



CHUN Wo DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 711



ANNUAL
REPORT
2009/10

DYNAMIC GROWTH AND EXCELLENCE

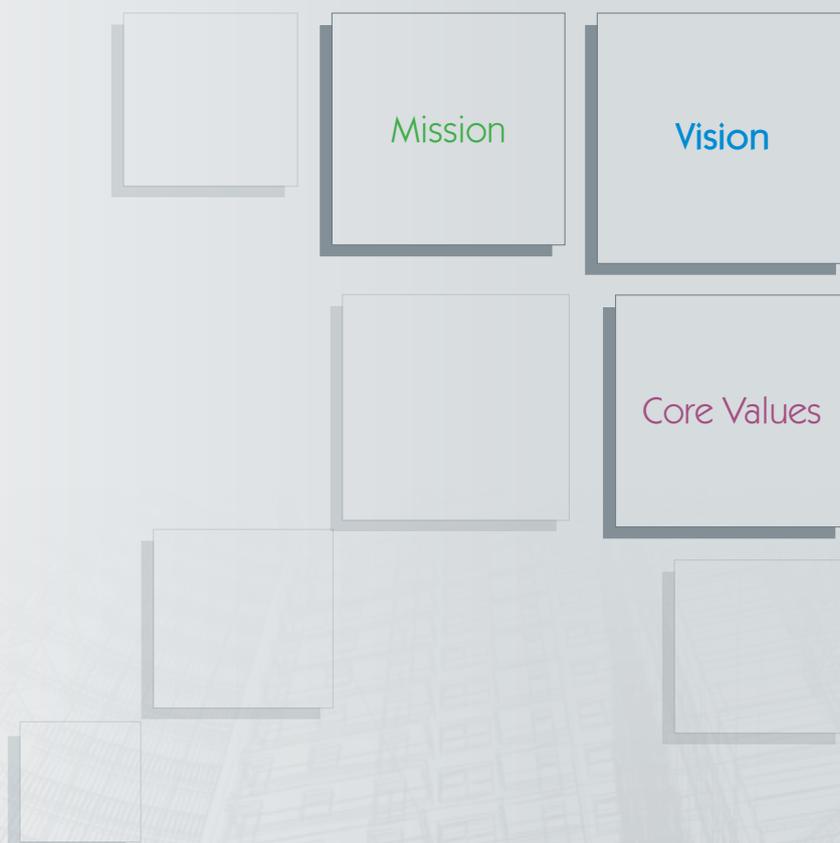
Chun Wo Development Holdings Limited
Annual Report 2009/10

Vision

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

Mission

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



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Company Culture

We aspire to excel in all aspects of our performance. In our business dealings, we are responsive to the needs of our clients and ensure that these needs are fully satisfied. We manage our projects with competent and experienced staff, whose clear priorities are to thoroughly plan, execute and follow through the works and to fulfil our obligations responsibly. Our staff always face up to challenges and proactively tackle problems with practicality and perseverance in a positive way.

We have followed this culture for the last four decades, and believe that it has been the key to Chun Wo's success. Chun Wo's continuing success serves to reinforce the culture which has been with us from the outset.

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

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

The Stock Exchange of
Hong Kong Limited: 711

Chairman's Statement

WE BUILD
TRUST
THROUGH
COMMITMENT



On behalf of the board of directors (the “Board” or the “Directors”), I am pleased to present the results of Chun Wo Development Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 March 2010.

Tribute to the Late Chairman

Ahead of detailing our latest financial performance, I commemorate the loss of Dr. Pang Kam Chun, former Chairman and Executive Director, as well as the founder of the Company, having passed away on 2 April 2010. The late Dr. Pang dedicated his life to the establishment and development of the Group, providing outstanding leadership and making invaluable contributions over the years. Certainly, his

work ethic and spirit will remain guiding principles of the Group, and the Board would like to express its sincere gratitude to the late Dr. Pang.

I was appointed Chairman of the Company on 9 April 2010, following the tragic loss of Dr. Pang. Although the entire Company has been deeply saddened, the succession planning has begun in the last couple of years. The responsibilities of the former Chairman had been delegated to the Executive Committee incrementally which takes up the leading role of the Group. The Executive Committee consists of Mr. Pang Yat Bond, Derrick, Mr. Kwok Yuk Chiu, Clement, Mr. Kwok Man Fai, Wilson and myself, under full support of a well-established and stable management team.

Chairman's Statement



Tribute to the Late Chairman (continued)

The Company has a well-established management system that should quash any concerns investors may have about the immediate issue of transition. However, the Group is fully aware that maintaining the status quo is insufficient in this fast-changing world. Under the leadership of the management, which has been serving the Group for over a decade, the Group will actively seek growth opportunities and endeavor to benefit from a globalizing world that includes a fast growing China economy. As we set our sights on new opportunities, we will adhere to the core values that nurtured the Group's growth from its humble beginnings.

Results

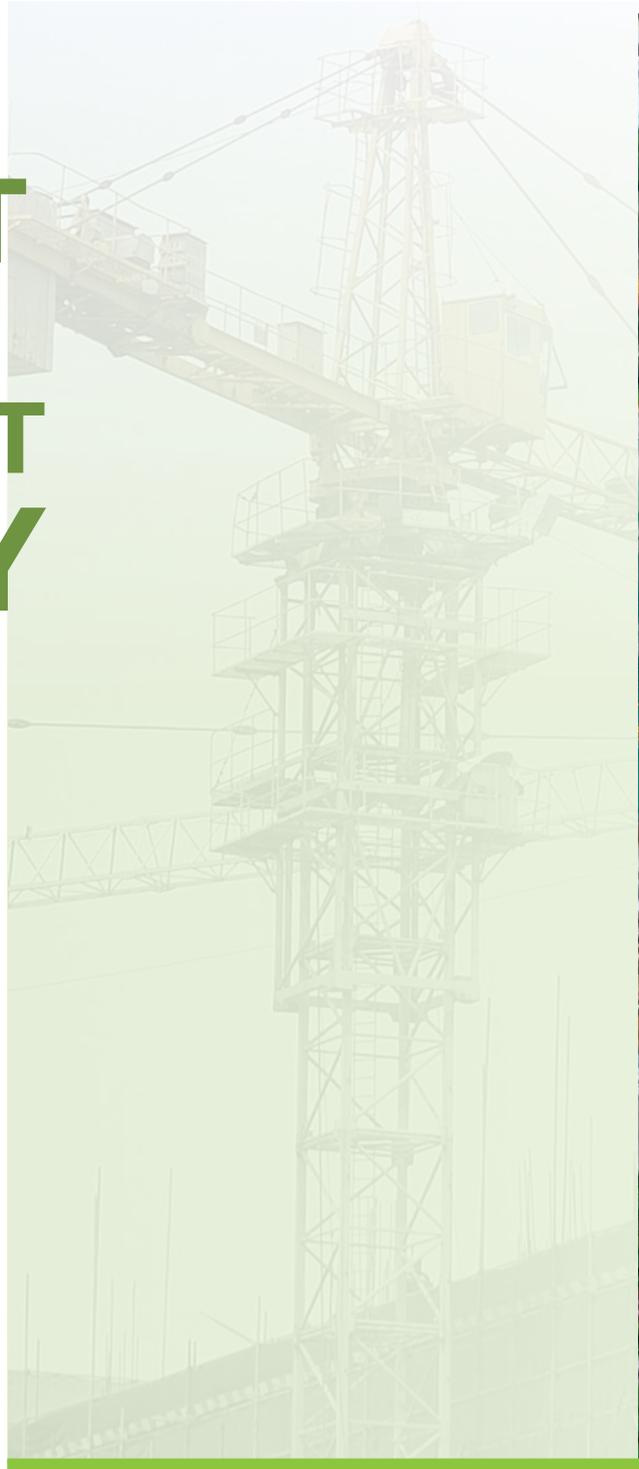
The Group reported a turnover of approximately HK\$2,606.2 million for the year ended 31 March 2010, an increase of 30% over last year. Profit attributable to owners of the Company was about HK\$31.1 million, compared to loss of HK\$119.9 million last year. Earnings per share were HK3.6 cents, compared to loss per share of HK14 cents last year.

Final Dividend

The Board recommended the payment of a final dividend of HK0.5 cent per share for the year ended 31 March 2010 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at the close of business on 17 August 2010. The total dividend for the year amounted to HK0.5 cent per share (2009: nil). The proposed final dividend will be paid on or about 8 October 2010 subject to approval from the Shareholders at the forthcoming annual general meeting of the Company (the "AGM").

Chairman's Statement

SAFETY, ENVIRONMENT AND THE PUBLIC INTEREST TAKE **PRIORITY**



Chairman's Statement



Carcass works for proposed residential development at Hung Shui Kiu, Yuen Long



Carcass Works (Podium) for the Proposed Residential Development (Package 2) (Phase 3) at TKOTL 70, Area 86, Site AB, Tseung Kwan O



Design and Construction of Expansion of Tseung Kwan O Hospital

Chairman's Statement

Closure of Register of Members

The register of members of the Company will be closed from 11 August 2010 to 17 August 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Registrar of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 10 August 2010.

Proposed Bonus Issue of Warrants

The Directors also proposed a bonus issue of warrants ("Bonus Warrant Issue") on the basis of 3 warrants for every 16 shares held by the Shareholders. The final terms of the Bonus Warrant Issue, which shall be issued subject to the compliance of the relevant rules and regulations of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), have not yet been finalized. A further announcement will be made once such terms are finalized. A circular will also be sent to the Shareholders as soon as practicable.

Business Review

The increase in revenue was mainly attributed to significant upturn in contract work of construction segment notwithstanding a reduction in revenue recognized in property development. The financial results improved significantly due to the reduction in the general and administrative expenses relative to revenue. Nevertheless, the financial results were mainly contributed by previously awarded construction contracts which were won in a highly competitive market, and deliveries of some pre-sold units of the development projects. Compared with the previous year, the significantly improved results were also mainly attributable to the fair value

changes on an investment property at "Infinity 8" at Choi Hung; share of results of an associate, which holds a large-scale luxurious residential-commercial joint venture development in Ho Chi Minh City, Vietnam; a reduction of the finance cost arising from the repurchase of all convertible bonds in the first quarter of the financial year and an income tax credit recognised upon the disposal of an investment property "Grandeur Terrace" at Tin Shui Wai during the year.

Construction

As at 31 March 2010, the Group's estimated value of contracts on hand increased to approximately HK\$13.3 billion, with about HK\$9.2 billion outstanding. These represent 60% and 67% increases in contracts on hand and outstanding amount respectively as compared with the figures as at 31 March 2009.

Projects

The maintenance and minor works division completed the term contract for the Water Supplies Department ("WSD") in Hong Kong Island and Ap Lai Chau in August 2009 and secured a new term contract for the continuity of the above works which had commenced in September 2009. The division has also continued work on 5 others WSD projects for which one is the maintenance term contract in Lantau and Outlying Islands and others involve the replacement and rehabilitation of water mains in Hong Kong Island and New Territories. The replacement and rehabilitation of aged water mains is the WSD's ongoing major program to supply top quality water to Hong Kong residents. These projects have been all progressing on schedule. The division is also performing a minor works contract for the Architectural Services Department ("ASD") and a building maintenance contract for a private developer which are both scheduled to be completed by end 2010.

Chairman's Statement

Business Review (continued)

Construction (continued)

Projects (continued)

The building division's design and build project at Tseung Kwan O Hospital Expansion, construction of the 1,800 units of student residences for The University of Hong Kong ("HKU project") and the podium structure of a private development in Tseung Kwan O have all been progressing well. The works at Upper Wong Tai Sin Phase 3 for the Hong Kong Housing Authority and the redevelopment of the Hong Kong Sports Institute ("HKSI") were successfully completed and the temporary velodrome in Whitehead would be completed and transferred to the clients in late April 2010. The Group was awarded 2 new contracts worth approximately HK\$700 million in total; a private residential development at Hung Shui Kiu and the university library extension at the central campus of The Chinese University of Hong Kong.

The civil division started 5 new projects since August 2009, including 2 sizeable joint venture contracts for the Central – Wan Chai Bypass project, a 6.5 km long micro tunneling contract in Tuen Mun District, infrastructure works in Tiu Keng Leng, and box culvert construction at Fuk Man Road, Sai Kung, using the New Engineering Contract (NEC) piloted by the Drainage Services Department. Construction for current road and master utility works at Tseung Kwan O was on schedule.

