



CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 711

Warrant code: 1032

Dynamic Growth And **Excellence** Interim Report **2010**

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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
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Wanchai
Hong Kong

WEBSITE

<http://www.chunwo.com>

STOCK CODE

711

WARRANT CODE

1032



BUSINESS REVIEW

INTERIM RESULTS

For the six months ended 30 September 2010, Chun Wo Development Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded turnover of HK\$1,226.2 million, representing a 3% increase against HK\$1,190.3 million of the last corresponding period. Profit attributable to owners of the Company decreased to HK\$5.6 million as compared with HK\$30.8 million of the corresponding period of last year. The overall revenue of the Group remained steady as newly awarded construction projects were at the commencement stage and few completed properties were handed over during the period under review.

For construction segment, revenue was mostly contributed by projects which were won a few years back with tight profit margin. Overhead cost was relatively high as compared with previous years as the construction business is necessary to prepare for the tendering of major projects and to set up new projects. For the property development segment, an impairment loss of HK\$18.2 million in respect of worker quarters under construction in progress in Abu Dhabi, the United Arab Emirates (“UAE”) was recognized due to subsequent disposal after period end at a loss of equivalent amount. The disposal was mainly caused by failure to extend the tenancy with the landlord to be expired in March of 2011. Significant sales were achieved for the Shijiazhuang Phase 2 development, and shall be recognized when properties are handed over in the future. The increased overhead cost and impairment loss on property, plant and equipment were largely offset by the fair value changes of HK\$47 million on an investment property, “Infinity 8”, in Choi Hung with corresponding deferred tax charge of HK\$7.8 million.

CONSTRUCTION

At the time of writing this report, the Group’s estimated value of contracts on hand was approximately HK\$12.9 billion, with about HK\$8.2 billion outstanding.

The building division’s design and build project at Tseung Kwan O Hospital Expansion, along with construction projects including 1,800 units of student residences for The University of Hong Kong (“HKU project”); podium structure of a private development in Tseung Kwan O; private residential development at Hung Shui Kiu and the university library extension at the central campus of the Chinese University of Hong Kong, have all made good progress. During the period, the division was also awarded with a new contract for alteration and renovation works for a commercial building in Central.



BUSINESS REVIEW *(Continued)*

CONSTRUCTION *(Continued)*

The six projects within the civil division were progressing well. Roads and master utility works in Tseung Kwan O was completed in November 2010. Infrastructure work in Tiu Keng Leng was proceeding on schedule. Construction of the two sizeable joint venture contracts for the Central-Wanchai Bypass and the micro tunneling works in Tuen Mun were progressing as scheduled. In addition, box culvert construction at Sai Kung, piloted under a “New Engineering Contract” (NEC), received recognition from the Drainage Service Department.

The maintenance and minor works division continued to work on six projects for Water Supplies Department (“WSD”), two of which are maintenance term contracts on Lantau and Outlying Islands, and Hong Kong Island respectively. The other four WSD projects are for the replacement and rehabilitation (R&R) of aged water mains on Hong Kong Island and the New Territories. All the WSD projects have been progressing well. The division was also undertaking a minor works term contract for the Architectural Services Department (“ASD”) which has been progressing smoothly, and outstanding works orders are scheduled to be completed in 2011.

The electrical and mechanical (“E&M”) subsidiary successfully completed works on the shopping and car park complex in Yau Tong for the Hong Kong Housing Authority, Tuen Mun Fish Market and a Secondary-cum-Primary School in Yuen Long for ASD. The E&M subsidiary continued to support the maintenance and minor works division on its ASD minor works term contract. In addition, it continued to work on three contracts for ASD, namely Section 2 District Open Space in Po Kong Village Road, Tseung Kwan O Hospital Expansion and Tseung Kwan O indoor Velodrome cum Sport Hall. Other projects for this subsidiary include electrical works for the HKU project and E&M works for the Nursing Centre at St. Teresa Hospital.

