



CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 711

Warrant Code: 1032

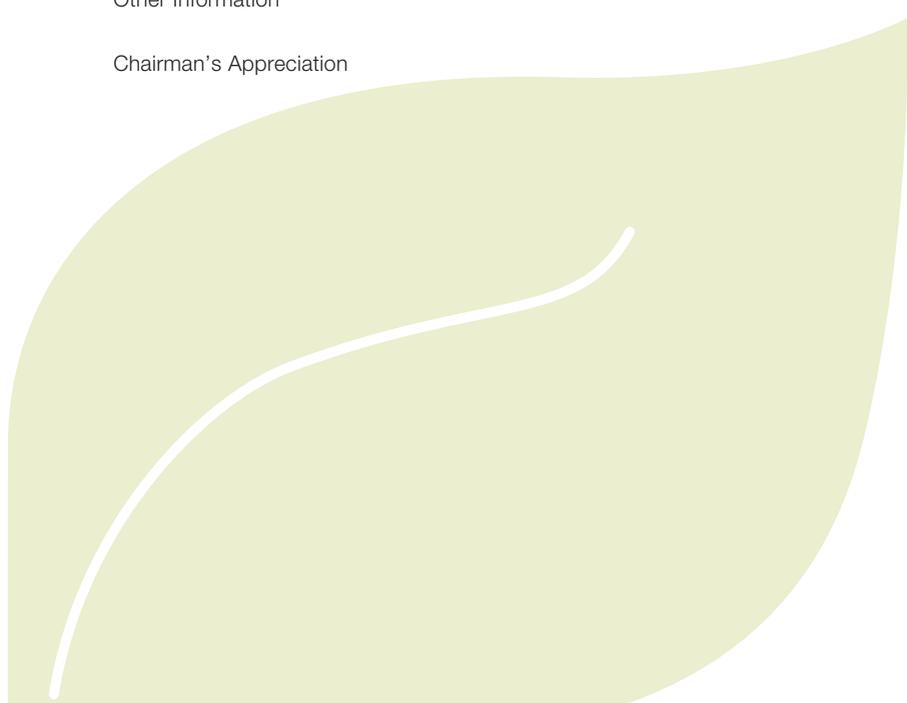
Interim Report 2011

Shaping a Better Tomorrow



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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
Kwok Man Fai, Wilson

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
Mayer Brown JSM

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

C2, 5th Floor
Hong Kong Spinners Industrial Building
601-603 Tai Nan West Street
Cheung Sha Wan
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

<http://www.chunwo.com>

STOCK CODE

711

WARRANT CODE

1032

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Interim Results

For the six months ended 30 September 2011, Chun Wo Development Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded a turnover, including our share of revenue of jointly controlled entities, of approximately HK\$2,183 million, representing a 26% increase against HK\$1,730 million of the last corresponding period. Profit attributable to owners of the Company significantly increased to approximately HK\$33.8 million as compared with HK\$5.6 million of the corresponding period of last year.

For construction segment, both the revenue and profit contribution grew materially, which mainly arose from our share of revenue and results of jointly controlled entities.

The residential units of phase 2B (Tower 10) of Arc de Royal development in Shijiazhuang, Hebei Province were handed over to the buyers in September 2011. Revenue and attributable profit of the sales were recognized resulting in significant increase in both revenue and profit of the property development segment.

The decrease in profit of property investment segment was mainly due to non-recurrence of fair value changes on an investment property, “Infinity 8” at Choi Hung, Hong Kong recorded last year.

Construction

The Group is enjoying fresh opportunities brought about by a new “golden era” for the construction industry as several large-scale infrastructure developments will be implemented in Hong Kong. The Group has participated in a number of public project tenders in an effort to contribute to Hong Kong’s sustained development.

Being among a select few construction companies in Hong Kong that possess the expertise and technical qualifications and the necessary requirements to fulfil the local government’s “grand” contracts, it is in a strong position for the tenders. Among the “Ten Major Infrastructure Projects” that the Group is participating in include the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the MTR South Island Line. The Group is delighted to have been awarded contracts for such landmark projects in Hong Kong from the HKSAR Government and MTR Corporation Limited and will dedicate its fullest effort to fulfilling its obligations.