The foundation subsidiary continued its works on the HKU project and Warren Street project. The foundation and pile cap works for the proposed residential development (Package 3) at TKOTL 70, Area 86, Site E, Tseung Kwan O and the foundation works at No. 3 Connaught Road Central were completed in August 2009 and April 2010 respectively. The subsidiary started a new joint venture foundation project for the Express Rail Link

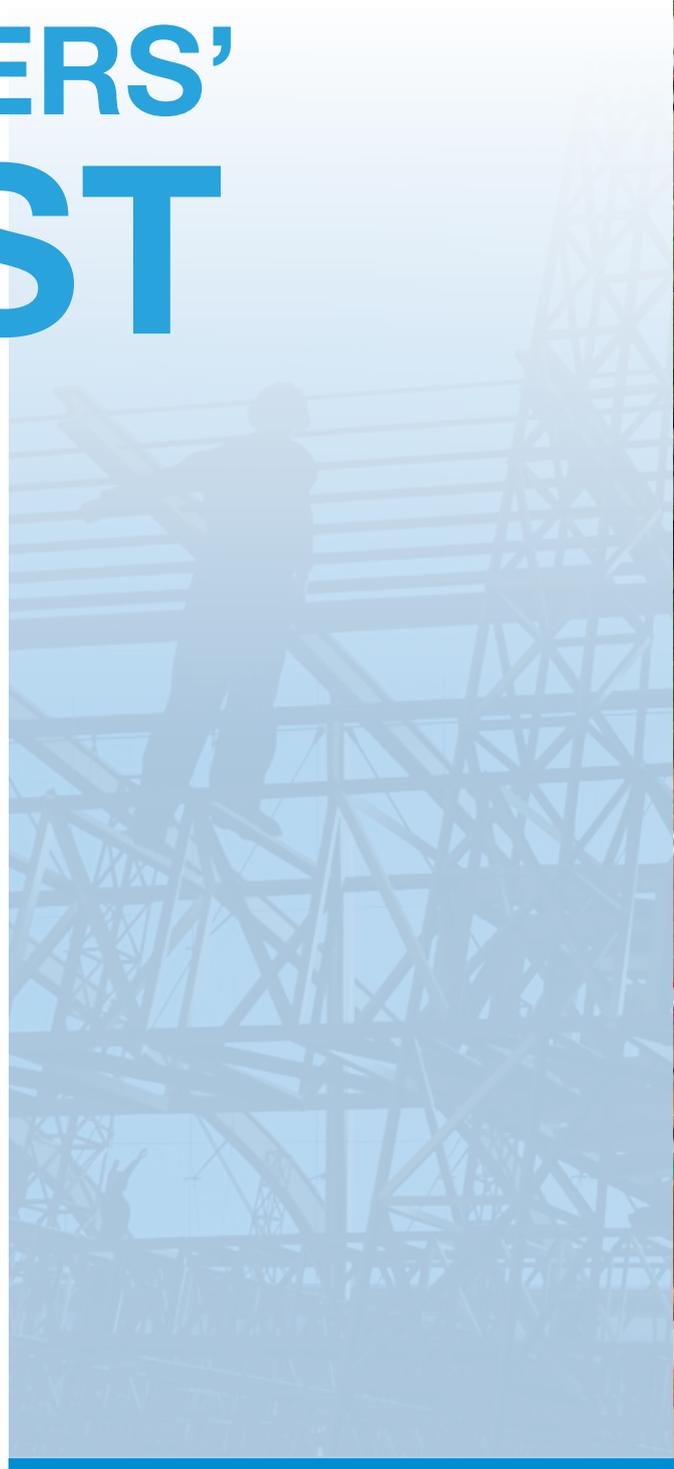
of MTR Corporation Limited ("MTRC") in February 2010, and also secured 2 new diaphragm wall and piling works for the Central – Wan Chai Bypass projects due to start in the fourth quarter of 2010.

The railway subsidiary provided consultancy service in Thailand involving track doubling, signaling installation and a telecommunication system for the line from Chachoengsao to Laem Chabang (Bangkok) and the service contract would be completed in April 2010. The railway construction for the Commuter Train Project (The Red Line) Bang Sue – Taling Chan Section for the State Railway of Thailand and the installation of noise barriers for MTRC at Olympic Station have been progressing well.

The electrical and mechanical ("E&M") subsidiary successfully completed works on Phase 1 Renovation in Choi Yuen Shopping Centre for The Link Management Limited, a photovoltaic solar panel and wind turbine system at the Sunny Bay pumping station for WSD, building services for the redevelopment of a Sports Complex for HKSI and the temporary velodrome in Whitehead, a primary school at Choi Wan Road Jordan Valley, Section 1 District Open Space in Po Kong Village Road and the District Open Space in Tung Chung for ASD. The E&M subsidiary continued to perform a portion of E&M works on a minor work contract with ASD for the maintenance division. In addition, it continued to work on 4 contracts for ASD, specifically, Tuen Mun Fish Market, a Secondary-cum-Primary School in Yuen Long, Tseung Kwan O Hospital Expansion and Tseung Kwan O indoor Velodrome cum Sport Hall. Other projects for this subsidiary include MVAC works for shopping and car park complexes in Yau Tong for the Hong Kong Housing Authority, electrical works for the HKU project and E&M works at the Nursing Centre in Lomond Road for St. Teresa Hospital.

Chairman's Statement

OUR **CUSTOMERS'**
NEED **FIRST**
COME



Chairman's Statement



Improvement of Fuk Man Road Nullah, Sai Kung



Ground Breaking Ceremony of Wan Chai Development Phase II – Central-Wan Chai Bypass at Hong Kong Convention and Exhibition Centre



Wan Chai Development Phase II – Central-Wanchai Bypass at Hong Kong Convention and Exhibition Centre & at Wan Chai East



Ground Breaking Ceremony of the improvement project of Fuk Man Road Nullah in Sai Kung

Chairman's Statement

Business Review (continued)

Construction (continued)

Projects (continued)

The fitting out subsidiary completed renovation works and fitting out of Lok Fu Shopping Centre Phase 2 for The Link Management Limited and an interior decoration contract for Harbour Plaza 8 Degrees at To Kwa Wan. Ongoing projects include renovation works at Windsor House at Causeway Bay, fitting out works for residential towers Block 6 to 8 at TKOTL 70, Area 86, Site AB, Tseung Kwan O and deluxe house construction at Deep Water Bay. A new contract for fitting out works for residential towers and houses at Hung Shui Kiu, was also awarded to the subsidiary. All projects have been progressing satisfactorily.

Reliance-Tech, the “trenchless, no-dig” subsidiary, provides services for the inspection, repair, rehabilitation and replacement of underground pipes. Its first trunk sewer inspection project, the Singapore Public Utilities Board as the client, has been progressing well. Recently, Reliance-Tech has acquired a new contract to undertake condition survey work of the deep sewer tunnel. In Hong Kong, the subsidiary has also started its horizontal directional drilling operation and pipeline condition survey by working as a specialist subcontractor in WSD contracts.

Property Development

The Mainland Property Sector

The property market in the PRC has enjoyed a remarkable recovery since the slump which was partially caused by the financial tsunami. As a result, the Group achieved some optimistic early sales figures during the last quarter of the financial year.

“Arc de Royal” in Shijiazhuang, Hebei Province is a residential/commercial office mixed development project with a total gross floor area (“GFA”) of

approximately 400,000 square meters being developed in 3 phases. During this financial year, the Group started the construction of Phase 2 for which 20% of the GFA was pre-sold. Phase 3 is planned to be a commercial complex comprising offices, serviced apartments and a shopping mall.

In December 2009, the Group acquired a plot of land located at the central business district of Shenyang, Liaoning Province. Demolition of the existing old buildings at the site commenced in April 2010. This is a commercial project with expected GFA of about 64,000 square meters and is scheduled to be completed by 2013.

In March 2010, the Group acquired the remaining 62% stake in the residential and commercial project in Shanwei, Guangdong Province, further to the Group's acquisition of 38% interests in the said project in 2008. The planned GFA for this project is about 70,000 square meters and the Group plans to begin pre-sales in the upcoming financial year.

Overseas Property Sector

The Group holds 2 residential projects with a total GFA of approximately 28,000 square meters in Abu Dhabi, United Arab Emirates. Due to the downturn in Dubai and the general slowdown of the UAE property market, the Group has taken a cautious approach toward developments in the UAE. The Group intends to continue to closely monitor the situation and will take prudent measures to limit exposure and to explore new business models and options.

The Group completed the disposition of its investment property “Grandeur Terrace” at Tin Shui Wai in August 2009, for the consideration of HK\$303 million. The Group's investment property at “Infinity 8” at Choi Hung has brought in stable income for the Group during the financial year.

Chairman's Statement



Arc de Royal at Shijiazhuang, Hebei Province, the PRC

Chairman's Statement

WE **EXCEL**
THROUGH
EXPERIENCE
AND **LEARNING**



Chairman's Statement



Foundation Works of Express Rail Link - West Kowloon Terminus Piles (Site A - South)



The University of Hong Kong, 1,800 Units of Student Residences, Kennedy Town



Road & Master Utility Works, Proposed Residential Development (Package 3) at TKOTL 70, Area 86, Site E, Tseung Kwan O



Infrastructure Works at Town Centre South and Tiu Keng Leng, Tseung Kwan O

Chairman's Statement

Business Review (continued) Security and Property Management Services

The Group's property services subsidiary has extended its business scope to provide maintenance services to properties which are managed by MTRC. The subsidiary was awarded a contract from Modern Terminals Limited as the exclusive contractor to provide security services for all of its ports in Hong Kong. By adopting cost management measures and reinforcing efforts on market penetration during the financial year, the subsidiary was able to achieve growth in turnover and profit.



"Merit Award of Outstanding Environmental Management & Performance Award" from the Considerate Contractors Sites Award Scheme

Awards and Recognition

The Group continued to win environmental, quality and safety awards in the year under review, including an "Honourable Mention for the Outstanding Green Project Award" of HSBC Living Business Award 2009, "Wastewi\$e Label – Class of Excellence" of Hong Kong Awards for Environmental Excellence and the "Silver Award of the Green Contractor Award 2009" from the ASD. In addition, the Group garnered 7 prizes at the Hong Kong Occupational Safety and Health Awards 2009 from the Occupational Safety and Health Council, 7 awards at the Construction Industry Safety Awards 2009 from

the Labour Department, and a "Bronze Award of Considerate Contractors Site Award" and a "Merit Award of Outstanding Environmental Management & Performance Award" from the Considerate Contractors Sites Award Scheme 2009 organized by the Development Bureau.

Corporate Social Responsibility

The Group believes in giving back to the community we live and work in, and has contributed resources, experience and expertise to help the needy to fulfill our commitment to corporate social responsibility. The Group has actively participated in a wide array of philanthropic and community programs led by non-profit organizations through financial support and other form of assistance, to help sustain their programs and uphold their values.

The Group has partnered with Hong Kong Young Women's Christian Association ("HKYWCA") for a 3 year program to sponsor the HKYWCA Tin Shui Wan (North) Family Wellness Center. The Centre provides preventative family services including initiating activities for families and kids. The Group also provides assistance to the Society for Community Organization ("SOCO") in supporting the unemployed and under-employed family members of low-income families.



"Honourable Mention for the Outstanding Green Project Award" of HSBC Living Business Award 2009

Chairman's Statement

Business Review (continued) Corporate Social Responsibility (continued)

Nominated by the HKYWCA, SOCO, Caritas and Youth Outreach, the Group is proud to have been named a Caring Company 2009/2010. This has been the fifth consecutive year that the Group has earned the recognition. The Group was vetted for its efforts in Volunteering, being Employee-Friendly, Giving, Caring for the Environment and Mentoring, and met the Caring Company Scheme criteria in all of these categories.



Farm Visit of HKYWCA's "Farm for the Healthy Aged"

Support for Education

The Group actively supports education and cultivation of young minds, especially in the field of civil engineering. In addition to supporting a wide spectrum of youth development activities, the Group has maintained a scholarship program at The University of Hong Kong and The Hong Kong University of Science and Technology since 2005. In 2009, two students from engineering faculty were awarded with our scholarships.

Outlook and Prospects

Looking forward, the Group will continue with its dual-focus strategy of ramping up both its construction and property development businesses.

The current macroeconomic situation, matched with the Group's strong sector experience in construction, is extremely favorable for the Group's construction business in coming years. We believe that the Hong Kong SAR government's plan to speed up infrastructural investments is going to provide vast opportunities to the Group. The property development sector is subject to uncertainties, including continued intervention by the PRC government, RMB currency fluctuations, new regulations on pre-sales and design practices in Hong Kong, and possible new housing policies in both the Hong Kong and the PRC sectors. The Group will thus continue to identify property development opportunities cautiously in the Southern China and Hong Kong regions.

Construction

In view of the major increase in infrastructural projects in Hong Kong that started a year ago and will likely continue for the coming 5 to 10 years, the management has been diligently and methodically preparing the Group to capitalize on this period. Riding on our abundant experience in the construction sector, we fully understand the importance of having the right people, and more importantly, sufficient quality management and technical talents to handle the various projects taking place at the same time so as to make sure quality works are being delivered. Construction is an industry that requires high technical skills, and the Group's focus moving forward is to prioritize projects that require high technical and management expertise. We are confident that more contracts relating to infrastructural developments will be won, likely contributing to record-high performances for the construction business in coming years.