The Group’s fitting out subsidiary completed renovation works and fitting out at Windsor House in Causeway Bay. Ongoing projects include fitting out works for residential towers Block 6 to 8 at TKOTL 70, Area 86, Site AB, Tseung Kwan O, and residential towers and houses at Hung Shui Kiu and the construction of a deluxe house at Deep Water Bay. All projects have been progressing satisfactorily.

The Group’s foundation subsidiary continued its works on the HKU project, Warren Street project and MTR Corporation (“MTRC”) foundation project for the future terminal building of the Express Rail Link. As well, the subsidiary has been preparing for the commencement of diaphragm wall and piling works for the Central – Wanchai Bypass projects. In September 2010, the subsidiary also started a new foundation project in Kennedy Town, Hong Kong.



BUSINESS REVIEW *(Continued)*

CONSTRUCTION *(Continued)*

The railway subsidiary has completed providing consultancy service in Thailand for the track doubling, signaling installation and telecommunication system project from Chachoengsao to Laem Chabang (Bangkok). One of the Group's subsidiaries was in disagreement with a joint venture partner in Thailand about railway construction for the Commuter Train Project (The Red Line) Bang Sue – Taling Chan Section for the State Railway of Thailand. The Group expects the problem will be resolved shortly. The installation of noise barriers for MTRC at Olympic Station in Hong Kong has been progressing well.

Reliance Tech, our “trenchless, no-dig” subsidiary, specializes in the application of trenchless technology to serve the utility industry. Following completion of the trunk sewer inspection project in Singapore, the subsidiary was engaged by the Singapore Public Utilities Board to carry out another pilot inspection contract for deep sewage tunnels, starting in the last quarter of 2010. In Hong Kong, the subsidiary continued its horizontal directional drilling operation and pipeline condition survey by working as a specialist subcontractor on various WSD contracts.

PROPERTY DEVELOPMENT

The property market in the PRC continued to grow strongly amidst the implementation of austerity policies by authorities in China to curb property speculation. The Group managed to benefit from the strong market performance and achieved exceptional pre-sale results for its development project at the “Arc de Royal” in Shijiazhuang, Hebei Province. As at 30 September 2010, more than 60% of the residential units of Phase 2 were pre-sold. Phase 3 is planned to be a commercial complex comprising offices, serviced apartments and a shopping mall.

The construction of “Le Palais Royal”, the residential and commercial project in Shanwei, Guangdong Province, has progressed as planned, with the basement now completed. The planned GFA is about 70,000 square meters and the Group plans to begin pre-sales at the end of 2010.

For the commercial project at the central business district of Shenyang, Liaoning Province, the demolition work is almost complete. With a planned GFA of about 64,000 square meters, it is scheduled to be completed by 2013.

The Group holds two residential projects with a total GFA of approximately 28,000 square meters in Abu Dhabi, UAE. Despite increasing government spending on infrastructure development to stimulate UAE's weakened economy, the Group will continue its cautious approach in the UAE to limit exposure to uncertainties and will take appropriate action when the economy shows more signs of solid recovery.



BUSINESS REVIEW *(Continued)*

PROPERTY INVESTMENT

The Group's investment property at "Infinity 8" in Choi Hung continued to bring in stable income for the Group during the period under review.

SECURITY AND PROPERTY MANAGEMENT SERVICES

The subsidiary has positioned itself as an integrated facility services company. Its efforts to focus on customer retention and quality enrichment resulted in awarding security service contracts with "Elements", an upscale shopping center in Tsimshatsui with over one million square feet of floor area, and "Lake Silver", a prestigious residential property in Ma On Shan, from MTRC. Also, the subsidiary has been nominated as a security service provider for The 45th Hong Kong Brands and Products Expo organized by The Chinese Manufacturer's Association of Hong Kong. The Group is optimistic about the subsidiary's ability to strengthen its cross promotion platform and to achieve organic growth.

AWARDS AND RECOGNITION

The Group was able to win environmental, quality and safety awards during the review period, including sixteen honors during "Construction Safety Promotional Campaign 2010" and seven prizes at the 9th "Hong Kong Occupational Safety & Health Awards", organized by the Occupational Safety and Health Council. In addition, the Group garnered two honors at "HKCA Proactive Safety Contractors Awards 2009" presented by the Hong Kong Construction Association and the "Safe Foreman Award 2010" from the Lighthouse Club.