During the review period, the Group had won nine new contracts for major developments, including the track and overhead line laying project for the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Whampoa Station of the Kwun Tong Line Extension and the Wong Chuk Hang Depot foundation works for the South Island Line (East).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Construction *(Continued)*

Other projects that the Group has been awarded by the HKSAR Government, include the cycle tracks and associated facilities along the seafront at Tseung Kwan O Town Centre South; the design and construction of foundation works for the Urban Renewal Project at Castle Peak Road in Sham Shui Po; sewage treatment works including the construction of an effluent tunnel and disinfection facilities in Stonecutters Island; and the replacement and rehabilitation of water mains projects in Western New Territories, Eastern and Southern Hong Kong Island. Moreover, the Group won a redevelopment project from the German Swiss International School during the review period.

Solid progress has been achieved at the Central-Wan Chai Bypass located at the Hong Kong Convention and Exhibition Centre and Wan Chai East, while construction of several new buildings such as the expansion of Tseung Kwan O Hospital and Student Residence at The University of Hong Kong have made significant progress.

Among the projects that have been completed during the review period include carcass works contracts for a proposed residential development at Hung Shui Kiu, Yuen Long; tower fitting out contract for a proposed phase 2 residential development in Tseung Kwan O; interior fitting out works for a tower and townhouse located in a proposed residential development at Hung Shui Kiu, Yuen Long; and piling works for a proposed residential development area in the Central and Western District.

The Group remains highly active in the water supplies and drainage sector. Among the projects that are in progress include replacement and rehabilitation of water mains in Sai Kung, Tai Po, Sha Tin, Hong Kong Island and Ap Lei Chau, Lantau and the Outlying Islands, and Western New Territories including Yuen Long and Tuen Mun.

With all of the projects held by the Group progressing satisfactorily, the Group expects a stable incremental flow of revenue in the near future. At 30 September 2011, the estimated value of the Group's contracts in hand was approximately HK\$18.6 billion in which HK\$11.6 billion remains outstanding, representing an increases of 16.3% and 18.4% respectively over figures as at 31 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Development

During the review period, the Group's property development division focused on completing the projects in hand. The construction and sale of various projects proceeded satisfactorily as expected. In September 2011, the Group completed the handover of residential units of Phase 2B (Tower 10) of Arc de Royal development in Shijiazhuang, Hebei Province, to buyers following the issue of a completion certificate. Phase 2C (Towers 8 and 9) is currently planned for presale starting from the fourth quarter of 2011. With regard to Le Palais Royal in Shanwei, Guangdong Province, more than 40% of the residential units have been presold as at 30 September 2011.

The Group presently possesses two residential projects with a total GFA of approximately 28,000 square metres in Abu Dhabi, the United Arab Emirates. One of the projects, Reem Diamond, commenced preliminary works in August 2011.

Property Investment

The "Infinity 8" shopping mall, located at Choi Hung, represents the Group's major property investment. Performance from this property for the period under review has improved markedly, achieving a 29% rise in rental income notwithstanding without fair value changes as compared with the last corresponding period.

Security and Property Management

The Group's security and property management subsidiary achieved progress over the past six months. During the review period, the subsidiary was awarded security service contracts from CMA Exhibitions Services Ltd, the Fair Manager of the 46th Hong Kong Brands & Products Expo. This project will commence operation in November of this year. The Group is confident that by continuing to employ an integrated business model, the subsidiary will realise further organic growth.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

At 30 September 2011, the total net debts of the Group amounted to approximately HK\$789.1 million, representing total debts of approximately HK\$1,372.1 million less total of pledged bank deposits and bank balances and cash of approximately HK\$583.0 million. The debt maturity profile based on scheduled repayment dates set out in loan agreements of the Group at 30 September 2011 is analysed as follows:

	As at 30 September 2011 HK\$ million	As at 31 March 2011 HK\$ million
Borrowings and obligations under finance leases repayable:		
Within 1 year or on demand	1,206.2	1,163.7
After 1 year, but within 2 years		
— On demand shown under current liabilities	42.8	50.2
— Remaining balances	6.4	39.7
After 2 years, but within 5 years		
— On demand shown under current liabilities	83.3	80.5
— Remaining balances	2.1	5.1
Over 5 years		
— On demand shown under current liabilities	9.3	10.2
	1,350.1	1,349.4
Amount due to a shareholder		
— repayable within 1 year	—	202.4
Amount due to a jointly controlled entity		
— repayable within 1 year	22.0	30.0
Total debts	1,372.1	1,581.8

At 30 September 2011, the gearing ratio of the Group, being the proportion of net interest bearing debts to Shareholders' equity was 0.57 (31 March 2011: 0.60). The amount due to a shareholder was included in the analysis even though the amount is interest free due to its materiality.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

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 3,370 employees at 30 September 2011. Total remuneration of employees for the six months ended 30 September 2011 amounted to approximately HK\$354.5 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