Chairman's Statement

WE DELIVER
RESULTS THROUGH
TEAMWORK



Chairman's Statement



Construction Industry Safety Awards 2009



HKYWCA's Hug Families Charity Walk 2009



Named Caring Company for the fifth consecutive year

Chairman's Statement

WE ARE
**PROBLEM-
SOLVERS**



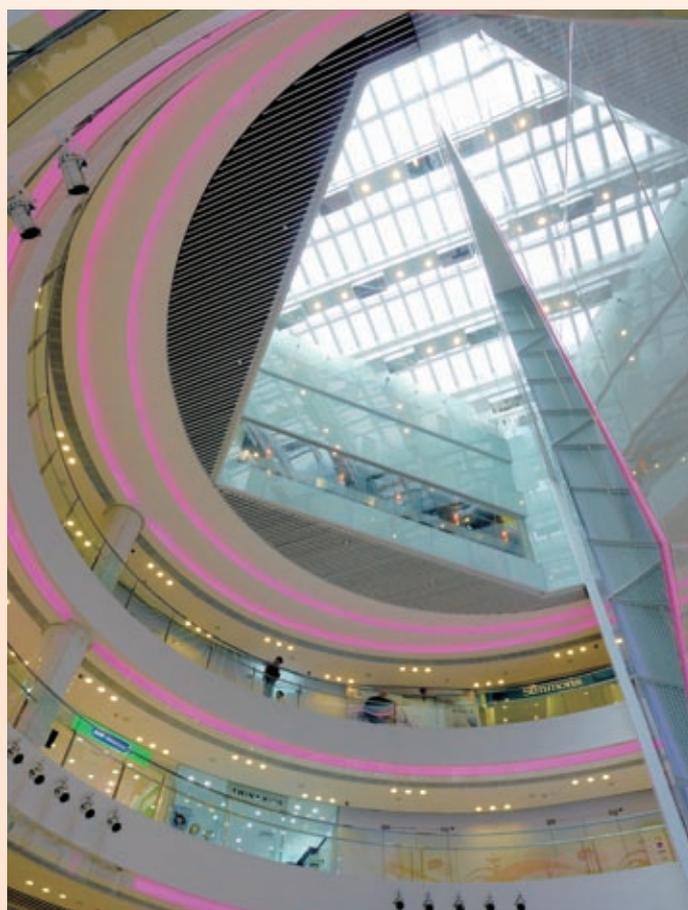
Chairman's Statement



Design and construction of Noise Barrier Works at Olympic Station



Fitting out works for Off Site Mock Up for Design and Construction of Expansion of Tseung Kwan O Hospital



Alteration and addition works at Windsor House, Causeway Bay

Chairman's Statement



Perspective of Shanwei Commercial and Residential Development Project

Outlook and Prospects (continued) **Property Development**

For the PRC property business, the coming year is likely to be full of challenges, spanning from more restrictive requirements for homebuyers and tighter mortgage and financing policies to potential interest rate escalation in China. The Group believes that these macro-controls are only intended to curb excessive market speculation and

nurture sustainable market growth in the long run. The Group adheres to its strategy of focusing on the second and third tier cities that are, in large part, more isolated and less affected by speculative bubbles, foreign “hot money” causing unpredictable price fluctuations, and strong government regulations.

Outlook and Prospects (continued) Property Development (continued)

In light of the above, the Group adheres its cautious approach. The Group intends to further leverage on its solid track record and brand advantage in Hebei and Guangdong Provinces, to tap more development opportunities, duly assessing each situation in a prudent manner.

In addition to maintaining a PRC property strategy that focuses on the second and third tier cities, the Group has also decided to devote more resources to studying of the property markets and new opportunities in Southern China and Hong Kong, with an aim of ultimately increasing its property business in these regions. We believe that the Group's technical expertise, brand awareness and past experience will provide an edge in these markets. On top of our execution capabilities in these markets, we believe that a stable regulatory environment, transparent banking practices, and a lack of unforeseen macroeconomic controls make Hong Kong a very viable market that the Group should cultivate. However, we are aware of a potential bubble in the Hong Kong property sector and the Group shall proceed cautiously in seeking Hong Kong property development opportunities, mindful of potential and sudden price fluctuations.

Acknowledgement

I would like to thank my fellow Board members, the management team and all staff for their dedication and hard work over the past year. My appreciation also extends to our shareholders, business partners and clients for their continuous support. We will continue to dedicate our utmost effort in achieving long-term sustainable growth for the Group, with the aim of generating promising returns for our shareholders.

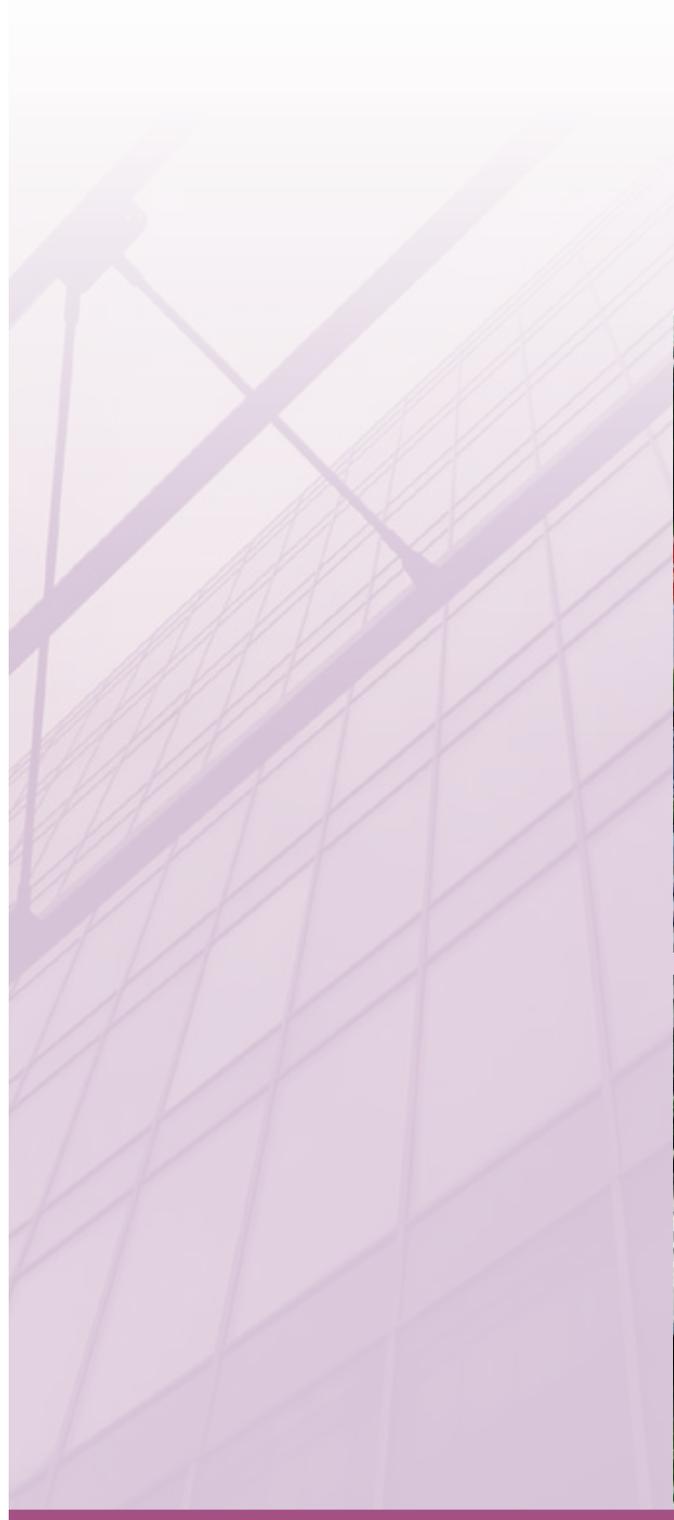
Pang Yat Ting, Dominic

Chairman

Hong Kong, 16 July 2010

Chairman's Statement

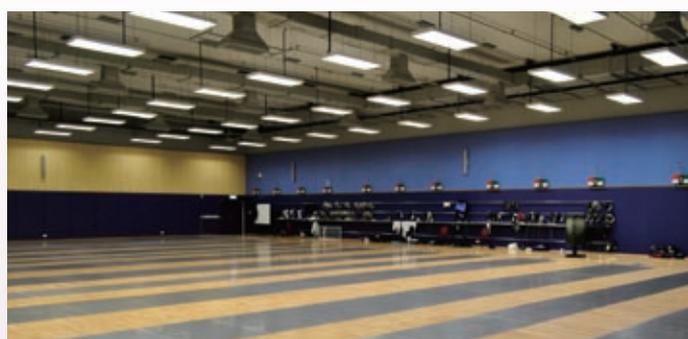
WE **REWARD**
PERFORMERS AND
VALUE
CONTRIBUTORS



Chairman's Statement



E&M services at District Open Space in Tung Chung



E & M services for the redevelopment for The Hong Kong Sports Institute and the temporary velodrome in Whitehead, Shatin



Redevelopment of The Hong Kong Sports Institute Contract 1 Works and Temporary Velodrome in Whitehead, Shatin



Development of an open space near Jordan Valley Flatted Factory Estate

Biographical Details of Directors and Senior Management



Spring Dinner 2010

EXECUTIVE DIRECTORS

Pang Yat Ting, Dominic *BA, JD Chairman*

Aged 37. Graduated from the University of Columbia, New York in 1995 with a Bachelor of Arts degree in Economics, Political Science and Mathematics and received Juris Doctorate from the New York University School of Law in 1998. After working at a law firm for 2 years in New York, he moved on to set up three IT systems and solutions companies. Joined the Group in 2003 and was appointed as Assistant to the late Chairman, Dr. Pang Kam Chun. He holds several directorships in certain subsidiaries of the Group and is in charge of evaluating new business opportunities, and management of the Group's property development ventures local and abroad. Appointed as Chairman and Executive Director of the Company in April 2010 and is also the Chairman of the Executive Committee and a member of the Management Committee and the Nomination Committee. Son of Dr. Pang Kam Chun, the late Chairman and Madam Li Wai Hang, Christina, an Executive Director of the Company and is the brother of Mr. Pang Yat Bond, Derrick, the Deputy Chairman of the Company.

Pang Yat Bond, Derrick *BSc, MEng, MBA, MICE, PE(US) Deputy Chairman*

Aged 35. Graduated from the University of California, Berkeley in 1997 with a Bachelor of Science degree in Civil and Environmental Engineering and obtained a Master of Engineering degree in Geotechnical Engineering from Massachusetts Institute of Technology in 1998 and a Master degree in Business Administration from The Chinese University of Hong Kong in 2007. He is a member of the Institution of Civil Engineers, United Kingdom and a Registered Professional Engineer for the State of California, U.S.A. He has over 3 years of geotechnical design experience in the United States and 9 years of construction experience in Hong Kong. Joined the Group in 2001 and holds several directorships in certain subsidiaries of the Group. Appointed as Deputy Chairman and Executive Director of the Company in April 2010 and is also the Chairman of the Management Committee and a member of the Executive Committee and the Remuneration Committee. Son of Dr. Pang Kam Chun, the late Chairman and Madam Li Wai Hang, Christina, an Executive Director of the Company and is the brother of Mr. Pang Yat Ting, Dominic, the Chairman of the Company.

Biographical Details of Directors and Senior Management

Kwok Yuk Chiu, Clement *BSc (CEng), MICE, MHKIE, RSE, RPE Managing Director*

Aged 57. Graduated from The University of Hong Kong in 1974 with a Bachelor of Science degree in Civil Engineering. A member of the Hong Kong Institution of Engineers and is a Registered Structural Engineer. Joined the Group in 1981 and has over 36 years' experience in the construction industry. Appointed as an Executive Director of the Company in July 1992 and the Managing Director in February 1999. He is also a member of the Management Committee and the Executive Committee.

Li Wai Hang, Christina

Aged 59. Joined the Group in 1975 and has over 31 years' experience in the construction industry. Appointed as an Executive Director of the Company in July 1992 and is also a member of the Management Committee. Spouse of Dr. Pang Kam Chun, the late Chairman and the mother of Mr. Pang Yat Ting, Dominic and Mr. Pang Yat Bond, Derrick, the Chairman and the Deputy Chairman of the Company respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS**Au Son Yiu**

Aged 64. Has extensive experience in the securities industry. A director of The Association of Former Council Members of the Stock Exchange, a consultant to Dao Heng Securities Limited (1989-2008) and a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council. He is also an Independent Non-executive Director of Texwinca Holdings Limited and CEC International Holdings Limited, all of which are companies listed on the Stock Exchange. In addition, he is the Ex-Deputy Chairman of the Hong Kong Securities Clearing Company Limited (1992-1994) and Ex-Council member of the Stock Exchange (1988-1994). Appointed as an Independent Non-executive Director of the Company in July 1992, the Chairman of the Remuneration Committee in April 2005, a member of the Audit Committee and Nomination Committee in December 1998 and August 2005 respectively.

Chan Chiu Ying, Alec *MBA, FCPA, ACMA, MHKSI*

Aged 51. Has over 20 years' experience in the fields of accounting, securities and corporate finance spanning from regulatory to investment advisory and management of listed companies in Hong Kong. Holds a Master degree in Business Administration from the University of Bradford, the United Kingdom and is an advisor providing corporate and strategic advisory services in Hong Kong and China. He is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of the Chartered Institute of Management Accountants, the United Kingdom and an associate of the Hong Kong Securities Institute. Appointed as an Independent Non-executive Director of the Company in September 2004, a member of the Remuneration Committee in August 2005 and the Chairman of the Audit Committee in January 2006.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)**Hui Chiu Chung, Stephen** *JP*

Aged 63. Currently the Chief Executive Officer of OSK Holdings Hong Kong Limited. Has 39 years of experience in the securities and investment industry. He had for years been serving as a Council Member and Vice Chairman of the Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Hong Kong Exchanges and Clearing Limited, an appointed member of the Securities and Futures Appeal Tribunal and a member of the Standing Committee on Company Law Reform. Mr. Hui was appointed by the Government of the HKSAR a Justice of the Peace in 2004 and was also appointed a member of the Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference in 2006. He is at present a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission. Mr. Hui is also an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and member of Government "Appointees" (independent member) of Appeal Panel of the Travel Industry Council of Hong Kong. Mr. Hui also serves as Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited, Luk Fook Holdings (International) Limited, Jiuzhou Development Company Limited, Lifestyle International Holdings Limited and Frasers Property (China) Limited whose shares are listed on the Stock Exchange. Appointed as an Independent Non-executive Director and a member of the Audit Committee in January 2006.