CORPORATE SOCIAL RESPONSIBILITY

The Group strongly believes in caring for the community and has dedicated resources, experience and expertise to helping the disadvantaged – a means of fulfilling our commitment to corporate social responsibility. Among our many efforts include deploying a volunteer team to partner with the Tung Wah Group of Hospitals to care for the elderly as well as providing voluntary maintenance service. In addition, the Group worked alongside the Hong Kong Youth Women's Christian Association to sponsor the HKYWCA Tin Shui Wei (North) Family Wellness Center; Society for Community Organization to support the unemployed and under-employed members of low-income families; Caritas fund raising drive to help poor children in China; and Habitat for Humanity for stilt-house rehabilitation works for needy local residents. Acknowledging our responsibility to staff and society, the Hong Kong Council of Social Service has awarded the Group the status of 'Caring Company' for five consecutive years (2005-2010).



OUTLOOK AND PROSPECTS

The Group, with its aspiration to become an acclaimed contractor and developer in Asia, will continue to explore opportunities that allow for dynamic and sustainable growth. Its dual focus on construction and property development will continue as the two areas of business complement each other, providing stability during times of economic volatility, consequently enabling the Group to reduce its risk exposure.

CONSTRUCTION

The construction sector looks set to experience greater buoyancy in light of ten major infrastructural projects initiated by the Hong Kong SAR Government (“HKSAR”). In addition, among six new pillar industries identified by the HKSAR, the West Kowloon Cultural District project, which falls under the cultural and creative industries, will directly benefit the construction sector. As a result of government incentives encouraging home ownership, several subsidized housing plans have been introduced, including “My Home Purchase Plan”. Such a development can potentially lead to more construction projects as well.

PROPERTY DEVELOPMENT

The Mainland China government has recently introduced several new measures to cool down the overheated property market; mainly aimed at controlling price and volume. Despite such measures, the management expects demand to remain robust. The Group is poised to capture fresh market opportunities and is cautiously optimistic about business prospects. The Group will continue to focus on second and third-tier cities in Mainland China due to higher growth potential, greater stability compared with first-tier cities and less hindrance from government property policies, thus lower investment risk. Consistent with this focus, the management will direct more resources toward capturing opportunities in southern China and in the vicinity of Shijiazhuang. In addition, the Group will bolster its land reserve when opportunities arise.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 3,220 employees at 30 September 2010. Total remuneration of employees for the six months ended 30 September 2010 amounted to approximately HK\$320.1 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.



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 2010, the total net debts of the Group amounted to approximately HK\$775.0 million, representing total debts of approximately HK\$1,276.7 million less bank balances and cash of approximately HK\$501.7 million. The debt maturity profile of the Group at 30 September 2010 is analysed as follows:

	As at 30 September 2010 HK\$ million	As at 31 March 2010 HK\$ million
Borrowings repayable:		
Within one year or on demand	807.6	684.2
After one year, but within two years	398.3	451.8
After two years, but within five years	59.7	98.4
Over five years	11.1	11.9
Total borrowings	1,276.7	1,246.3

At 30 September 2010, the gearing ratio of the Group, being the proportion of net interest bearing debts to Shareholders' equity was 0.57 (at 31 March 2010: 0.60).

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 at 30 September 2010 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2010

		Unaudited six months ended 30 September	
		2010	2009
		HK\$'000	HK\$'000
	Notes		
Revenue	3	1,226,229	1,190,306
Cost of sales		(1,112,503)	(1,077,530)
Gross profit		113,726	112,776
Other income		6,414	2,700
Fair value changes on investment properties		47,246	10,285
Selling expenses		(2,753)	(2,054)
General and administrative expenses		(115,921)	(100,132)
Fair value changes on embedded derivatives of convertible bonds		–	1,158
Impairment loss on property, plant and equipment		(18,173)	–
Share of results of jointly controlled entities		3,798	2,706
Finance costs	4	(10,973)	(11,230)
Profit before tax		23,364	16,209
Income tax (expense) credit	5	(17,754)	14,562
Profit for the period	6	5,610	30,771
Other comprehensive income (expense)			
Exchange differences arising on translation		14,282	(114)
Total comprehensive income for the period		19,892	30,657
Profit for the period attributable to:			
Owners of the Company		5,610	30,771
Non-controlling interests		–	–
		5,610	30,771
Total comprehensive income attributable to:			
Owners of the Company		19,892	30,657
Non-controlling interests		–	–
		19,892	30,657
Earnings per share			
– basic	8	0.61 cents	3.58 cents
– diluted	8	0.61 cents	3.58 cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2010 and 31 March 2010