The management is optimistic about prospects available to the Group's construction arm and is confident that the industry will achieve further growth in the future. While the HKSAR Government's expenditure on infrastructure and construction for 2011 will top a substantial HK\$58 billion, this amount is expected to increase further in the coming few years. In addition, four of the "Ten Major Infrastructure Projects" announced by the HKSAR Government during the 2010–2011 Policy Address are now being gradually implemented, which include the MTR South Island Line, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge and Kai Tak Development Plan. Furthermore, the resumption of the Home Ownership Scheme and enhancement of "My Home Purchase Plan" will present attractive opportunities in relation to public housing construction, while dedicated policies on land development and accumulation, including urban renewal will provide further prospects in connection with infrastructure.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK AND PROSPECTS *(Continued)*

Construction *(Continued)*

The total value of contracts in hand achieved a new record high in the first half year, generating positive momentum to sustain growth for the remaining six months, and for the years ahead. Hitherto, the Group has totally focused on capturing grand projects that deliver higher margins. The Group will seek to obtain more contracts from the public sector, especially from the HKSAR Government as it offers the benefit of a price adjustment mechanism that negates the impact of inflation. Attention was given to tenders for the Hong Kong-Zhuhai-Macao Bridge, MTR Shatin to Central Link, Private Sector Participation Scheme, Kai Tak Development Plan and West Kowloon Cultural District.

As the Group aims to obtain more contracts for key projects, it will concurrently seek to bolster relations with its workforce. Such effort is paramount as the management considers labour shortage as among the main challenges that the Group will face. With more resources and effort directed towards staff training and retention, a modest increase in overhead cost on projects will invariably result.

Property Development

With increasing government austerity measures such as home purchase restrictions and tighter monetary policies, greater uncertainty over Mainland China's economic growth has resulted. This has led to a curbing of buyers' appetite for properties in first-tier cities, though second and third-tier cities such as Shijiazhuang, where the Group currently operates, have been less severely impacted.

While seeing both challenges and opportunities ahead, the management remains cautiously optimistic about its property development operation in Mainland China as a whole and will focus on Shijiazhuang in the coming years. The Phase 2C residential apartments at Arc de Royal in Shijiazhuang will be placed on the market in the fourth quarter of 2011, while Phase 3, comprising a complex of commercial and serviced apartment buildings, will enter the market in 2013. The management is optimistic about prospects for Phase 3, and expects positive feedback and solid revenue returns. With intimate knowledge of the Shijiazhuang property development sector, the Group will continue to explore locations to strengthen its presence and will be aiming to develop low-density residential projects, and already expects to finalise a site in the first half of 2012. The Group is currently developing a commercial project in Shenyang, Liaoning Province. As for the property development in Shanwei, namely Le Palais Royal, demand during presale proved to be strong as over 40% of total units available have been sold.

In view of the satisfactory sales performance of the existing property projects, together with the minimal impact of home purchase restrictions on the Group's commercial projects, the Group is fairly optimistic about the property development segment of its business in Mainland China, that will deliver solid returns to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK AND PROSPECTS *(Continued)*

Overview

The management expects the remaining financial year to develop positively. The Group will leverage its well-established brand name, reputation for high quality and experienced management team to achieve progress in all of its business interests. There are particularly bright prospects on the construction front as large-scale infrastructure projects have the potential for appreciably bolstering the Group's growth, helping deliver satisfactory returns to our shareholders.

With a robust construction market and a cautious but steady outlook in property development business in Mainland China, the Group is targeting a net profit growth rate to exceed 10% on a per year basis in the forthcoming years.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to improving people's lives by delivering quality city and infrastructure developments. To directly reach out to society, it also actively participates in community services and backs various charitable activities. The Group has visited families requiring food assistance and has supported the YWCA in this respect. It has also raised funds for youth development by co-organising the "Chun Wo and Youth Outreach Rock & Fun Charity Night". Moreover, the Group actively participated in the Construction Safety Promotional Campaign co-organised by the Development Bureau, the Labour Department and the Hong Kong Construction Association, which was conducted at the Group's construction site and aimed at raising awareness about safety, along with environmental issues in relation to the construction industry. Still other initiatives that the Group has been involved in include MTR Hong Kong Race Walking 2011.

Reflecting its interest in nurturing Hong Kong's young generation, the Group is immersed in many philanthropic and community-based initiatives, including scholarship programmes for students attending the Hong Kong Institute of Vocational Education, The University of Hong Kong and The Hong Kong University of Science and Technology. In giving back to the industry, the Group most recently co-organised the Bar Bending & Fixing Cooperation Training Course with the Construction Industry Council Training Academy (CICTA).

