHARE OPTION SCHEMES (Continued)

(a) (Continued)

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options				
				Outstanding at 1/4/2012	Granted during the period	Exercised/Cancelled during the period	Lapsed during the period	Outstanding at 30/9/2012
Employees	17/1/2012	0.41	17/1/2012 to 16/1/2014	12,494,400	-	-	(906,000)	11,588,400
	17/1/2012	0.41	17/1/2013 to 16/1/2014	8,329,600	-	-	(604,000)	7,725,600
Consultants	15/1/2010	0.65	15/1/2011 to 14/1/2014	113,400	-	-	-	113,400
	15/1/2010	0.65	15/1/2012 to 14/1/2014	113,400	-	-	-	113,400
	15/1/2010	0.65	15/1/2013 to 14/1/2014	151,200	-	-	-	151,200
	22/3/2010	0.66	22/3/2010 to 21/3/2013	75,757	-	-	-	75,757
	17/1/2012	0.41	17/1/2012 to 16/1/2014	750,000	-	-	-	750,000
	17/1/2012	0.41	17/1/2013 to 16/1/2014	500,000	-	-	-	500,000
Others (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	1,464,000	-	-	-	1,464,000
	2/4/2007	1.01	10/4/2007 to 1/4/2017	747,000	-	-	-	747,000
	15/1/2010	0.65	15/1/2011 to 14/1/2014	834,600	-	-	-	834,600
	15/1/2010	0.65	15/1/2012 to 14/1/2014	834,600	-	-	-	834,600
	15/1/2010	0.65	15/1/2013 to 14/1/2014	1,112,800	-	-	-	1,112,800
				46,069,757	-	-	(1,510,000)	44,559,757

Notes:

1. These outstanding share options were held by a former independent non-executive director and a deceased director. The Board has approved that these outstanding share options can be exercised within their respective exercisable periods.
2. All options referred to in the above tables are not subject to any vesting period save as the options granted on 15 January 2010 and 17 January 2012, the vesting dates are 15 January 2011, 15 January 2012, 15 January 2013 and 17 January 2013 respectively.
3. No share options were granted or cancelled under the Old Scheme during the period under review.

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

- (b) After the expiry of the Old Scheme, the Company has adopted a new share option scheme on 3 September 2012 (the “New Scheme”) to provide the Directors and employees of, and technical, financial or corporate managerial advisers and consultants to the Company and its subsidiaries with the opportunity to acquire proprietary interests in the Company. No option has been granted under the New Scheme since its adoption.

- (c) Pursuant to the share option scheme of Chun Wo Foundations Limited (“CWFL”) (the “Foundation Scheme”), an indirect wholly-owned subsidiary of the Company, approved by the Company on 28 August 2002, the board of directors of CWFL may, at their discretion, grant options to eligible participants of CWFL, the Company or any of their subsidiaries to subscribe for shares in CWFL. No option has been granted under the Foundation Scheme since its adoption. The Foundation Scheme was expired on 27 August 2012.

Save as disclosed above at no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the period under review.

OTHER INFORMATION *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2012, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Interests of the Directors in the ordinary shares of the Company (Long Positions)

Name of Director	Personal interests	Family interests	Corporate interests	Total interests	Total interests as % of the Company's issued share capital
Madam Li Wai Hang, Christina	10,148,875	2,154,000 <i>(Note 1)</i>	537,888,884 <i>(Note 2)</i>	550,191,759	56.22%
Mr. Pang Yat Ting, Dominic	5,680,000	-	537,888,884 <i>(Note 2)</i>	543,568,884	55.54%
Mr. Pang Yat Bond, Derrick	1,000,000	-	-	1,000,000	0.10%
Mr. Kwok Yuk Chiu, Clement	3,650,000	860,000 <i>(Note 3)</i>	-	4,510,000	0.46%
Mr. Au Son Yiu	501,816	-	-	501,816	0.05%

Notes:

1. These shares are beneficially owned by the spouse of Madam Li Wai Hang, Christina, the late Dr. Pang Kam Chun ("Dr. Pang").
2. GT Winners Limited is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the shares of the Company held by GT Winners Limited.
3. These shares are beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.