	Notes	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment	9	214,266	251,042
Investment properties	10	366,324	324,524
Interests in associates		70,130	70,130
Interests in jointly controlled entities		41,265	37,767
Amounts due from associates		103,414	103,414
		795,399	786,877
Current assets			
Amounts due from customers for contract work		682,744	621,375
Debtors, deposits and prepayments	11	421,107	567,723
Properties under development		815,738	696,302
Deposits paid for properties under development		350,322	336,460
Properties held for sale		61,497	101,536
Deposits paid for properties held for sale		54,736	54,762
Investments held for trading		919	967
Amounts due from associates		1,254	1,251
Amounts due from jointly controlled entities		58,911	32,154
Tax recoverable		15,805	23,552
Pledged bank deposits		74,360	67,566
Bank balances and cash		427,320	366,548
		2,964,713	2,870,196

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 September 2010 and 31 March 2010

	Notes	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000 (restated)
Current liabilities			
Amounts due to customers for contract work		135,096	161,783
Creditors, deposits and accrued charges	12	496,901	621,000
Deposits received from pre-sales of properties under development		327,141	136,532
Amounts due to associates		15,688	15,625
Amounts due to jointly controlled entities		65,207	64,890
Tax payable		29,463	27,455
Dividend payable		4,580	–
Obligations under finance leases		10,442	8,262
Borrowings	13	797,150	675,900
		1,881,668	1,711,447
Net current assets			
		1,083,045	1,158,749
Total assets less current liabilities			
		1,878,444	1,945,626
Non-current liabilities			
Obligations under finance leases		13,488	12,172
Borrowings	13	455,575	549,975
Deferred tax liabilities		42,606	35,140
		511,669	597,287
Net assets			
		1,366,775	1,348,339
Capital and reserves			
Share capital	14	91,599	91,572
Reserves		1,274,826	1,256,417
Equity attributable to owners of the Company		1,366,425	1,347,989
Non-controlling interests		350	350
Total equity			
		1,366,775	1,348,339



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2010

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Share option reserve	Capital reserve	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009 (audited)	85,884	337,143	(7,340)	4,592	8,531	72,410	785,335	1,286,555	350	1,286,905
Profit for the period	-	-	-	-	-	-	30,771	30,771	-	30,771
Exchange differences arising on translation	-	-	-	-	-	(114)	-	(114)	-	(114)
Total comprehensive income (expense) for the period	-	-	-	-	-	(114)	30,771	30,657	-	30,657
At 30 September 2009 (unaudited)	85,884	337,143	(7,340)	4,592	8,531	72,296	816,106	1,317,212	350	1,317,562
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	-	-	-
Final dividend 2009/2010	-	-	-	-	-	-	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2010

	Unaudited six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Net cash from operating activities	47,989	52,589
Investing activities		
Proceeds from disposal of investment properties	5,446	303,000
Interest received	1,125	713
Proceeds from disposal of property, plant and equipment	1,105	2,662
Dividends received from jointly controlled entities	300	1,125
Amounts advanced to associates	(3)	(2)
Purchase of property, plant and equipment	(3,692)	(29,778)
Increase in pledged bank deposits	(6,370)	(27,459)
Net cash (used in) from investing activities	(2,089)	250,261
Financing activities		
Repayment of trust receipt loans	(429,898)	(270,642)
Repayment of bank loans	(78,737)	(316,714)
Interest paid	(18,892)	(14,635)
Repayment of principal portion of obligations under finance leases	(4,612)	(725)
Repayment of mortgage loans	(885)	-
Amounts advanced from associates	63	-
Proceeds from issue of shares	150	-
New obligations under finance leases raised	8,108	2,186
New bank loans raised	18,000	308,410
Repurchase of convertible bonds	-	(346,112)
New trust receipt loans raised	515,314	262,559
Net cash from (used in) financing activities	8,611	(375,673)
Net increase (decrease) in cash and cash equivalents	54,511	(72,823)
Cash and cash equivalents at beginning of the period	366,548	435,882
Effect of foreign exchange rate changes	6,261	334
Cash and cash equivalents at end of the period, represented by bank balances and cash	427,320	363,393