AWARDS AND RECOGNITIONS

The Group holds its employees in high regard, which is why it is dedicated to enhancing occupational safety. During the review period, the Group earned several awards on this front, including:

Award Name	Issuing Authority
Safety Management System Award – Gold Award	Occupational Safety & Health Council
Construction Safety Promotional Campaign – Best Presentation Award (Gold Award)	Occupational Safety & Health Council
The Third Hong Kong Outstanding Employees in Occupational Safety and Health Award Scheme – Silver Medal	Labour Department
Seven awards in the Considerate Contractors Site Award	Development Bureau

In addition, underscoring its achievements in staff training and development, the Group received the Manpower Developer Award from the Employees Retraining Board. Such recognition will provide further impetus for the Group to create an even safer and more rewarding working environment for staff in the coming years.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2011

	Notes	Unaudited six months ended 30 September	
		2011 HK\$'000	2010 HK\$'000 (restated)
Revenue	3	1,425,325	1,226,229
Cost of sales		(1,327,983)	(1,112,503)
Gross profit		97,342	113,726
Other income		18,645	6,335
Other gains and losses		(1,539)	(3,843)
Fair value changes on investment properties		—	47,246
Selling expenses		(2,238)	(2,753)
General and administrative expenses		(100,466)	(111,999)
Impairment loss on property, plant and equipment		—	(18,173)
Share of results of jointly controlled entities		58,624	3,798
Finance costs	4	(11,862)	(10,973)
Profit before tax		58,506	23,364
Income tax expense	5	(24,731)	(17,754)
Profit for the period	6	33,775	5,610
Other comprehensive income			
Exchange differences arising on translation		21,163	14,282
Total comprehensive income for the period		54,938	19,892
Profit for the period attributable to:			
Owners of the Company		33,775	5,610
Non-controlling interests		—	—
		33,775	5,610
Total comprehensive income attributable to:			
Owners of the Company		54,938	19,892
Non-controlling interests		—	—
		54,938	19,892
Earnings per share			
— basic	8	3.69 cents	0.61 cent
— diluted	8	3.69 cents	0.61 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2011 and 31 March 2011

	Notes	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Non-current assets			
Property, plant and equipment	9	246,932	256,217
Investment properties	10	370,193	370,193
Interests in associates		52,317	58,534
Interests in jointly controlled entities		85,282	42,834
Amounts due from associates		103,417	103,417
		858,141	831,195
Current assets			
Amounts due from customers for contract work		471,202	401,101
Debtors, deposits and prepayments	11	548,646	555,559
Properties under development		1,018,046	995,924
Deposits paid for properties under development		180,434	180,263
Properties held for sale		32,906	52,501
Deposits paid for properties held for sale		44,865	44,822
Investments held for trading		795	651
Amounts due from associates		1,255	1,253
Amounts due from jointly controlled entities		59,163	34,204
Tax recoverable		16,380	16,010
Pledged bank deposits		130,656	183,228
Bank balances and cash		452,385	605,295
		2,956,733	3,070,811

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 September 2011 and 31 March 2011

	Notes	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Current liabilities			
Amounts due to customers for contract work		127,069	102,905
Creditors, deposits and accrued charges	12	624,036	631,791
Deposits received from pre-sales of properties under development		137,666	153,576
Amount due to a shareholder		—	202,384
Amounts due to associates		15,847	15,770
Amounts due to jointly controlled entities		82,001	47,928
Tax payable		50,050	26,961
Obligations under finance leases		13,831	14,494
Borrowings	13	1,327,758	1,290,109
		2,378,258	2,485,918
Net current assets			
		578,475	584,893
Total assets less current liabilities			
		1,436,616	1,416,088
Non-current liabilities			
Obligations under finance leases		8,508	15,039
Borrowings	13	—	29,762
Deferred tax liabilities		46,845	46,375
		55,353	91,176
Net assets			
		1,381,263	1,324,912
Capital and reserves			
Share capital	14	91,614	91,613
Reserves		1,289,299	1,232,949
		1,380,913	1,324,562
Equity attributable to owners of the Company			
Non-controlling interests		350	350
		1,381,263	1,324,912
Total equity			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2011