Lee Shing See *GBS, OBE, JP*

Aged 68. Graduated from The University of Hong Kong in 1964. A Fellow of both The Hong Kong Institution of Engineers and The Institution of Civil Engineers (UK). He joined The Hong Kong Government since he graduated from the University. He was the director of Territory Development for the period from August 1994 to August 1999 and the Secretary for Works for the period from August 1999 to August 2002 (including 2 months as a Permanent Secretary). He was appointed by the HKSAR Government as a director of the Hong Kong Science and Technology Parks Corporation, a director of the Hong Kong Cyberport Management Company Limited, a member of the Development Committee of the West Kowloon Cultural District Authority, the Chairman of the Construction Industry Council and a member of Environmental Impact Assessment Appeal Board Panel. Mr. Lee has over 46 years' experience in engineering and construction. He is also an Independent Non-executive Director of China State Construction International Holdings Limited, a company listed on the main board of the Stock Exchange. Mr. Lee is appointed as an Independent Non-executive Director and the Chairman of the Nomination Committee in January 2006.

SENIOR MANAGEMENT**Chan Sing Cho** *PhD, MSc, DIC, BSc(Eng), MStructE, MHKIE, RPE(Struct), PEng*

Aged 59. Graduated from The University of Hong Kong in 1973 with a BSc degree in Civil Engineering. Possesses a PhD degree in Systems Design Engineering of the University of Waterloo, Canada and a MSc degree in Management Science of the Imperial College, United Kingdom. A Registered Professional Engineer (Structural) with memberships of The Hong Kong Institution of Engineers, the Institution of Structural Engineers and Professional Engineers Ontario. Has 29 years of experience in civil engineering and building construction and 8 years of experience in operations research, pattern analysis and machine intelligence. He was previously an Executive Director of the Company. Re-joined the Group as a director of Chun Wo Construction and Engineering Company Limited since September 2008.

Biographical Details of Directors and Senior Management

Edward Peter Slack *FPWS, MPWI*

Aged 67. Graduated from Sheffield College of Technology in 1961. A fellow of the China Hong Kong Permanent Way Society. Has more than 49 years in the construction industry covering many large industrial projects. He came to Hong Kong in 1977 to work on the Modified Initial System of the Mass Transit Railway Corporation. He has since worked on many schemes for the Mass Transit Railway Corporation and Kowloon-Canton Railway Corporation but has kept his hand in civil engineering working on the Island Eastern Corridor, Kowloon Reclamation, Terminal Eight and the Lotus Bridge in Macau amongst others. Having first worked with Chun Wo as Joint Venture Project Manager in 2000 on West Rail, he has since completed a total of 4 such joint ventures. Joined the Group as a director of Chun Wo Railway Engineering Limited, Chun Wo Holdings (Thailand) Co., Ltd. and Chun Wo (Thailand) Co., Ltd. since March 2009.

Kwan Chuen Kin, Peter *BSc(Hons), FCIQB, MHKIE, FHKICM, RPE*

Aged 58. Graduated from the South Bank Polytechnic, United Kingdom in 1980 with a Bachelor of Science degree (Honors) in Building. A Chartered Builder and Registered Professional Engineer, a fellow member of the Chartered Institute of Building, United Kingdom, a member of the Hong Kong Institution of Engineer, a fellow member of Hong Kong Institute of Construction Managers and Accredited Mediator. Joined the Group in 1998 and has over 32 years' experience in project management of large scale building construction projects in Hong Kong. Appointed as the managing director of Chun Wo Elegant Decoration Engineering Company Limited in April 2006.

Kwok Man Fai, Wilson

Aged 49. Graduated from Macquarie University in 1984 with a Bachelor degree in Economics and obtained a Master of Commerce degree in Information Systems in 1991 from University of New South Wales. A member of CPA Australia and Hong Kong Institute of Certified Public Accountants. He has over 25 years of experience in accounting, finance and management. Joined the Group during 1994-2008 and rejoined the Group in 2009 as a finance director. He is also a member of the Executive Committee.

Lai Kam Hung, Joseph

Aged 52. Graduated from The Hong Kong Polytechnic University in 1980. An associate member of the Hong Kong Institution of Engineers. He has over 34 years' experience in the building and civil engineering works including construction supervision, project management and subletting. Joined the Group during 1984-1987 and re-joined the Group in 1989. Appointed as a director of Chun Long Construction Limited in April 2003 and a director of Chun Wo Construction and Engineering Company Limited in April 2006.

Lam Chi Wing, Eric *BscCivil, MICE, CEng, MHKIE, RPE(Civil)*

Aged 55. Graduated from University of Calgary, Canada in 1980 with a Bachelor degree in Civil Engineering. A member of The Institute of Civil Engineers and The Hong Kong Institution of Engineers. Has more than 29 years of experience in construction industry including project and construction management and tendering of different types of large-scale civil engineering projects. Joined the Group in 2005 and appointed as a director of Chun Wo Construction and Engineering Company Limited in September 2007.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT (continued)**Leung Yin Bun, Francis** *MBA, MHKIE, RSO*

Aged 53. Joined the Group in February 2010 and appointed as director of Chun Wo E&M Engineering Limited in May 2010. Graduated from The Hong Kong Polytechnic University in 1980. Obtained a Master degree in Business Administration. A member of the Hong Kong Institution of Engineers (MHKIE) in Building Services discipline and a member of Society of Registered Safety Officers in Hong Kong. Has more than 30 years' experience in project management, sales and marketing, operations management and engineering design for electrical and mechanical projects in Hong Kong, Mainland China and the Middle East. His project portfolio includes various infrastructural, industrial and commercial construction projects of Railway, Airport, Highway, Bridge, Tunnel, Pumping Station, Hospital and Hotel Casino.

Malcolm Iain McGregor *B.Eng(Hons), CEng, MICE*

Aged 64. Graduated from Sheffield University, United Kingdom with a Bachelor of Engineering (Hons) degree in Civil Engineering and a member of the Institute of Civil Engineers United Kingdom. Rejoined the Group as director (Projects) in early 2009. Has 41 years' working experience in the construction industry for international clients and contractors in Southeast Asia, Europe, and Africa in the fields of civil, building and foundations with positions in senior corporate and project management.

Poon Chi Choi, Anthony *BA(AS), B.Arch, HKIA, Registered Architect HK, Authorized Person – Architect, PRC Class 1 Registered Architect Qualification*

Aged 48. Graduated from The University of Hong Kong in 1986 with degree in Bachelor of Arts (Architectural Studies) and Bachelor of Architecture. An Architect and Authorized Person with PRC Class 1 Registered Architect Qualification. Has more than 24 years of working experience in architectural and interior design, project management and property development aspects for many projects of various sizes and complexity in Hong Kong and China. Prior to joining the Group in 2008, he had worked as a director in 2 big architectural practices and also served a public listed property development company in Hong Kong responsible for the design and project management of projects in China. He is a director of Chun Wo (China) Limited and certain subsidiaries companies of the Group responsible for the property development projects in China, Hong Kong and UAE.

To Kai Yin, Kelvin *MCIQB, MAIB*

Aged 49. Graduated from The Hong Kong Polytechnic University in 1983. Obtained an associateship in building technology and management from The Hong Kong Polytechnic University in 1987. He has over 26 years' experience in the construction industry including construction supervision, management, quantity surveying and tendering. Joined the Group in 1991 and was appointed as a director of Chun Wo Building Construction Limited in March 1999.

Tsang Wing Ho, Francis *BSc, MBA, MICE, MHKIE*

Aged 53. Graduated from The City University, United Kingdom in 1981 with a Bachelor of Science degree in Civil Engineering and obtained a Master degree in General Business Administration from The University of Hull, United Kingdom in 1994. A member of The Institution of Civil Engineers and The Hong Kong Institution of Engineers. Has over 29 years experience in the construction industry including construction supervision, design and project management. Joined the Group as the general manager of Chun Wo Construction and Engineering Company Limited since 2006 to take charge of the building division. Appointed as director of Chun Wo Building Construction Limited in April 2010.

Biographical Details of Directors and Senior Management

Wong Hin Ming, Raymond *BSc, MICE, CEng, MCIArb, MHIE, RPE(Civil)*

Aged 55. Graduated from The Hong Kong Polytechnic University in 1978 and continue the study in Brighton Polytechnic, United Kingdom with a Bachelor degree (First Class Honors) in Civil Engineering. A member of The Institution of Civil Engineers, Chartered Institute of Arbitrators and The Hong Kong Institution of Engineers. Has over 29 years of experience in construction industry. Joined the Group in 2004 and appointed as the general manager (construction) of Chun Wo Construction and Engineering Company Limited in February 2009 to take charge of the maintenance and minor works division.

Wong Wing Tong, Michael *MISM, MIPSAs*

Age 54. Has more than 13 years' experience in the executive level of security industry. A member of International Professional Security Association. He was the Chief Training Instructor of the Hong Kong Military Service Corp in the former British Garrison with various professional military qualifications and skills. Joined the Group in 1997. Appointed as the managing director of City Security Company Limited and City Professional Management Limited in June 2006 and June 2007 respectively.

Yeung Shiu Kin, Eddie *JD, BSc(Eng), ACGI, MSc, DIC, PhD, MICE, MHKIE, MINZPE, MIEAust, MASCE, CEng, RPE*

Aged 51. Graduated from Imperial College of Science & Technology, University of London in 1981 with a Bachelor of Science degree in Civil Engineering, and in 1982 with a Master degree in Soil Mechanics. Obtained his Doctoral degree in Geotechnical Engineering from University of Sydney in 1989. Received Juris Doctorate from the School of Law, City University of Hong Kong in 2009. A member of each of the Institution of Civil Engineers, United Kingdom, the Hong Kong Institution of Engineers, the Institution of Professional Engineers, New Zealand, the Institution of Engineers of Australia and also the American Society of Civil Engineers. Registered Professional Engineer in Civil & Geotechnical discipline in Hong Kong. Joined the Group in 2002 and has more than 28 years of experience in the construction industry including design and project management of civil and foundation engineering projects in Australia and Hong Kong. Appointed as a director of Chun Wo Foundations Limited in January 2003 and the managing director of Chun Wo Foundations Limited in February 2006.

Yiu Chi Sang, Andy *Dip(Eng), LLB(Hons), MA(ArbDR), MSc(C.Mgt), MRICS, MICE, MHKIE, MASCE, FCIArb, FHKIArb, CEng*

Aged 54. Graduated from The Hong Kong Baptist University in 1981 with a Diploma in Civil Engineering, obtained a Master of Arts degree in Dispute Resolution and Arbitration in 1995 and a Master of Science degree in Construction Management in 1998 both from City University of Hong Kong, a Bachelor of Laws degree in 2004 from the University of Wolverhampton of United Kingdom. A member each of the Royal Institution of Chartered Surveyors, the Institution of Civil Engineers, United Kingdom, Hong Kong Institution of Engineers, the American Society of Civil Engineers, a fellow member each of the Chartered Institute of Arbitrators, United Kingdom and the Hong Kong Institute of Arbitrators. Re-joined the Group in 2008 with over 29 years of experience in the construction industry including civil, building, foundation and marine engineering projects in Hong Kong, Macau, Vietnam, and PRC. Appointed as a director of Chun Wo Construction and Engineering Company Limited to take charge of the civil division and to oversee Chun Wo Foundations Limited.

Corporate Governance Report

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

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 Rules Governing Securities on the Stock Exchange (the “Listing Rules”) throughout the year 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 3 years. The Board considers that the Chairman and the Managing Director are not subject to retirement by rotation in order to maintain the stability and continuity.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 (the “Model Code”) to the Listing Rules regarding securities transactions by Directors. All Directors, after specific enquiry by the Company, confirmed that they have complied with the required standard set out in the Model Code during the year.

Board of Directors

The Board is responsible for the management of the Company on behalf of the Shareholders. Key responsibilities include formulation of the Group’s overall strategies, the setting of management targets and supervision of management performance. The Board confines itself to making broad policy decisions and also exercising a number of reserved powers as mentioned below, while delegating responsibility for more detailed considerations to the Management Committee under the leadership of the Chairman:

- those functions and matters as set out in the terms of reference of various committees (as amended from time to time), in which Board’s approval must be sought from time to time;
- those functions and matters in which Board’s approval must be sought in accordance with the Group’s internal policy as amended from time to time;
- consideration and approval of financial statements in interim reports and annual reports, announcements and press releases of interim and final results;
- focus its attention on matters affecting the Company’s overall strategic policies, finances and Shareholders;
- consideration of dividend policy and dividend amount; and
- monitoring the corporate governance of the Group in compliance with the relevant rules and regulations.

Corporate Governance Report

Board of Directors (continued)

As at the date of this report, the Board comprises a total of 8 Directors including 4 Executive Directors, namely, Mr. Pang Yat Ting, Dominic (Chairman), Pang Yat Bond, Derrick (Deputy Chairman), Mr. Kwok Yuk Chiu, Clement (Managing Director) and Madam Li Wai Hang, Christina; and 4 Independent Non-executive Directors, namely, Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec, Mr. Hui Chiu Chung, Stephen and Mr. Lee Shing See. Mr. Chan Chiu Ying, Alec has appropriate professional qualifications, accounting and financial management expertise. Messrs. Pang Yat Ting, Dominic and Pang Yat Bond, Derrick are the sons of Madam Li Wai Hang, Christina.

Half of the Board are Independent Non-executive Directors which exceeds the minimum requirement under the Listing Rules. The Company has received an annual written confirmation from each Independent Non-executive Director to confirm his independence under the Listing Rules to the Company and accordingly, the Company considers all of the Independent Non-executive Directors to be independent under the Listing Rules.

Each of the Independent Non-executive Directors has a service agreement for a term of 1 year. The agreement is renewable subject to consent given by the Company and the respective Directors. The Independent Non-executive Directors are also subject to retirement by rotation in accordance with the Bye-laws.

All Directors have full and timely access to all relevant information, including regular reports from the Board Committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Company.