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 2010.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.



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

2 **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

Amendment to HKAS 17 “Leases”

As part of Improvements to HKFRSs issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the condensed consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17 that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In accordance with the transitional provisions of HKAS 17 “Leases”, the Group reassessed the classification of land elements of unexpired leases at 1 April 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payments to property, plant and equipment retrospectively, resulting in a reclassification of prepaid lease payments with previous carrying amount of approximately HK\$24,937,000 as at 31 March 2010 as property, plant and equipment that are measured at cost model.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

The effect of changes in accounting policies described above on the financial positions of the Group as at 31 March 2010 is as follows:

	At 31 March 2010 (originally stated) HK\$'000	Adjustments HK\$'000	At 31 March 2010 (restated) HK\$'000
Property, plant and equipment	226,105	24,937	251,042
Prepaid lease payments – non-current	24,293	(24,293)	–
Prepaid lease payments – current	644	(644)	–
	251,042	–	251,042

Except as described above, the adoption of other new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adopters ²
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2011

⁵ Effective for annual periods beginning on or after 1 January 2013



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

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

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 segment:

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	1,072,111	59,520	3,733	90,865	-	1,226,229
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 SEGMENT INFORMATION (Continued) For the six months ended 30 September 2009

	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	988,964	123,347	17,136	60,859	-	1,190,306
RESULT						
Operating results	10,896	677	17,000	3,594	(1,224)	30,943
Share of results of jointly controlled entities	2,706	-	-	-	-	2,706
Segment profit (loss)	13,602	677	17,000	3,594	(1,224)	33,649
Unallocated corporate expenses						(8,081)
Interest income						713
Fair value changes on embedded derivatives of convertible bonds						1,158
Finance costs						(11,230)
Profit before tax						16,209
Income tax credit						14,562
Profit for the period						30,771

Segment result represents the gross profit (loss) generated from each segment, net of selling expenses and general and administrative expenses directly attributable to each segment without allocation of interest income, fair value changes on embedded derivatives of convertible bonds 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	
	2010 HK\$'000	2009 HK\$'000
Interest on :		
Bank loans wholly repayable within five years	18,397	14,616
Bank loans not wholly repayable within five years	111	–
Finance leases	63	19
Amount due to a jointly controlled entity	321	–
Total borrowing costs	18,892	14,635
Less: Amount attributable to contract work	(3,113)	(1,615)
Amount attributable to properties under development	(4,806)	(1,790)
	10,973	11,230

5 INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Current tax		
– Hong Kong Profits Tax	2,550	10,931
– Other jurisdictions	16	814
– Enterprise Income Tax in the People's Republic of China (the "PRC")	3,191	2,552
– PRC Land Appreciation Tax ("LAT")	4,531	–
	10,288	14,297
Deferred tax liabilities		
– Current	7,466	(28,859)
	17,754	(14,562)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 INCOME TAX EXPENSE (CREDIT) (Continued)

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

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

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.

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	
	2010 HK\$'000	2009 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	13,450	11,217
Less: Amount attributable to contract work	(10,320)	(9,154)
	3,130	2,063
Loss (gain) on disposal of property, plant and equipment	3,874	(989)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 DIVIDENDS

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Final dividend		
Final dividend in respect of 2010 of HK0.5 cent (2009: nil) per share	4,580	–

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2010.