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	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	Retained profits HK\$'000			
At 1 April 2010 (audited)	91,572	367,705	2,900	4,916	8,531	54,999	817,366	1,347,989	350	1,348,339
Profit for the period	–	–	–	–	–	–	5,610	5,610	–	5,610
Exchange differences arising on translation	–	–	–	–	–	14,282	–	14,282	–	14,282
Total comprehensive income for the period	–	–	–	–	–	14,282	5,610	19,892	–	19,892
Recognition of equity-settled share-based payments	–	–	–	2,974	–	–	–	2,974	–	2,974
Issue of shares upon exercise of share options	27	123	–	–	–	–	–	150	–	150
Lapse of share options	–	–	–	(3,124)	–	–	3,124	–	–	–
Dividends recognised as distribution	–	–	–	–	–	–	(4,580)	(4,580)	–	(4,580)
At 30 September 2010 (unaudited)	91,599	367,828	2,900	4,766	8,531	69,281	821,520	1,366,425	350	1,366,775
At 1 April 2011 (audited)	91,613	367,884	2,900	6,755	8,531	85,657	761,222	1,324,562	350	1,324,912
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 (unaudited)	91,614	367,886	2,900	8,071	8,531	106,820	795,091	1,380,913	350	1,381,263

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2011

	Unaudited six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Net cash (used in) from operating activities	(5,313)	47,989
Investing activities		
Decrease (increase) in pledged bank deposits	54,757	(6,370)
Dividends received from jointly controlled entities	16,176	300
Dividend received from an associate	6,217	—
Proceeds from disposal of property, plant and equipment	2,241	1,105
Interest received	2,014	1,125
Purchase of property, plant and equipment	(11,605)	(3,692)
Amounts advanced to associates	—	(3)
Proceeds from disposal of investment properties	—	5,446
Net cash from (used in) investing activities	69,800	(2,089)
Financing activities		
New trust receipt loans raised	472,975	515,314
Repayment of trust receipt loans	(483,225)	(429,898)
New bank loans raised	265,623	18,000
Repayment of bank loans	(256,199)	(78,737)
Repayment of mortgage loans	(885)	(885)
New obligations under finance leases raised	—	8,108
Repayment of principal portion of obligations under finance leases	(7,194)	(4,612)
Interest paid	(17,696)	(18,892)
Amount repaid to a shareholder	(207,068)	—
Amounts advanced from associates	—	63
Proceeds from issue of shares	3	150
Net cash (used in) from financing activities	(233,666)	8,611
Net (decrease) increase in cash and cash equivalents	(169,179)	54,511
Cash and cash equivalents at beginning of the period	605,295	366,548
Effect of foreign exchange rate changes	9,936	6,261
Cash and cash equivalents at end of the period	446,052	427,320
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	452,385	427,320
Bank overdraft	(6,333)	—
	446,052	427,320

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 (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “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 2011 except for those described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standard, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current interim period has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosure 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 new or revised standards, amendments and interpretation that have been issued but are not yet effective. The following new or revised standards, amendments and interpretation, which are not yet effective, have been issued after the date the Group's annual financial statements for the year ended 31 March 2011 were authorised for issuance:

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
HKAS 1 (Amendments)	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
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.

HKFRS 11 “Joint Arrangements” replaces HKAS 31 “Interests in Joint Ventures”. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different 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 under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The directors of the Company are in the process of ascertaining the financial impact on application of HKFRS 11.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretation will not have material impact on the results and the financial position of the Group.

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.

For management purpose, the Group's business activities are categorised under the following operating 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 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

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

3 SEGMENT INFORMATION *(Continued)*

For the six months ended 30 September 2010

	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 <i>(Note)</i>	1,072,111	59,520	3,733	90,865	–	1,226,229
Share of revenue of jointly controlled entities	504,170	–	–	–	–	504,170
Segment revenue	1,576,281	59,520	3,733	90,865	–	1,730,399
RESULT						
Operating results	8,294	(20,376)	49,869	3,251	(240)	40,798
Share of results of jointly controlled entities	3,798	–	–	–	–	3,798
Segment profit (loss)	12,092	(20,376)	49,869	3,251	(240)	44,596
Unallocated corporate expenses						(11,384)
Interest income						1,125
Finance costs						(10,973)
Profit before tax						23,364
Income tax expense						(17,754)
Profit for the period						5,610

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

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 chief operating decision maker 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	
	2011 HK\$'000	2010 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	16,870	18,397
Bank loans not wholly repayable within five years	103	111
Finance leases	412	63
Amount due to a jointly controlled entity	311	321
Total borrowing costs	17,696	18,892
Less: Amount attributable to contract work	(3,084)	(3,113)
Amount attributable to properties under development	(2,750)	(4,806)
	11,862	10,973

5 INCOME TAX EXPENSE

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Current tax		
— Hong Kong Profits Tax	1,404	2,550
— Other jurisdictions	—	16
— Enterprise Income Tax in the People's Republic of China (the "PRC")	10,750	3,191
— PRC Land Appreciation Tax ("LAT")	12,107	4,531
	24,261	10,288
Deferred tax liabilities		
— Current	470	7,466
	24,731	17,754

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

5 INCOME TAX EXPENSE *(Continued)*

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

Under the Law of the 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.