During the year under review, 5 board meetings were held by the Board. The attendance of individual members of the Board and other Board Committees meetings during the year under review is set out in the following table:

Directors	Meetings attended/Eligible to attend			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
<i>Executive Directors</i>				
Dr. Pang Kam Chun (<i>Chairman</i>)*	3/5	—	—	—
Mr. Kwok Yuk Chiu, Clement (<i>Managing Director</i>)	5/5	—	0/0	1/1
Madam Li Wai Hang, Christina	4/5	—	—	—
<i>Independent Non-Executive Directors</i>				
Mr. Au Son Yiu	5/5	2/2	0/0	1/1
Mr. Chan Chiu Ying, Alec	5/5	2/2	—	1/1
Mr. Hui Chiu Chung, Stephen	5/5	2/2	—	—
Mr. Lee Shing See	5/5	—	0/0	—

* passed away on 2 April 2010

Corporate Governance Report

Board of Directors (continued)

Following Dr. Pang Kam Chun's passing away on 2 April 2010, the Board appointed Mr. Pang Yat Ting, Dominic and Mr. Pang Yat Bond, Derrick as Chairman and Deputy Chairman of the Company respectively with effect from 9 April 2010. The Board further approved on the same date the change of composition of various board committees.

Chairman and Managing Director

The Chairman of the Board is Mr. Pang Yat Ting, Dominic and the Managing Director is Mr. Kwok Yuk Chiu, Clement. The role of the Chairman is separated from that of the Managing Director. The Chairman is responsible for overseeing the functioning of the Board while the Managing Director is responsible for managing the Group's business.

Board Committees

The Board has established several committees. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are of no less exacting terms than those set out in the Code. All committees are provided with sufficient resources to discharge their duties.

Management Committee

The Management Committee operates as a general management committee with overall delegated authority from the Board in order to increase the efficiency for the business decision and facilitate the approval of certain corporate actions.

Members of the Management Committee are:

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

Executive Committee

The Executive Committee was established in March 2007 to assist the Management Committee in the running of the day-to-day business of the Company. It is responsible for the development and implementation of the business plans for corporate and business units. The Executive Committee is also supported by the Project Management Meeting which cascades performance management down to project level.

Members of the Executive Committee are:

Mr. Pang Yat Ting, Dominic (*Chairman*)
Mr. Pang Yat Bond, Derrick
Mr. Kwok Yuk Chiu, Clement
Mr. Kwok Man Fai, Wilson

Remuneration Committee

The Remuneration Committee was formed on 6 April 2005. The primary responsibilities of the Remuneration Committee are, inter alia, the recommendations on the Company's policies and structure for the remuneration of all Executive Directors and the proposal of the specific remuneration packages of all Executive Directors for the Board's approval. When the remuneration package of an individual Director is under review, such Director will abstain from voting.

The Remuneration Committee comprises 3 members, a majority of whom are Independent Non-executive Directors.

Members of the Remuneration Committee are:

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

During the year under review, the Remuneration Committee convened 1 meeting to review the remuneration packages of Executive Directors. The attendance of individual Directors at the committee meeting is set out in the table on page 33.

Nomination Committee

The Nomination Committee was formed on 6 April 2005 to make recommendations to the Board on the appointment or re-appointment of Directors, to review the structure, size and composition of the Board and to ensure fair and transparent procedures for the appointment or re-appointment of Directors. The Nomination Committee will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his/her qualifications, experience and background. The decision of appointing a director must be approved by the Board.

The Nomination Committee comprises 3 members, a majority of whom are Independent Non-executive Directors.

Members of the Nomination Committee are:

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

During the year under review, no meeting was held by the Nomination Committee.

Corporate Governance Report

Audit Committee

The Audit Committee was established on 17 December 1998. The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the Audit Committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and of internal controls and risk evaluation.

The Audit Committee comprises 3 Independent Non-executive Directors, one of whom possesses appropriate professional qualification, accounting or related financial management expertise as required under the Listing Rules.

Members of the Audit Committee are:

Mr. Chan Chiu Ying, Alec (*Chairman*)

Mr. Au Son Yiu

Mr. Hui Chiu Chung, Stephen

During the year under review, 2 meetings were held by the Audit Committee. The attendance of individual Directors at the Committee meetings is set out in the table on page 33.

The following is a summary of work performed by the Audit Committee during the year under review:

- (i) review of the annual report and final results announcement for the year ended 31 March 2009, with a recommendation to the Board for approval;
- (ii) review of the external auditor's independence and report, with a recommendation to the Board for the re-appointment of the external auditor at the 2009 AGM;
- (iii) review and approval of the revised terms of reference of the Audit Committee; and
- (iv) review of the interim report and the interim results announcement for the 6 months ended 30 September 2009, with a recommendation to the Board for approval.

Auditor's Remuneration

During the year, Deloitte Touche Tohmatsu provided statutory audit services amounted to approximately HK\$2,771,000 and tax and consulting services amounted approximately to HK\$305,000.

Directors' and Auditor's Responsibilities for Accounts

Statements of the Directors' responsibility for preparing the financial statements and the auditor of the Company about their reporting responsibilities are set out in the Independent Auditor's Report of this annual report.

Internal Control

The Directors have reviewed the internal controls of the Group, including financial, operational and compliance controls and risk management functions.

Corporate Governance Report

Investor Relations and Communication with Shareholders

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports and circulars of the Company are printed and sent to all Shareholders. Moreover, announcements, circulars, publications and press releases of the Company are published on the Company's website (www.chunwo.com). The Company's website disseminates corporate information and other relevant financial and non-financial information electronically on a timely basis. It also provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. The Company acknowledges that general meetings are good communication channel that members of the Board and committees are encouraged to attend the meetings.

Directors' Report

The Directors present the annual report and the audited financial statements of the Group for the year ended 31 March 2010.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development, property investment, professional services (including provision of security and property management services) and other activities.

Results and Appropriations

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 51.

The Directors recommended the payment of a final dividend of HK0.5 cent per share amounting to approximately HK\$4.6 million based on the number of issued shares as at the date of this report, to the Shareholders whose names appear on the register of members at the close of business on 17 August 2010.

Financial Summary

A financial summary of the Group is set out on page 130.

Investment Properties

The investment properties of the Group were revalued as at 31 March 2010 as set out in note 16 to the consolidated financial statements.

Property, Plant and Equipment

During the year under review, the Group acquired property, plant and equipment at a cost of approximately HK\$94.7 million for the purpose of expanding the Group's business.

Details of these and other movements during the year under review in the property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

Share Capital

Details of movement during the year under review in the share capital of the Company are set out in Note 32 to the consolidated financial statements.

Borrowings and Interest Capitalised

Details of the Group's borrowings are set out in Notes 28, 29 and 30 to the consolidated financial statements.

Interest capitalised by the Group during the year under review is set out in Note 8 to the consolidated financial statements.

Subsidiaries, Associates and Jointly Controlled Entities

Particulars of the Company's principal subsidiaries and the Group's principal associates and jointly controlled entities as at 31 March 2010 are set out in Notes 45, 46 and 47 to the consolidated financial statements respectively.

Distributable Reserves of the Company

The Company's reserves available for distribution to Shareholders as at 31 March 2010 were as follows:

	HK\$'000
Contributed surplus	52,552
Retained earnings	147,660
	<hr/>
	200,212
	<hr/> <hr/>

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Directors' Report

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 31 March 2010, the total net debts of the Group amounted to approximately HK\$812.2 million, representing total debts of approximately HK\$1,246.3 million less bank balances and cash of approximately HK\$434.1 million. The debt maturity profile of the Group at 31 March 2010 is analysed as follows:

	As at 31 March 2010 HK\$ million	As at 31 March 2009 HK\$ million
Borrowings repayable:		
Within 1 year or on demand	684.2	1,011.4
After 1 year, but within 2 years	451.8	8.7
After 2 years, but within 5 years	98.4	26.0
Over 5 years	11.9	66.4
	1,246.3	1,112.5
Convertible bonds due 2012	-	259.3
Total borrowings	1,246.3	1,371.8

At 31 March 2010, the gearing ratio of the Group, being the proportion of net interest bearing debts to Shareholders' equity was 0.60 (2009: 0.71).

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 does not use any derivative contracts to hedge against its exposure to currency risk. Furthermore, the Group's borrowings have not been hedged by any interest rate financial instruments.

During the year under review, the Company repurchased all convertible bonds due 2012.

The Group's financial position is sound and strong. With available bank balances and cash at 31 March 2010 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

Employee and Remuneration Policies

The Group had approximately 2,830 employees at 31 March 2010. Total remuneration of employees for the year ended 31 March 2010 amounted to approximately HK\$582.6 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.

Share Option Schemes

Particulars of the share option schemes and the details of the movements in share options which were granted under the share option scheme of the Company ("Chun Wo Scheme") are set out in Note 34 to the consolidated financial statements.

Biographical Details of Directors and Senior Management

A brief biographical details of Directors and senior management are set out on pages 26 to 31.

Directors and Service Contracts

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

Executive Directors:

Dr. Pang Kam Chun (passed away on 2 April 2010)
 Mr. Pang Yat Ting, Dominic (appointed on 9 April 2010)
 Mr. Pang Yat Bond, Derrick (appointed on 9 April 2010)
 Mr. Kwok Yuk Chiu, Clement
 Madam Li Wai Hang, Christina

Independent Non-executive Directors:

Mr. Au Son Yiu
 Mr. Chan Chiu Ying, Alec
 Mr. Hui Chiu Chung, Stephen *JP*
 Mr. Lee Shing See *GBS, OBE, JP*

In accordance with Article 86(2) of the Company's bye-laws ("Bye-Laws"), Mr. Pang Yat Ting, Dominic and Mr. Pang Yat Bond, Derrick will hold office until the forthcoming AGM and will be eligible for re-election.

In accordance with the Bye-laws 87 and 169(2), Madam Li Wai Hang, Christina, Mr. Au Son Yiu and Mr. Hui Chiu Chung, Stephen will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election. The remaining Directors will continue in office.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within 1 year without payment of compensation, other than statutory compensation.

Directors' Report

Emoluments of Directors and the 5 Highest Paid Individuals

Details of the Directors' emoluments and the 5 highest paid individuals in the Group are set out in Note 11 to the consolidated financial statements.

Emolument Policy for Directors

The Directors are paid fees in line with market practice. The Group adopted the following main principles of determining the Directors' remuneration:

- No individual should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources; and
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and enhancing of the value of the Company to its shareholders.

In addition to the basic salaries, a share option scheme is adopted for rewarding and retaining Directors for the continual operation and development of the Group.

Directors' Interests in Contracts of Significance

Save as the related party transactions disclosed in Note 43 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

Directors' Report

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 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 pursuant to the Model Code, 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 Kam Chun ("Dr. Pang") (Note 1)	348,194,590	10,148,875 (Note 2)	129,348,294 (Note 3)	487,691,759	53.26%
Madam Li Wai Hang, Christina	10,148,875	477,542,884 (Note 2)	–	487,691,759	53.26%
Mr. Kwok Yuk Chiu, Clement	3,300,000	860,000 (Note 4)	–	4,160,000	0.45%
Mr. Au Son Yiu	301,816	–	–	301,816	0.03%

Notes:

1. Dr. Pang passed away on 2 April 2010.
2. 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 Madam Li Wai Hang, Christina.
3. GT Winners Limited is wholly-owned by the late Dr. Pang who is deemed to have interest in the shares of the Company held by GT Winners Limited.
4. These shares are beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.

Directors' Report

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
Dr. Pang (late)	4,261,000 (Note 1)	1,697,000 (Note 2)	5,958,000	0.65%
Madam Li Wai Hang, Christina	1,697,000 (Note 1)	4,261,000 (Note 2)	5,958,000	0.65%
Mr. Kwok Yuk Chiu, Clement	6,026,000 (Note 1)	–	6,026,000	0.66%
Mr. Au Son Yiu	300,000 (Note 1)	–	300,000	0.03%
Mr. Chan Chiu Ying, Alec	300,000 (Note 1)	–	300,000	0.03%
Mr. Hui Chiu Chung, Stephen	300,000 (Note 1)	–	300,000	0.03%
Mr. Lee Shing See	300,000 (Note 1)	–	300,000	0.03%

Notes:

1. These represent interests in share options granted by the Company, details of which are stated under the heading "Directors' and Chief Executive's Rights to Acquire Shares or Debentures" below.
2. 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.

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 31 March 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).

Directors' Report

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Details of the movements in share options granted under the Chun Wo Scheme to Directors and chief executive of the Company during the year ended 31 March 2010 are as follows:

Name of Director	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options				
				Outstanding at 1/4/2009	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 31/3/2010
Dr. Pang (late)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	-	732,000
	2/4/2007	1.010	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	1.010	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. 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

Directors' Report

Directors' and Chief Executive's Rights to Acquire Shares or Debentures (continued)

Name of Director	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options				
				Outstanding at 1/4/2009	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 31/3/2010
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
Others (Note)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	-	732,000
				<u>6,284,000</u>	<u>7,632,000</u>	<u>-</u>	<u>-</u>	<u>13,916,000</u>

Note:

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.

Save as disclosed above and other than the Foundations Scheme as set out in Note 34, at no time during the year 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 year under review.

Interests and Short Positions of Substantial Shareholders Discloseable Under the SFO

So far as is known to the Directors, as at 31 March 2010, the following party (other than Directors and 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 and underlying shares of the Company (Long Position):

Name of Shareholder	Capacity	Interest in shares	Total interests as % of the Company's issued share capital
GT Winners Limited (Note)	Beneficial Owner	129,348,294	14.13%

Note:

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

Save as disclosed above, as at 31 March 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.