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	
	2010	2009
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	5,610	30,771
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	915,970,134	858,840,328
Effect of dilutive potential ordinary shares in respect of share options	–	175,923
Weighted average number of ordinary shares for the purpose of diluted earnings per share	915,970,134	859,016,251

In the current period, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market price for shares.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3.7 million (six months ended 30 September 2009: HK\$29.8 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$5.0 million (six months ended 30 September 2009: HK\$1.6 million).

Due to failure to extend the tenancy with the landlord to be expired in March of 2011, worker quarters under construction in progress for property developments in Abu Dhabi, UAE, have been disposed of after the end of the reporting period and a loss of HK\$18.2 million has been recorded. Accordingly, an impairment loss of equivalent amount has been made and included in the "Impairment loss on property, plant and equipment" line item in the condensed consolidated statement of comprehensive income.

10 INVESTMENT PROPERTIES

	At 30 September 2010 HK\$'000
FAIR VALUE	
At 1 April 2010	324,524
Disposal	(5,446)
Net increase in fair value recognised in profit and loss	47,246
At 30 September 2010	366,324

The fair values of the Group's investment properties at 30 September 2010 have been arrived at on the basis of valuations carried out on that date by Centaline Surveyors Limited and Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group. All of these valuers are members of the Hong Kong Institute of Surveyors. The valuations were arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets or, by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties.



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\$139,227,000 (at 31 March 2010: HK\$271,167,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Not yet due	118,249	205,919
1 to 30 days	17,707	61,537
31 to 90 days	2,450	2,960
91 to 180 days	389	166
Over 180 days	432	585
	139,227	271,167

12 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK\$187,766,000 (at 31 March 2010: HK\$269,556,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Not yet due	135,060	183,389
1 to 30 days	43,450	71,284
31 to 90 days	3,518	7,217
91 to 180 days	3,046	2,525
Over 180 days	2,692	5,141
	187,766	269,556

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 BORROWINGS

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Borrowings comprise:		
Trust receipt loans	273,588	188,172
Bank loans	959,238	1,016,919
Mortgage loans	19,899	20,784
	1,252,725	1,225,875
Analysed as:		
Secured	531,769	553,679
Unsecured	720,956	672,196
	1,252,725	1,225,875
The borrowings are repayable as follows:		
On demand or within one year	797,150	675,900
More than one year, but not exceeding two years	388,490	443,314
More than two years, but not exceeding five years	56,037	94,727
Over five years	11,048	11,934
	1,252,725	1,225,875
Less: Amounts due within one year shown under current liabilities	(797,150)	(675,900)
Amounts due after one year	455,575	549,975

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 2010 and 30 September 2010	1,500,000,000	150,000
Issued and fully paid:		
At 1 April 2010	915,718,274	91,572
Exercise of share options	272,724	27
At 30 September 2010	915,990,998	91,599

15 CAPITAL COMMITMENTS

	At 30 September 2010 HK\$'000	At 31 March 2010 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	3,609	3,610

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	291,497	352,909
– jointly controlled entities	–	5,850
	291,497	358,759
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	40,000	40,000
Extent of 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	217,392	197,144



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 2010 HK\$'000	At 31 March 2010 HK\$'000
Investment properties	362,000	315,000
Leasehold land and buildings	37,978	38,717
Properties under development	237,880	152,603
Bank deposits	74,360	67,566
	712,218	573,886

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 30 September		six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Transactions during the period:				
Contract revenue recognised	-	-	56,285	30,115
Project management fee received	-	-	3,255	5
Security guard services income received	-	-	337	763
Interest expense	-	-	321	-
	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	-	-	-	5,850
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	40,000	40,000	-	-

- (ii) The emoluments of directors, the Group's key management personnel during the period were HK\$5,394,000 (six months ended 30 September 2009: HK\$4,104,000).



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 2010 (2009: Nil).

BONUS ISSUE OF WARRANTS

On 9 September 2010, a total of 171,748,312 bonus warrants were issued by the Company to the shareholders, entitling the holders thereof to subscribe in cash for 171,748,312 new shares during the period of 3 years from 13 September 2010 to 12 September 2013 (both days inclusive), at an initial subscription price of HK\$0.5 per share. As of 30 September 2010, there were 171,748,312 units of bonus warrants outstanding.