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

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

6 PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	18,469	13,450
Less: Amount attributable to contract work	(14,222)	(10,320)
	4,247	3,130
(Gain) loss on disposal of property, plant and equipment	(145)	3,874

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

7 DIVIDENDS

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Final dividend		
Final dividend recognised as distribution in respect of 2010 of HK0.5 cent per share	—	4,580

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2011.

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	
	2011 HK\$'000	2010 HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	33,775	5,610
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	916,135,974	915,970,134
Effect of dilutive potential ordinary shares in respect of:		
— Share options	—	4,777
— Warrants	773	2,761,192
Weighted average number of ordinary shares for the purpose of diluted earnings per share	916,136,747	918,736,103

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options and warrants as the exercise prices of those share options and warrants are higher than the average market price per share for both periods.

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

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$11.6 million (six months ended 30 September 2010: HK\$3.7 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$2.1 million (six months ended 30 September 2010: HK\$5.0 million).

10 INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 April 2011	370,193
Net increase in fair value recognised in profit and loss	—
At 30 September 2011	370,193

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\$243,290,000 (at 31 March 2011: HK\$255,284,000), which are included in the Group's debtors, deposits and prepayments, is as follows:

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
Not yet due	232,882	184,127
Amounts past due but not impaired:		
1–30 days	7,774	67,628
31–90 days	1,662	1,938
91–180 days	505	1,232
Over 180 days	467	359
	243,290	255,284

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

12 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK\$296,122,000 (at 31 March 2011: HK\$246,771,000), which are included in the Group's creditors, deposits and accrued charges, is as follows:

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
Not yet due	196,492	190,581
1–30 days	76,839	42,713
31–90 days	20,811	8,772
91–180 days	673	893
Over 180 days	1,307	3,812
	296,122	246,771

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

13 BORROWINGS

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
Borrowings comprise:		
Bank overdraft	6,333	—
Trust receipt loans	224,948	235,198
Bank loans	1,078,349	1,065,660
Mortgage loans	18,128	19,013
	1,327,758	1,319,871
Analysed as:		
Secured	687,441	634,465
Unsecured	640,317	685,406
	1,327,758	1,319,871
Carrying amount repayable <i>(Note)</i>		
Within one year	299,352	267,524
More than one year, but not exceeding two years	—	29,762
	299,352	297,286
Carrying amount of bank loans that contain a repayment on demand clause		
— repayable within one year	893,041	881,643
— repayable after one year (shown under current liabilities)	135,365	140,942
	1,327,758	1,319,871
Amounts repayable within one year shown under current liabilities	(1,327,758)	(1,290,109)
Amounts due after one year	—	29,762

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

All of the Group's bank 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 2011 and 30 September 2011	1,500,000,000	150,000
Issued and fully paid:		
At 1 April 2011	916,132,531	91,613
Exercise of warrants	5,625	1
At 30 September 2011	916,138,156	91,614

15 CAPITAL COMMITMENTS

	At 30 September 2011 HK\$'000	At 31 March 2011 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	5,391	98

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

16 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
— subsidiaries	307,629	276,588
— jointly controlled entities	33,492	—
	341,121	276,588
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
— an associate	40,000	40,000
— jointly controlled entities	344,500	164,500
	384,500	204,500
Extent of guarantee provided for a property development project to banks which granted facilities to purchasers of the Group's properties held for sale and pre-sale properties	280,440	275,885

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:

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
Investment properties	365,000	365,000
Property, plant and equipment	63,898	68,147
Properties under development	32,395	39,792
Properties held for sale	2,355	3,559
Bank deposits	130,656	183,228
	594,304	659,726

In addition, the Group has pledged its entire equity interest in one of its wholly-owned subsidiaries to secure the banking facilities granted to the Group as at the end of the reporting period.

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:

	Associates		Jointly controlled entities	
	Six months ended		Six months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Transactions during the period:				
Contract revenue recognised	—	—	262,714	56,285
Project management fee received	—	—	12,714	3,255
Security guard services income received	—	—	474	337
Interest expense	—	—	311	321
	At	At	At	At
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	—	—	33,492	—
Extent of guarantee issued to financial institutions to secure credit facilities granted to related parties	40,000	40,000	344,500	164,500

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

18 RELATED PARTY TRANSACTIONS *(Continued)*

- (ii) The emoluments of directors, the Group's key management personnel during the period were HK\$5,115,000 (six months ended 30 September 2010: HK\$5,394,000).