Connected Transaction

On 5 February 2010, Chun Wo China Construction Limited, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Pacific Group Limited, a company wholly-owned by the late Dr. Pang, former executive director and controlling shareholder of the Company, for the acquisition of (i) 62% of the issued share capital of Mandarin Group Limited and (ii) the entire shareholder's loan due and owing by Mandarin Group Limited to Pacific Group Limited as at 16 March 2010, at a total consideration of HK\$36.1 million, which was satisfied by the allotment and issue of an aggregate of 56,406,250 consideration shares of HK\$0.10 each in the share capital of the Company at an issue price of HK\$0.64 per consideration share to Pacific Group Limited or its nominees. Prior to entering into the aforesaid sale and purchase agreement, Mandarin Group Limited was owned as to 38% by Chun Wo China Construction Limited and 62% by Pacific Group Limited.

Mandarin Group Limited is principally engaged in investment holding and the principal asset of which is its interests in Shanwei City Hong Hai Hotel Co. Ltd.* Shanwei City Hong Hai Hotel Co. Ltd. is a property development company and the principal asset of which is a property development site located at Shanwei, Guangdong Province, the PRC. The project has an expected total GFA of approximately 73,055 square meters, comprising residential floor area of approximately 65,641 square meters and commercial floor area of approximately 7,414 square meters, and basement car park with GFA of approximately 7,069 square meters.

* For identification purpose only

Directors' Report

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 year under review.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws and there is no restriction against such right under the laws of Bermuda.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float throughout the year ended 31 March 2010 as required under the Listing Rules.

Major Customers and Suppliers

For the year ended 31 March 2010, the aggregate amount of turnover attributable to the Group's 5 largest customers accounted for approximately 50% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 25% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's 5 largest suppliers accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any Shareholders (which to the knowledge the Directors own more than 5% of the Company's share capital) has any interest in any of the Group's 5 largest customers or suppliers.

Donations

During the year under review, the Group made charitable and other donations totalling approximately HK\$1.7 million.

Auditor

A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Pang Yat Ting, Dominic

Chairman

Hong Kong, 16 July 2010

Independent Auditor's Report



TO THE SHAREHOLDERS OF
CHUN WO DEVELOPMENT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chun Wo Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 129, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

Independent Auditor's Report

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 July 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
Revenue	7	2,606,241	2,010,338
Cost of sales		(2,418,975)	(1,863,665)
Gross profit		187,266	146,673
Other income		18,962	20,497
Fair value changes on investment properties		10,473	(1,429)
Selling expenses		(5,816)	(11,866)
General and administrative expenses		(218,039)	(209,475)
Gain on disposals of subsidiaries	37	16,898	–
Fair value changes on embedded derivatives of convertible bonds		1,158	22,000
Share of results of associates		34,517	3,099
Share of results of jointly controlled entities		2,857	3,840
Finance costs	8	(22,214)	(73,614)
Profit (loss) before tax		26,062	(100,275)
Income tax credit (expense)	9	5,028	(19,602)
Profit (loss) for the year	10	31,090	(119,877)
Other comprehensive (expense) income			
Exchange differences arising on translation		3,871	8,725
Share of translation reserve of associates		(4,384)	–
Disposals of subsidiaries	37	(16,898)	–
Other comprehensive (expense) income for the year		(17,411)	8,725
Total comprehensive income (expense) for the year		13,679	(111,152)
Profit (loss) for the year attributable to:			
Owners of the Company		31,090	(119,877)
Non-controlling interests		–	–
		31,090	(119,877)
Total comprehensive income (expense) attributable to:			
Owners of the Company		13,679	(111,152)
Non-controlling interests		–	–
		13,679	(111,152)
Earnings (loss) per share	13		
– Basic		3.62 cents	(14.0) cents
– Diluted		3.35 cents	(14.0) cents

Consolidated Statement of Financial Position

At 31 March 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Property, plant and equipment	14	226,105	159,423
Prepaid lease payments	15	24,293	24,936
Investment properties	16	324,524	617,051
Interests in associates	17	70,130	62,629
Interests in jointly controlled entities	18	37,767	39,884
Amounts due from associates	19	103,414	106,498
		786,233	1,010,421
Current assets			
Amounts due from customers for contract work	20	621,375	534,293
Debtors, deposits and prepayments	21	567,723	397,626
Prepaid lease payments	15	644	644
Properties under development	22	696,302	676,613
Deposits paid for properties under development		336,460	238,465
Properties held for sale		101,536	174,136
Deposits paid for properties held for sale		54,762	53,999
Investments held for trading	23	967	2,474
Amounts due from associates	24	1,251	1,233
Amounts due from jointly controlled entities	24	32,154	25,242
Tax recoverable		23,552	28,618
Pledged bank deposits	25	67,566	22,454
Bank balances and cash	25	366,548	435,882
		2,870,840	2,591,679
Current liabilities			
Amounts due to customers for contract work	20	161,783	53,830
Creditors, deposits and accrued charges	26	621,000	600,801
Deposits received from pre-sales of properties under development		136,532	72,323
Amounts due to associates	27	15,625	12,436
Amounts due to jointly controlled entities	27	64,890	36,886
Tax payable		27,455	14,712
Obligations under finance leases	28	8,262	546
Borrowings	29	675,900	1,010,835
Derivative financial instruments	30	–	88,000
		1,711,447	1,890,369
Net current assets		1,159,393	701,310
Total assets less current liabilities		1,945,626	1,711,731

Consolidated Statement of Financial Position

	NOTES	2010 HK\$'000	2009 HK\$'000
Non-current liabilities			
Obligations under finance leases	28	12,172	–
Borrowings	29	549,975	101,111
Convertible bonds	30	–	259,270
Deferred tax liabilities	31	35,140	64,445
		<u>597,287</u>	<u>424,826</u>
Net assets		<u>1,348,339</u>	<u>1,286,905</u>
Capital and reserves			
Share capital	32	91,572	85,884
Reserves		<u>1,256,417</u>	<u>1,200,671</u>
Equity attributable to owners of the Company		1,347,989	1,286,555
Non-controlling interests		<u>350</u>	<u>350</u>
Total equity		<u>1,348,339</u>	<u>1,286,905</u>

The consolidated financial statements on pages 51 to 129 were approved and authorised for issue by the Board of Directors on 16 July 2010 and are signed on its behalf by:

Kwok Yuk Chiu, Clement
DIRECTOR

Li Wai Hang, Christina
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Share option reserve	Capital reserve	Translation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1 April 2008	85,882	337,128	(7,340)	4,483	8,531	63,685	920,242	1,412,611	350	1,412,961
Loss for the year	-	-	-	-	-	-	(119,877)	(119,877)	-	(119,877)
Exchange differences arising on translation	-	-	-	-	-	8,725	-	8,725	-	8,725
Total comprehensive income (expense) for the year	-	-	-	-	-	8,725	(119,877)	(111,152)	-	(111,152)
Issue of shares upon exercise of warrants	2	15	-	-	-	-	-	17	-	17
Recognition of equity-settled share-based payments	-	-	-	109	-	-	-	109	-	109
Dividends recognised as distributions	-	-	-	-	-	-	(15,030)	(15,030)	-	(15,030)
At 31 March 2009	85,884	337,143	(7,340)	4,592	8,531	72,410	785,335	1,286,555	350	1,286,905
Profit for the year	-	-	-	-	-	-	31,090	31,090	-	31,090
Exchange differences arising on translation	-	-	-	-	-	3,871	-	3,871	-	3,871
Share of translation reserve of associates	-	-	-	-	-	(4,384)	-	(4,384)	-	(4,384)
Disposals of subsidiaries (note 37)	-	-	-	-	-	(16,898)	-	(16,898)	-	(16,898)
Total comprehensive (expense) income for the year	-	-	-	-	-	(17,411)	31,090	13,679	-	13,679
Issue of shares upon acquisition of subsidiaries (note 36)	5,641	30,459	-	-	-	-	-	36,100	-	36,100
Deemed contribution from a shareholder upon acquisition of subsidiaries	-	-	10,240	-	-	-	-	10,240	-	10,240
Recognition of equity-settled share-based payments	-	-	-	1,265	-	-	-	1,265	-	1,265
Issue of shares option exercise of share options	47	103	-	-	-	-	-	150	-	150
Lapse of share options	-	-	-	(941)	-	-	941	-	-	-
At 31 March 2010	91,572	367,705	2,900	4,916	8,531	54,999	817,366	1,347,989	350	1,348,339

Consolidated Statement of Changes in Equity

The special reserve includes (i) a debit balance of HK\$7,340,000 recognised in prior years, which represented the aggregate amount of the non-voting deferred share capital of Chun Wo Construction and Engineering Company Limited and the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993; and (ii) an amount of HK\$10,240,000 recognised upon the acquisition of the remaining 62% interest in Mandarin Group Limited from a director and controlling shareholder of the Company during the year ended 31 March 2010 (see note 36).

The capital reserve mainly represents the amount of profit capitalisation upon allotment of share capital of Chun Wo Foundations Limited during the year ended 31 March 1997.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	NOTE	2010 HK\$'000	2009 HK\$'000
Operating activities			
Profit (loss) before tax		26,062	(100,275)
Adjustments for:			
Finance costs		22,214	73,614
Interest income		(1,641)	(4,607)
Share of results of associates		(34,517)	(3,099)
Share of results of jointly controlled entities		(2,857)	(3,840)
Depreciation and amortisation		4,687	4,448
Release of prepaid lease payments		643	683
Fair value changes on investment properties		(10,473)	1,429
Share-based payment expense		1,265	109
Fair value changes on investments held for trading		1,507	6,752
Fair value changes on embedded derivatives of convertible bonds		(1,158)	(22,000)
Gain on disposal of prepaid lease payments		–	(2,090)
Gain on disposal of property, plant and equipment		(1,775)	(189)
Gain on disposal of subsidiaries		(16,898)	–
		(12,941)	(49,065)
Operating cash flows before movements in working capital		(12,941)	(49,065)
Decrease in amounts due from (to) customers for contract work		45,585	8,425
Increase in debtors, deposits and prepayments		(168,963)	(144)
Decrease in properties under development		68,983	239,669
Increase in deposits paid for properties under development		(97,487)	(159,787)
Decrease (increase) in properties held for sale		73,191	(150,309)
Increase in deposits paid for properties held for sale		(686)	(53,999)
Decrease in investments held for trading		–	7,262
(Increase) decrease in amounts due from jointly controlled entities		(6,912)	12,240
Increase in creditors, deposits and accrued charges		3,959	260,289
Increase (decrease) in deposits received from pre-sales of properties under development		63,962	(375,578)
Increase (decrease) in amounts due to jointly controlled entities		27,702	(11,396)
		(3,607)	(272,393)
Cash used in operations		(3,607)	(272,393)
Income taxes paid		(6,432)	(22,302)
		(10,039)	(294,695)
Net cash used in operating activities		(10,039)	(294,695)

Consolidated Statement of Cash Flows

	NOTE	2010 HK\$'000	2009 HK\$'000
Investing activities			
Proceeds from disposal of investment properties		303,000	–
Proceeds from disposal of property, plant and equipment		6,032	3,949
Dividends received from jointly controlled entities		4,995	17,100
Cash inflow relating to acquisition of subsidiaries	36	3,263	–
Dividend received from an associate		2,786	3,099
Interest received		1,641	4,607
Capital injected into a jointly controlled entity		(21)	(4,252)
Amounts advanced to associates		(1,281)	(3,277)
Increase in pledged bank deposits		(45,073)	(12,067)
Purchase of property, plant and equipment		(69,527)	(51,905)
Acquisition of an associate		–	(19,846)
Proceeds from disposal of prepaid lease payments		–	3,787
		<u>205,815</u>	<u>(58,805)</u>
Financing activities			
Repayment of trust receipt loans		(539,910)	(236,535)
Repayment of bank loans		(407,952)	(181,120)
Repurchase of convertible bonds		(346,112)	–
Interest paid		(31,567)	(38,636)
Repayment of principal portion of obligations under finance leases		(5,327)	(1,082)
Repayment of mortgage loans		(442)	(613)
Proceeds from issue of shares		150	17
Amounts advanced from associates		3,189	3,098
New mortgage loans raised		21,226	–
New bank loans raised		437,005	338,177
New trust receipt loans raised		603,665	298,552
Dividends paid		–	(15,030)
		<u>(266,075)</u>	<u>166,828</u>
Net cash (used in) from financing activities			
		<u>(70,299)</u>	<u>(186,672)</u>
Net decrease in cash and cash equivalents			
		<u>435,882</u>	<u>611,324</u>
Cash and cash equivalents at beginning of the year			
		<u>965</u>	<u>11,230</u>
Effect of foreign exchange rate changes			
Cash and cash equivalents at end of the year, represented by bank balances and cash		<u>366,548</u>	<u>435,882</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the section of corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development, property investment and provision of security and property management services. Details of the principal subsidiaries are set out in note 45.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations (“HK(IFRIC) – Int”) (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective for the Group’s financial year beginning 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a re-designation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14, and has had no impact on the reported results or financial position of the Group.

Improvement Disclosures about Financial Instruments

Amendments to HKFRS 7 Financial Instruments: Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The amendments also expand and amend the disclosures required in relation to liquidity risk.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
HKAS 24 (Revised)	Related Party Disclosures ⁷
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁵
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁸
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁷
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

⁴ Effective for annual periods beginning on or after 1 January 2010

⁵ Effective for annual periods beginning on or after 1 February 2010

⁶ Effective for annual periods beginning on or after 1 July 2010

⁷ Effective for annual periods beginning on or after 1 January 2011

⁸ Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)**

In addition, as part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require 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. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The 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, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interests have a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Where the outcome of a construction contract can be estimated reliably, revenue from a fixed price construction contract is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in contract work, claims, and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as sales deposits received under current liabilities.