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 1/4/2010	Exercised during the period	Lapsed during the period	Outstanding at 30/9/2010
Directors							
Dr. Pang Kam Chun ("Dr. Pang") (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	–	–	732,000
	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
		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
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

OTHER INFORMATION (Continued)

SHARE OPTION SCHEMES (Continued)

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options			
				Outstanding at 1/4/2010	Exercised during the period	Lapsed during the period	Outstanding at 30/9/2010
Mr. Pang Yat Ting, Dominic (Note 2)	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 (Note 2)	13/8/2004	0.904	21/8/2004 to 12/8/2014	6,326,000	-	-	6,326,000
		1.01	2/5/2007 to 1/5/2010	3,736,000	-	(3,736,000)	-
	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
		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
		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



OTHER INFORMATION (Continued)

SHARE OPTION SCHEMES (Continued)

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options			
				Outstanding at 1/4/2010	Exercised during the period	Lapsed during the period	Outstanding at 30/9/2010
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
Employees	2/5/2007	1.01	2/5/2007 to 1/5/2010	1,368,000	-	(1,368,000)	-
	15/1/2010	0.65	15/1/2011 to 14/1/2014	7,651,200	-	-	7,651,200
		0.65	15/1/2012 to 14/1/2014	7,651,200	-	-	7,651,200
		0.65	15/1/2013 to 14/1/2014	10,201,600	-	-	10,201,600
Consultants	2/5/2007	1.01	2/5/2007 to 1/5/2010	1,868,000	-	(1,868,000)	-
	25/5/2007	1.42	25/5/2007 to 24/5/2010	3,737,000	-	(3,737,000)	-
	31/7/2007	2.396	31/1/2008 to 30/7/2010	62,604	-	(62,604)	-
	8/8/2007	2.01	25/9/2007 to 24/5/2010	3,737,000	-	(3,737,000)	-
	31/1/2008	0.968	31/7/2008 to 30/1/2011	154,956	-	-	154,956
	31/7/2008	0.684	31/1/2009 to 30/7/2011	219,294	-	-	219,294
	31/7/2009	0.55	31/1/2010 to 30/7/2012	272,724	(272,724)	-	-
	15/1/2010	0.65	15/1/2011 to 14/1/2014	396,600	-	-	396,600
	15/1/2010	0.65	15/1/2012 to 14/1/2014	396,600	-	-	396,600
	15/1/2010	0.65	15/1/2013 to 14/1/2014	528,800	-	-	528,800
22/3/2010	0.66	22/3/2010 to 21/3/2013	75,757	-	-	75,757	
Other (Note 3)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	732,000
				65,599,335	(272,724)	(14,508,604)	50,818,007



OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

Notes:

1. Dr. Pang passed away on 2 April 2010.
 2. Mr. Pang Yat Ting, Dominic and Mr. Pang Yat Bond, Derrick were appointed as Chairman and Deputy Chairman of the Company respectively with effect from 9 April 2010.
 3. These outstanding share options were held by a former Independent Non-executive Director. The Board has approved that these outstanding share options can be exercised on or before 12 August 2014.
 4. All options referred to in the above table are not subject to any vesting period save as the options granted on 31 July 2007, 8 August 2007, 31 January 2008, 31 July 2008, 31 July 2009 and 15 January 2010, the vesting dates are 31 January 2008, 25 September 2007, 31 July 2008, 31 January 2009, 31 January 2010, 15 January 2011, 15 January 2012 and 15 January 2013 respectively.
 5. No share options were granted or cancelled under the Scheme during the period under review.
- (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 2010, 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	Corporate interest	Total interests	Total interests as % of the Company's issued share capital
Dr. Pang (late)	348,194,590	10,148,875 <i>(Note 1)</i>	129,348,294 <i>(Note 2)</i>	487,691,759	53.24%
Madam Li Wai Hang Christina	10,148,875	477,542,884 <i>(Note 1)</i>	–	487,691,759	53.24%
Mr. Pang Yat Ting, Dominic	3,736,000	–	–	3,736,000	0.41%
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 3)</i>	–	4,160,000	0.45%
Mr. Au Son Yiu	301,816	–	–	301,816	0.03%