19 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 23 November 2011, the Company entered into a subscription agreement with 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, in relation to the issue of unsecured bonds in the principal amount of HK\$150 million by the Company to Talent Effort (the "Transaction"). Unless previously redeemed, the bonds will be redeemed on 22 November 2014 at par with interest of 7.25% per annum payable semi-annually in arrear. The Transaction was completed on 23 November 2011.

20 COMPARATIVE FIGURES

In order to conform with current period's presentation:

- (a) Net foreign exchange gains of HK\$79,000 for the six months ended 30 September 2010 included in other income has been reclassified to other gains and losses; and
- (b) Net loss on disposal of property, plant and equipment of HK\$3,874,000 and decrease in fair value of investments held for trading of HK\$48,000 for the six months ended 30 September 2010 included in general and administrative expenses have been reclassified to other gains and losses.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company (the “Board” or the “Directors”) did not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

SHARE OPTION SCHEMES

- (a) The Company had adopted a share option scheme (the “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.

Details of the movements in share options granted 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 1/4/2011	Granted during the period	Exercised/Cancelled during the period	Lapsed during the period	Outstanding at 30/9/2011
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
		0.65	15/1/2012 to 14/1/2014	285,000	–	–	–	285,000
		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
		0.65	15/1/2012 to 14/1/2014	510,000	–	–	–	510,000
		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
		0.65	15/1/2012 to 14/1/2014	480,000	–	–	–	480,000
		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
		0.65	15/1/2012 to 14/1/2014	810,000	–	–	–	810,000
		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
		0.65	15/1/2012 to 14/1/2014	90,000	–	–	–	90,000
		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
		0.65	15/1/2012 to 14/1/2014	90,000	–	–	–	90,000
		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
		0.65	15/1/2012 to 14/1/2014	90,000	–	–	–	90,000
		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
		0.65	15/1/2012 to 14/1/2014	90,000	–	–	–	90,000
		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 1/4/2011	Granted during the period	Exercised/ Cancelled during the period	Lapsed during the period	Outstanding at 30/9/2011
Employees	15/1/2010	0.65	15/1/2011 to 14/1/2014	6,720,600	–	–	(102,000)	6,618,600
		0.65	15/1/2012 to 14/1/2014	6,720,600	–	–	(102,000)	6,618,600
		0.65	15/1/2013 to 14/1/2014	8,960,800	–	–	(136,000)	8,824,800
Consultants	31/7/2008	0.684	31/1/2009 to 30/7/2011	219,294	–	–	(219,294)	–
		0.65	15/1/2011 to 14/1/2014	771,600	–	–	–	771,600
	15/1/2010	0.65	15/1/2012 to 14/1/2014	771,600	–	–	–	771,600
		0.65	15/1/2013 to 14/1/2014	1,028,800	–	–	–	1,028,800
22/3/2010	0.66	22/3/2010 to 21/3/2013	75,757	–	–	–	75,757	
Others (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	1,464,000	–	–	–	1,464,000
		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
		0.65	15/1/2012 to 14/1/2014	834,600	–	–	–	834,600
		0.65	15/1/2013 to 14/1/2014	1,112,800	–	–	–	1,112,800
				48,811,051	–	–	(569,294)	48,251,757

Notes:

- 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 during the exercisable period respectively.
- All options referred to in the above table are not subject to any vesting period save as the options granted on 31 July 2008 and 15 January 2010, the vesting dates are 31 January 2009, 15 January 2011, 15 January 2012 and 15 January 2013 respectively.
- No share options were granted or cancelled under the Scheme during the period under review.

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

- (b) Pursuant to the share option scheme of Chun Wo Foundations Limited (“CWFL”), 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 share option scheme of CWFL since its adoption.