OTHER INFORMATION (Continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

(b) Interests of the Directors in the underlying shares of the Company (Long Positions)

Name of Director	Personal interests	Family interests	Corporate interests	Total interests	Total interests as % of the Company's issued share capital
Madam Li Wai Hang, Christina	3,599,914 (Note 1)	4,664,875 (Note 2)	89,135,415 (Note 3)	97,400,204	9.95%
Mr. Pang Yat Ting, Dominic	2,400,500 (Note 4)	–	89,135,415 (Note 3)	91,535,915	9.35%
Mr. Pang Yat Bond, Derrick	8,113,500 (Note 5)	–	–	8,113,500	0.83%
Mr. Kwok Yuk Chiu, Clement	6,644,750 (Note 6)	161,250 (Note 7)	–	6,806,000	0.70%
Mr. Au Son Yiu	600,000 (Note 8)	–	–	600,000	0.06%
Mr. Chan Chiu Ying, Alec	300,000 (Note 9)	–	–	300,000	0.03%
Mr. Hui Chiu Chung, Stephen	300,000 (Note 9)	–	–	300,000	0.03%
Mr. Lee Shing See	300,000 (Note 9)	–	–	300,000	0.03%

Notes:

1. These represent the interests in the underlying shares of the Company in respect of (i) 1,697,000 units of share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above and (ii) 1,902,914 units of warrants of the Company.
2. Madam Li Wai Hang, Christina is deemed to have interest in the underlying shares of the Company held by the late Dr. Pang.

OTHER INFORMATION *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

(b) Interests of the Directors in the underlying shares of the Company (Long Positions) *(Continued)*

Notes: (Continued)

3. GT Winners Limited is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the underlying shares of the Company held by GT Winners Limited.
4. These represent the interests in the underlying shares of the Company in respect of (i) 1,700,000 units of share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above and (ii) 700,500 units of warrants of the Company.
5. These represent the interests in the underlying shares of the Company in respect of (i) 7,926,000 units of share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above and (ii) 187,500 units of warrants of the Company.
6. These represent the interests in the underlying shares of the Company in respect of (i) 6,026,000 units of share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above and (ii) 618,750 units of warrants of the Company.
7. These represent the interests in the warrants of the Company beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.
8. These represent the interests in the underlying shares of the Company in respect of (i) 300,000 units of share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above and (ii) 300,000 units of warrants of the Company.
9. These represent the interests in share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above.

In addition, Madam Li Wai Hang, Christina hold directly and indirectly 8,437,500 non-voting deferred shares totally in Chun Wo Construction and Engineering Company Limited, which are subject to an option granted to Chun Wo Hong Kong Limited, a direct wholly-owned subsidiary of the Company, to purchase the said non-voting deferred shares.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by Directors in trust for the Group, as at 30 September 2012, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to the Directors, as at 30 September 2012, the following party (other than Directors or chief executive of the Company) was recorded in the register kept by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders") as being interested in or deemed to be interested in 5% or more of the issued share capital of the Company:

Shareholder	Capacity	Shares (Long Position)		Underlying shares (Long Position)	
		Number of shares held	Total interests as % of the Company's issued share capital	Number of warrants held	Total interests as % of the Company's issued share capital
GT Winners Limited	Beneficial Owner	537,888,884	54.96%	89,135,415	9.11%

Note:

GT Winners Limited is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the shares and underlying shares of the Company held by GT Winners Limited.

Save as disclosed above, as at 30 September 2012, the Register of Substantial Shareholders disclosed no other party (other than Directors or chief executive of the Company) as being interested or deemed to be interested in 5% or more of the issued share capital of the Company.

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

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

OTHER INFORMATION *(Continued)*

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules throughout the period under review except for the deviations from the code provision A.4.2 of the Code. Pursuant to code provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. The Board considers that the Chairman and the Managing Director of the Company are not subject to retirement by rotation in order to maintain the stability and continuity.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code throughout the period under review.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the “Audit Committee”) comprises three members, namely Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec (Chairman of the Audit Committee) and Mr. Hui Chiu Chung, Stephen, all are independent non-executive directors of the Company. The Audit Committee has reviewed with the management and given its consent to the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2012.

CHAIRMAN’S APPRECIATION

Our success is founded on the commitment of those who have supported the Group over the past years. I would like to extend my sincere gratitude to the entire workforce, shareholders, business partners and members of the Board for their unwavering support and commitment which contributed to the sustained growth of the Group. Looking ahead to 2013, we are confident that collaboration between the Group and our stakeholders will result in a stronger overall performance and generate greater returns to our shareholders.

By Order of the Board
Pang Yat Ting, Dominic
Chairman

Hong Kong, 26 November 2012