OTHER INFORMATION *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

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

Notes:

1. Madam Li Wai Hang, Christina is the spouse of the late Dr. Pang and is deemed to have interest in those shares of the Company held by him. Similarly, the late Dr. Pang is also deemed to have interest in those shares of the Company held by her.
2. GT Winners Limited is wholly-owned by the late Dr. Pang who is deemed to have interest in those shares of the Company held by GT Winners Limited.
3. These shares are beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.

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

Name of Director	Personal interest	Family interest	Corporate interest	Total Interests	Total interest as % of the Company's issued share capital
Dr. Pang (late)	69,547,485 <i>(Note 1)</i>	3,599,914 <i>(Note 2)</i>	24,252,805 <i>(Note 3)</i>	97,400,204	10.63%
Madam Li Wai Hang, Christina	3,599,914 <i>(Note 4)</i>	93,800,290 <i>(Note 2)</i>	–	97,400,204	10.63%
Mr. Pang Yat Ting, Dominic	2,400,500 <i>(Note 5)</i>	–	–	2,400,500	0.26%
Mr. Pang Yat Bond, Derrick	8,113,500 <i>(Note 6)</i>	–	–	8,113,500	0.89%
Mr. Kwok Yuk Chiu, Clement	6,644,750 <i>(Note 7)</i>	161,250 <i>(Note 8)</i>	–	6,806,000	0.74%
Mr. Au Son Yiu	600,000 <i>(Note 9)</i>	–	–	600,000	0.07%
Mr. Chan Chiu Ying, Alec	300,000 <i>(Note 10)</i>	–	–	300,000	0.03%



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)*

Name of Director	Personal interest	Family interest	Corporate interest	Total Interests	Total interest as % of the Company's issued share capital
Mr. Hui Chiu Chung, Stephen	300,000 <i>(Note 10)</i>	–	–	300,000	0.03%
Mr. Lee Shing See	300,000 <i>(Note 10)</i>	–	–	300,000	0.03%

Notes:

- These represent the interests in the underlying shares of the Company in respect of (i) 4,261,000 units of share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above and (ii) 65,286,485 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. Similarly, the late Dr. Pang is also deemed to have interest in the underlying shares of the Company held by Madam Li Wai Hang, Christina.
- GT Winners Limited is wholly-owned by the late Dr. Pang who is deemed to have interest in those warrants of the Company held by GT Winners Limited.
- 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 Options Schemes" above and (ii) 1,902,914 units of warrants of the Company.
- 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 Options Schemes" above and (ii) 700,500 units of warrants of the Company.
- 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 Options Schemes" above and (ii) 187,500 units of warrants of the Company.
- 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 Options Schemes" above and (ii) 618,750 units of warrants of the Company.
- These represent the interests in the warrants of the Company beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.
- 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 Options Schemes" above and (ii) 300,000 units of warrants of the Company.
- These represent the interests in share options granted by the Company, details of which are stated under the heading "Share Options Schemes" above.



OTHER INFORMATION *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

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 2010, 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).

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as are known to the Directors, as at 30 September 2010, 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:

Name of 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 <i>(Note)</i>	Beneficial Owner	129,348,294	14.12%	24,252,805	2.65%

Note:

GT Winners Limited is wholly-owned by the late Dr. Pang who is deemed to have interest in the shares and warrants of the Company held by GT Winners Limited.

Save as disclosed above, as at 30 September 2010, 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.



OTHER INFORMATION *(Continued)*

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 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 2010.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to the members of the Board and all our dedicated staff for their invaluable services during the past. I would also like to thank our stakeholders and business partners for their unwavering support of the Group. In the coming fiscal year, the Board will be committed to capitalizing on new opportunities, overcoming challenges that arise and maximizing returns for shareholders.

By Order of the Board
Pang Yat Ting, Dominic
Chairman

Hong Kong, 25 November 2010