Service income is recognised when services are provided.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Jointly controlled assets

Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of jointly controlled assets and share of any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, together with its share of any expenses incurred, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised in the consolidated statement of comprehensive income by reference to the stage of completion of the contract activity at the end of the reporting period on the same basis as the contract revenue recognised. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under debtors, deposits and prepayments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Starting from 1 April 2009, investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

The leasehold land and buildings are depreciated over their terms of the relevant leases.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the reducing balance method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs (continued)

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Properties under development held for sale

Properties under development which are developed for sale are classified under current assets and stated at the lower of cost and estimated net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors, amounts due from associates and jointly controlled entities, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When debtors are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bonds

Convertible bonds issued by the Group that contain liability component, redemption and conversion options (collectively “derivative components”) are classified separately into respective components on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is a conversion option derivative. At the date of issue of the convertible bonds, the liability and the derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities including creditors, accrued charges, amounts due to jointly controlled entities and an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Warrants

The bonus issue of warrants will be settled by the exchange of fixed amount of cash for a fixed number of the Company’s own equity instruments. When the warrants are exercised, the portion of subscription money with the nominal value of the ordinary shares is recognised to the share capital account while any excess of the subscription money over the nominal value of ordinary shares is taken into the share premium account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Embedded derivatives and derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

Derivatives (including embedded derivatives which are separated from non-derivatives host contracts) that do not qualify for hedge accounting are deemed as financial assets/financial liabilities held for trading and are measured at fair value except for derivative instruments which are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured and such derivative instruments are stated at cost less impairment, if applicable.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities (other than in business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to the Group's state-managed retirement plans and other retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity settled share-based payment transactions

The Group has applied HKFRS 2 “Share-based Payments” to share options granted on or after 1 April 2005. The policy below is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 April 2005.

The fair value of services received from employees and others providing similar services (consultants) determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

In relation to share options granted before 1 April 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted after 7 November 2002 and vested before 1 April 2005, the financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010**4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts

Management estimates the amount of foreseeable losses or attributable profits of construction works based on the latest available budgets of the construction contracts with reference to the overall performance of each construction contract and management's best estimates and judgements. The Group also shared results of its jointly controlled entities which were principally derived from the construction contracts carrying out by the jointly controlled entities. These figures were also derived from the latest available budgets of the construction contracts which were prepared by the management of the respective jointly controlled entities. Estimated construction income is determined in accordance with the terms set out in the relevant contract. Construction costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, management regularly reviews the progress of the contracts and the estimated construction income and costs.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2010 at their fair value of approximately HK\$325 million (2009: HK\$617 million). The fair value was based on valuation on these properties conducted by the independent qualified professional valuers using property valuation techniques which adopt the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets or capitalise the net rental income derived from the existing tenancies. Favourable or unfavourable changes to the assumptions such as rental yield and estimation of future rentals would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

Determination of net realisable value of properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is the estimated selling price (based on the direct comparison method) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information and valuation performed by independent professional valuers. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the People's Republic of China ("PRC") and United Arab Emirates ("UAE"), the loss will be recognised on the properties under development and properties held for sale in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income tax

As at 31 March 2010, a deferred tax asset of HK\$44,139,000 (2009: HK\$12,522,000) (note 31) in relation to unused tax losses has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised in respect of tax losses of HK\$313,383,000 and HK\$254,061,000 as at 31 March 2010 and 2009, respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of the deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

Land appreciation tax ("LAT")

The subsidiaries of the Group engaging in property development business in the PRC are subject to LAT, which have been included in the income tax expenses. However, the implementation and settlement of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related income tax provision. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, and these differences will impact the income tax expenses and provisions for LAT in the periods in which the LAT filings are confirmed with the local tax authorities according to the prevailing tax rules.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 29, convertible bonds disclosed in note 30, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and profits.

The Directors of the Company generally review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2010 HK\$'000	2009 HK\$'000
Financial assets		
Fair value through profit or loss		
– Held for trading	967	2,474
Loans and receivables (including cash and cash equivalents)	1,095,375	946,411
Financial liabilities		
Derivative financial instruments	–	88,000
Amortised cost	1,923,121	2,005,473

b. Financial risk management objectives and policies

The Group's major financial instruments include debtors, investments held for trading, amounts due from associates and jointly controlled entities, creditors, accrued charges, amounts due to associates and jointly controlled entities, obligations under finance leases, borrowings and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entity. The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group does not expect any significant exposure to foreign exchange fluctuations and does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2010	2009
	HK\$'000	HK\$'000
United States Dollars	754	14,513

As Hong Kong dollars is pegged to United States dollars, the Directors of the Company consider that the foreign currency exposure is limited.

(ii) Fair value and cash flow interest rate risk

The Group has significant bank borrowings (see note 29 for details), amount due to a jointly controlled entity (see note 27 for details), convertible bonds (see note 30 for details) and bank deposits with floating interest rate which bear cash flow interest-rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Amount due to a jointly controlled entity carried at fixed rate and convertible bonds issued at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group did not hedge its cash flow and fair value interest rate risk. The Directors consider the Group's exposure of cash flow interest rate risk on the bank deposits are not significant as most deposits bear variable interest rates which did not significantly fluctuate during the year.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 (2009: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2009: 100) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2010 would decrease/increase by approximately HK\$10,236,000 (2009: post-tax loss for the year would increase/decrease by HK\$9,285,000).

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

If the prices of the respective listed equity instruments invested by the Group had been 5% (2009: 5%) higher/lower, post-tax profit for the year ended 31 March 2010 would increase/decrease by HK\$48,000 (2009: post-tax loss for the year would decrease/increase by HK\$123,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 41. The Group's credit risk is primarily attributable to its debtors and amounts due from jointly controlled entities and associates. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Except for the above, the Group does not have any significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

With respect to credit risk arising from amounts due from jointly controlled entities and associates, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has sufficient net assets to repay its debts and a good history of repayment. The Group does not expect to incur a significant loss for uncollected amounts due from these jointly controlled entities and associates.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as significant sources of liquidity. Details of which are set out in note 29.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2010 HK\$'000
2010						
Creditors and accrued charges	–	534,991	81,740	–	616,731	616,731
Amounts due to jointly controlled entities	–	34,890	–	–	34,890	34,890
Amount due to a jointly controlled entity						
– fixed rate	2.15	30,269	–	–	30,269	30,000
Amounts due to associates	–	15,625	–	–	15,625	15,625
Borrowings	3.60	695,035	551,980	12,181	1,259,196	1,225,875
Obligations under finance leases	2.47	8,803	12,546	–	21,349	20,434
Financial guarantee contracts	–	237,144	–	–	237,144	–
		<u>1,556,757</u>	<u>646,266</u>	<u>12,181</u>	<u>2,215,204</u>	<u>1,943,555</u>

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate %	Repayable on demand or within 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2009 HK\$'000
2009						
Creditors and accrued charges	-	489,127	95,808	-	584,935	584,935
Amounts due to jointly controlled entities	-	36,886	-	-	36,886	36,886
Amount due to an associate	-	12,436	-	-	12,436	12,436
Borrowings	4.70	1,062,770	35,631	68,292	1,166,693	1,111,946
Convertible bonds (Note)	19.00	-	534,600	-	534,600	347,270
Obligations under finance leases	3.40	550	-	-	550	546
Financials guarantee contracts	-	269,530	-	-	269,530	-
		<u>1,871,299</u>	<u>666,039</u>	<u>68,292</u>	<u>2,605,630</u>	<u>2,094,019</u>

Note: As at 31 March 2009, the carrying amounts of convertible bonds include the derivative components of HK\$88,000,000 of the convertible bonds.

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS (continued)

c. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- the fair values of derivative instruments are determined in accordance with option pricing models based on data obtained in current market (see note 30); and
- the fair values of financial guarantee contracts are determined using option pricing models where the main assumptions are the probability of default by the specific counterparty extrapolated from market based credit information and the amount of loss, given the default.

Other than the liability component of the convertible bonds as stated in note 30, the Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

6. FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

	2010
	Level 1
	HK\$'000
Investments held for trading	967

7. 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 year.

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) for the purpose of allocating resources to segments and assessing their performance. The application of HKFRS 8 has not resulted in a re-designation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14, and has had no impact on the reported results or financial positions of the Group.

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 Consolidated Financial Statements
For the year ended 31 March 2010

7. SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the year ended 31 March 2010

	Construction work	Property development	Property investment	Professional services	Other activities	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	2,203,292	256,636	15,307	131,006	–	2,606,241
RESULT						
Operating results	2,609	1,775	19,947	4,567	(1,619)	27,279
Share of results of associates	–	34,517	–	–	–	34,517
Share of results of jointly controlled entities	2,857	–	–	–	–	2,857
Segment profit (loss)	5,466	36,292	19,947	4,567	(1,619)	64,653
Unallocated corporate expenses						(19,176)
Interest income						1,641
Fair value changes on embedded derivatives of convertible bonds						1,158
Finance costs						(22,214)
Profit before tax						26,062
Income tax credit						5,028
Profit for the year						31,090

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

7. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 March 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	<u>1,275,382</u>	<u>594,364</u>	<u>27,752</u>	<u>112,840</u>	<u>–</u>	<u>2,010,338</u>
RESULT						
Operating results	(64,137)	2,498	19,893	6,812	(6,123)	(41,057)
Share of results of associates	–	3,099	–	–	–	3,099
Share of results of jointly controlled entities	<u>3,840</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,840</u>
Segment profit (loss)	<u>(60,297)</u>	<u>5,597</u>	<u>19,893</u>	<u>6,812</u>	<u>(6,123)</u>	<u>(34,118)</u>
Unallocated corporate expenses						(19,150)
Interest income						4,607
Fair value changes on embedded derivatives of convertible bonds						22,000
Finance costs						<u>(73,614)</u>
Loss before tax						(100,275)
Income tax expense						<u>(19,602)</u>
Loss for the year						<u>(119,877)</u>

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, 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 Consolidated Financial Statements
For the year ended 31 March 2010

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

Total segment assets and liabilities are not disclosed as they are not regularly reviewed by the chief operating decision maker.

Other segment information

2010

Amounts included in the measure to segment profit:

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated total HK\$'000
Depreciation and amortisation	2,880	1,380	-	427	-	4,687
Gain on disposal of property, plant and equipment	1,775	-	-	-	-	1,775

2009

Amounts included in the measure to segment profit:

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated total HK\$'000
Depreciation and amortisation	2,183	1,842	-	423	-	4,448
Gain on disposal of property, plant and equipment	189	-	-	-	-	189

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

7. SEGMENT INFORMATION (continued)

Geographical information

The Group operates in following principal geographical areas, including Hong Kong (country of domicile), other regions in the PRC and Others.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments.

	Revenue from external customers		Non-current assets	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong (country of domicile)	2,237,318	1,209,695	552,461	785,670
Other regions in the PRC	350,057	730,609	16,107	36,295
Others	18,866	70,034	114,251	81,958
	2,606,241	2,010,338	682,819	903,923

Information about major customers

For the year ended 31 March 2010, there was 1 customer (2009: 1) who accounted for over 10% of total revenue with revenue of HK\$654,406,000 (2009: HK\$399,259,000) and it was located in Hong Kong.

8. FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	31,169	35,772
Bank loans not wholly repayable within five years	65	2,825
Effective interest expense on convertible bonds (note 30)	–	46,450
Finance leases	198	39
Amount due to a jointly controlled entity	135	–
	31,567	85,086
Total borrowing costs	31,567	85,086
Less: Amount attributable to contract work	(3,993)	(1,906)
Amount attributable to properties under development	(5,360)	(9,566)
	22,214	73,614

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

9. INCOME TAX (CREDIT) EXPENSE

	2010 HK\$'000	2009 HK\$'000
Current tax		
– Hong Kong Profits Tax		
– current year	18,337	2,835
– overprovision in prior years	(1,858)	(670)
	16,479	2,165
– Other jurisdictions		
– current year	556	1,297
– underprovision in prior year	1,072	–
	1,628	1,297
– PRC Enterprise Income Tax (“EIT”)		
– current year	1,671	12,501
– underprovision in prior year	798	–
	2,469	12,501
– PRC LAT	3,701	5,607
Deferred tax liabilities (note 31)		
– current year	(29,305)	1,436
– attributable to a change in tax rate	–	(3,404)
	(29,305)	(1,968)
	(5,028)	19,602

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

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 years.

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

9. INCOME TAX (CREDIT) EXPENSE (continued)

Under the EIT Law of PRC, withholding income tax at 10% is imposed on dividends declared in respect profits earned in the calendar year 2008 or onwards and being distributed by enterprises established in the PRC to their foreign shareholders, if there is no applicable tax treaty. Deferred tax liability of HK\$2,902,000 (2009: HK\$1,434,000) on the undistributed earnings of subsidiaries has been charged to the profit or loss for the year.

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.

Details of deferred taxation are set out in note 31.