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 2011, 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 Companies 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 interest	Family interest	Total Interests	Total interests as % of the Company's issued share capital
Madam Li Wai Hang, Christina	10,148,875	477,542,884 <i>(Note 1)</i>	487,691,759	53.23%
Mr. Pang Yat Ting, Dominic	5,036,000	—	5,036,000	0.55%
Mr. Pang Yat Bond, Derrick	1,000,000	—	1,000,000	0.11%
Mr. Kwok Yuk Chiu, Clement	3,300,000	860,000 <i>(Note 2)</i>	4,160,000	0.45%
Mr. Au Son Yiu	501,816	—	501,816	0.05%

Notes:

- Madam Li Wai Hang, Christina is the spouse of the late Dr. Pang Kam Chun ("Dr. Pang") and is deemed to have interest in those shares of the Company held by him and his associate.
- 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 interest	Family interest	Total Interests	Total interests as % of the Company's issued share capital
Madam Li Wai Hang, Christina	3,599,914 (Note 1)	93,800,290 (Note 2)	97,400,204	10.63%
Mr. Pang Yat Ting, Dominic	2,400,500 (Note 3)	—	2,400,500	0.26%
Mr. Pang Yat Bond, Derrick	8,113,500 (Note 4)	—	8,113,500	0.89%
Mr. Kwok Yuk Chiu, Clement	6,644,750 (Note 5)	161,250 (Note 6)	6,806,000	0.74%
Mr. Au Son Yiu	600,000 (Note 7)	—	600,000	0.07%
Mr. Chan Chiu Ying, Alec	300,000 (Note 8)	—	300,000	0.03%
Mr. Hui Chiu Chung, Stephen	300,000 (Note 8)	—	300,000	0.03%
Mr. Lee Shing See	300,000 (Note 8)	—	300,000	0.03%

Notes:

- 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.
- Madam Li Wai Hang, Christina is deemed to have interest in the underlying shares of the Company held by the late Dr. Pang and his associate.

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. 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.
4. 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.
5. 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.
6. These represent the interests in the warrants of the Company beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.
7. 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.
8. These represent the interests in share options granted by the Company, details of which are stated under the heading "Share Options Schemes" above.

In addition, the late Dr. Pang and Madam Li Wai Hang, Christina hold 8,347,500 and 90,000 non-voting deferred shares respectively in Chun Wo Construction and Engineering Company Limited, which are subject to an option granted to Chun Wo Hong Kong Limited, a 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 2011, 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 are known to the Directors, as at 30 September 2011, 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 ("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:

Interests in the shares of the Company (Long Position):

Name of Shareholder	Personal Interest	Family Interest	Corporate Interest	Total Interests	Total interests as % of the Company's issued share capital
Dr. Pang (late)	348,194,590	10,148,875 (Note 1)	129,348,294 (Note 2)	487,691,759	53.23%
GT Winners Limited	129,348,294 (Note 2)	—	—	129,348,294	14.12%

Interests in the underlying shares of the Company (Long Position):

Name of Shareholder	Personal Interest	Family Interest	Corporate Interest	Total Interests	Total interests as % of the Company's issued share capital
Dr. Pang (late)	69,547,485	3,599,914 (Note 1)	24,252,805 (Note 2)	97,400,204	10.63%
GT Winners Limited	24,252,805 (Note 2)	—	—	24,252,805	2.65%

Notes:

- The late Dr. Pang is deemed to have interest in the shares and underlying shares of the Company held by Madam Li Wai Hang, Christina, the Executive Director of the Company and the spouse of the late Dr. Pang.
- GT Winners Limited is wholly-owned by the late Dr. Pang who is deemed to have interest in the shares and underlying shares of the Company held by GT Winners Limited.

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

Save as disclosed above, as at 30 September 2011, 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.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in effect and certain recommended best practices set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the period under review except for the deviations from the provision A.4.2 of the Code. Pursuant to provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. 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 the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 September 2011.

OTHER INFORMATION *(Continued)*

ISSUE OF BONDS TO A CONNECTED PERSON

On 23 November 2011, the Company entered into a subscription agreement with 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, in relation to the issue of 7.25% coupon unsecured bonds due 2014 in the principal amount of HK\$150 million by the Company to Talent Effort (the “Transaction”). The Transaction was completed on 23 November 2011. Although Talent Effort is a connected person (as defined in the Listing Rules), the Transaction was on normal commercial terms to the Company. As such the Transaction was exempted from reporting, announcement and independent shareholders’ approval requirements under Rule 14A.65 of the Listing Rules.

CHAIRMAN’S APPRECIATION

I would like to take this opportunity to express my gratitude to the members of the Board for their unstinting dedication to the effective and successful operation of Chun Wo. The Group’s entire workforce deserves praise as well for their loyalty and diligence. I wish to also extend a word of gratitude to all of the Group’s stakeholders and business partners for their unwavering support. In the coming fiscal year, the Board will be even more motivated to capture fresh opportunities and deliver greater returns to shareholders.

By Order of the Board
Pang Yat Ting, Dominic
Chairman

Hong Kong, 24 November 2011