The tax (credit) charge for the year can be reconciled to the profit (loss) per the consolidated statement of comprehensive income as follows:

	2010 HK\$'000	2009 HK\$'000
Profit (loss) before tax	26,062	(100,275)
Tax at the Hong Kong Profits Tax rate of 16.5%	4,300	(16,545)
Tax effect of share of results of jointly controlled entities	(471)	(634)
Tax effect of share of results of associates	(5,695)	–
Tax effect of expenses not deductible for tax purposes	18,272	19,804
Tax effect of income not taxable for tax purposes	(8,047)	(6,446)
Underprovision (overprovision) in prior years, net	12	(670)
Tax effect of tax losses for current year not recognised	11,676	17,379
Utilisation of tax losses previously not recognised	(1,887)	(450)
Effect of different tax rates of operations in other jurisdictions	717	3,986
PRC LAT	3,701	5,607
Tax effect of LAT	(925)	(1,402)
Deferred taxation on undistributed earnings of PRC subsidiaries (note 31)	2,902	1,434
Reversal of previously recognised deferred tax liabilities on disposal of an investment property	(29,649)	–
Tax effect of change in tax rate	–	(3,404)
Others	66	943
Tax (credit) charge for the year	(5,028)	19,602

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For the year ended 31 March 2010

10. PROFIT (LOSS) FOR THE YEAR

	2010 HK\$'000	2009 HK\$'000
Profit (loss) for the year has been arrived at after charging:		
Auditor's remuneration		
Current year	2,771	2,526
Underprovision in prior year	554	365
	3,325	2,891
Depreciation and amortisation	25,332	21,667
Less: Amount attributable to contract work	(20,645)	(17,219)
	4,687	4,448
Fair value changes on investments held for trading	1,507	6,752
Impairment losses on debtors	-	25
Net foreign exchange losses	-	2,089
Operating lease rentals for:		
Rental properties	12,800	8,209
Plant and machinery	42,241	15,211
	55,041	23,420
Less: Amount attributable to contract work	(49,025)	(18,233)
	6,016	5,187
Release of prepaid lease payments	643	683
Share-based payment expense	1,265	109
Staff costs, including directors' emoluments	582,608	448,202
Less: Amount attributable to contract work	(311,501)	(199,869)
Amount attributable to properties under development	(19,775)	(29,627)
	251,332	218,706
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	638	1,500
and after crediting:		
Dividend income from investments held for trading	-	760
Gain on disposal of prepaid lease payments	-	2,090
Gain on disposal of property, plant and equipment	1,775	189
Interest income	1,641	4,607
Net foreign exchange gains	530	-
Rental income from investment properties, net of direct operating expenses from investment properties that generated rental income during the year of HK\$2,009,000 (2009: HK\$3,013,000)	13,298	24,739

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 7 (2009: 7) Directors were as follows:

2010

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contribution HK\$'000	Share-based payment HK\$'000	
Pang Kam Chun	-	4,825	58	90	4,973
Kwok Yuk Chiu, Clement	-	2,860	54	87	3,001
Li Wai Hang, Christina	-	1,470	30	31	1,531
Au Son Yiu	200	-	-	10	210
Chan Chiu Ying	200	-	-	10	210
Hui Chiu Chung	200	-	-	10	210
Lee Shing See	200	-	-	10	210
	800	9,155	142	248	10,345

2009

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contribution HK\$'000	Share-based payment HK\$'000	
Pang Kam Chun	-	6,025	139	-	6,164
Kwok Yuk Chiu, Clement	-	2,832	113	-	2,945
Li Wai Hang, Christina	-	1,740	63	-	1,803
Au Son Yiu	200	-	-	-	200
Chan Chiu Ying	175	-	-	-	175
Hui Chiu Chung	162	-	-	-	162
Lee Shing See	162	-	-	-	162
	699	10,597	315	-	11,611

Notes to the Consolidated Financial Statements
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11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

During the year, the five highest paid individuals included 2 (2009: 3) Directors, details of whose emoluments are included above. The emoluments of the remaining 3 (2009: 2) individuals are as follows:

	2010	2009
	HK\$'000	HK\$'000
Salaries and other benefits	6,310	7,220
Retirement benefit scheme contributions	104	149
Share-based payment	146	–
	6,560	7,369

The employees' emoluments were within the following bands:

	Number of employees	
	2010	2009
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	2	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$5,000,001 to HK\$5,500,000	–	1

During both years, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors has waived any remuneration during both years.

12. DIVIDENDS

	2010	2009
	HK\$'000	HK\$'000
Final dividend recognised as distribution during the year in respect of 2008 of HK1.75 cents per share	–	15,030

The final dividend of HK0.5 cent per share in respect of the year ended 31 March 2010 (2009: nil) has been proposed by the Directors and is subject to approval from the Shareholders at the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

13. EARNINGS (LOSS) PER SHARE

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

	2010 HK\$'000	2009 HK\$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share	31,090	(119,877)
Effect of dilutive potential ordinary shares:		
– Fair value changes on embedded derivatives of convertible bonds	(1,158)	N/A
Earnings for the purpose of diluted earnings per share	29,932	N/A
	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	859,074,989	858,835,111
Effect of dilutive potential ordinary shares:		
– convertible bonds	34,454,683	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	893,529,672	N/A

The computation of diluted earnings (loss) 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 for both years.

No diluted loss per share for the year ended 31 March 2009 was presented as the conversion of convertible bonds would result in a reduction in loss per share for the year ended 31 March 2009.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST						
At 1 April 2008	33,595	425,268	46,978	41,077	–	546,918
Exchange adjustment	–	–	52	96	–	148
Additions	–	20,283	3,009	1,613	27,000	51,905
Disposals	–	(15,827)	(2,117)	(744)	–	(18,688)
At 31 March 2009	33,595	429,724	47,922	42,042	27,000	580,283
Exchange adjustment	–	1,505	8	24	29	1,566
Additions	30,380	46,377	2,500	1,415	14,070	94,742
Acquired on acquisition of subsidiaries	–	–	–	41	–	41
Disposals	–	(23,639)	(3,512)	(1,282)	–	(28,433)
At 31 March 2010	63,975	453,967	46,918	42,240	41,099	648,199
DEPRECIATION AND AMORTISATION						
At 1 April 2008	12,169	339,808	35,369	26,693	–	414,039
Exchange adjustment	–	–	24	58	–	82
Provided for the year	992	14,341	3,373	2,961	–	21,667
Eliminated on disposals	–	(12,971)	(1,552)	(405)	–	(14,928)
At 31 March 2009	13,161	341,178	37,214	29,307	–	420,860
Exchange adjustment	–	62	4	12	–	78
Provided for the year	1,241	18,395	2,981	2,715	–	25,332
Eliminated on disposals	–	(20,903)	(2,653)	(620)	–	(24,176)
At 31 March 2010	14,402	338,732	37,546	31,414	–	422,094
CARRYING VALUES						
At 31 March 2010	49,573	115,235	9,372	10,826	41,099	226,105
At 31 March 2009	20,434	88,546	10,708	12,735	27,000	159,423

Owner-occupied leasehold land is included in property, plant and equipment as the allocations between the land and buildings elements cannot be made reliably.

Notes to the Consolidated Financial Statements
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14. PROPERTY, PLANT AND EQUIPMENT (continued)

The leasehold land and buildings are depreciated over their terms of the relevant leases.

The other items of property, plant and equipment other than construction in progress are depreciated, using the reducing balance method, at the following rates per annum:

Plant and machinery	15% – 25%
Motor vehicles	25%
Furniture, fixtures and equipment	15%

The carrying value of leasehold land and buildings under medium-term leases held by the Group at the end of the reporting period:

	2010 HK\$'000	2009 HK\$'000
Properties in Hong Kong	45,352	16,054
Properties located elsewhere in the PRC	4,221	4,380
	49,573	20,434

The carrying value of the Group's property, plant and equipment includes an amount of HK\$19,820,000 (2009: HK\$nil) and HK\$1,022,000 (2009: HK\$1,355,000) in respect of plant and machinery and motor vehicles held under finance leases respectively.

15. PREPAID LEASE PAYMENTS

	2010 HK\$'000	2009 HK\$'000
The Group's prepaid lease payments held under medium-term lease in Hong Kong:		
Non-current asset	24,293	24,936
Current asset	644	644
	24,937	25,580

Notes to the Consolidated Financial Statements
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16. INVESTMENT PROPERTIES

	2010	2009
	HK\$'000	HK\$'000
FAIR VALUE		
At beginning of the year	617,051	618,480
Disposals	(303,000)	–
Net increase (decrease) in fair value recognised in profit or loss	10,473	(1,429)
At end of the year	324,524	617,051

Note: On 27 July 2009, the Group entered into an agreement for sale and purchase with an independent third party in relation to the disposal of certain investment properties located in New Territories, Hong Kong. The disposal of the aforesaid investment properties was completed on 28 August 2009 at a cash consideration of HK\$303,000,000 with reference to the consideration as stipulated in the agreement and valuation appraised by an independent qualified professional valuer as of 31 May 2009. As a result, no gain or loss was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2010. Details of the disposal are set out in the Group's circular dated 11 August 2009.

The fair values of the Group's investment properties at 31 March 2010 and 2009 have been arrived at on the basis of valuations carried out on that date by Centaline Surveyors Limited, Savills Valuation and Professional Services Limited and RHL Appraisal 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.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

16. INVESTMENT PROPERTIES (continued)

The investment properties are held under medium-term leases and are situated in the following locations:

	2010 HK\$'000	2009 HK\$'000
Hong Kong	315,000	608,000
Other regions in the PRC	9,524	9,051
	<u>324,524</u>	<u>617,051</u>

Included in investment properties in Hong Kong with a total carrying value of HK\$40,000,000 (2009: HK\$40,000,000) are co-owned with a venturer. The carrying value represents the Group's proportionate share in the valuation of the relevant properties. Details of which are set out in note 18.

17. INTERESTS IN ASSOCIATES

	2010 HK\$'000	2009 HK\$'000
Cost of unlisted investments in associates	42,783	62,629
Share of post-acquisition profits and other comprehensive income, net of dividend received	27,347	–
	<u>70,130</u>	<u>62,629</u>

As set out in note 36, during the year the Group acquired additional interests in two associates which then become subsidiaries of the Group.

Particulars of the Group's principal associates as at 31 March 2010 and 2009 are set out in note 46.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

17. INTERESTS IN ASSOCIATES (continued)

The summarised financial information in respect of the Group's associates is set out below:

	2010 HK\$'000	2009 HK\$'000
Total assets	780,905	708,695
Total liabilities	(443,004)	(473,386)
Net assets	337,901	235,309
Group's share of net assets of associates	70,130	62,629
	2010 HK\$'000	2009 HK\$'000
Revenue	30,790	17,525
Profit for the year	188,305	14,654
Other comprehensive income	(21,920)	–
Group's share of profits and other comprehensive income of associates for the year	30,133	3,099

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

Jointly controlled entities

	2010 HK\$'000	2009 HK\$'000
Cost of unlisted investment in jointly controlled entities	8,928	8,907
Share of post-acquisition profits net of dividend received	28,839	30,977
	37,767	39,884

Particulars of the Group's principal jointly controlled entities as at 31 March 2010 and 2009 are set out in note 47.

Notes to the Consolidated Financial Statements
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18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Jointly controlled entities (continued)

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2010	2009
	HK\$'000	HK\$'000
Current assets	159,091	87,920
Non-current assets	4,962	6,412
Current liabilities	(126,281)	(54,202)
Non-current liabilities	(5)	(246)
	37,767	39,884
Income recognised in profit or loss	45,533	35,205
Expenses recognised in profit or loss	42,661	29,865

Jointly controlled assets

Investment properties include the Group's share of interest in jointly controlled assets with a carrying value of HK\$40,000,000 (2009: HK\$40,000,000). The Group's share of net income in relation to the jointly controlled assets amounted to HK\$1,217,000 (2009 HK\$1,282,000).

19. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and will not be repayable within the next twelve months.

Notes to the Consolidated Financial Statements
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20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2010 HK\$'000	2009 HK\$'000
Contracts in progress at the end of the reporting period		
Costs incurred to date plus recognised profits		
less recognised losses	13,800,510	12,752,136
Less: progress billings	(13,340,918)	(12,271,673)
	<u>459,592</u>	<u>480,463</u>
Analysed for reporting purposes as:		
Amounts due from customers for contract work	621,375	534,293
Amounts due to customers for contract work	(161,783)	(53,830)
	<u>459,592</u>	<u>480,463</u>

21. DEBTORS, DEPOSITS AND PREPAYMENTS

	2010 HK\$'000	2009 HK\$'000
Debtors	271,701	189,755
Less: allowance for doubtful debts	(534)	(534)
	<u>271,167</u>	<u>189,221</u>
Retention receivables	191,174	135,760
Prepayments, deposits and other receivables	105,382	72,645
	<u>567,723</u>	<u>397,626</u>

Retention receivable is analysed as follows:

	2010 HK\$'000	2009 HK\$'000
Due within one year	2,034	463
Due after one year	189,140	135,297
	<u>191,174</u>	<u>135,760</u>

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21. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Except for the rental income from lease of properties payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

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\$271,167,000 (2009: HK\$189,221,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	2010	2009
	HK\$'000	HK\$'000
Not yet due	205,919	168,969
Amounts past due but not impaired:		
1 – 30 days	61,537	10,496
31 – 90 days	2,960	2,115
91 – 180 days	166	2,707
Over 180 days	585	4,934
	271,167	189,221

Included in the Group's debtors balance are debtors with a carrying amount of HK\$65,248,000 (2009: HK\$20,252,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	2010	2009
	HK\$'000	HK\$'000
Balance at beginning of the year	534	509
Impairment losses recognised on receivables	–	25
Balance at end of the year	534	534

In determining the recoverability of a debtor, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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22. PROPERTIES UNDER DEVELOPMENT

Included in the amount are properties under development of HK\$71,901,000 (2009: HK\$105,755,000) expected to be completed after the next twelve months from the end of the reporting period.

23. INVESTMENTS HELD FOR TRADING

	2010 HK\$'000	2009 HK\$'000
Investment held for trading:		
Equity securities listed in elsewhere stated at fair values	967	2,474

24. AMOUNTS DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES

The amounts due from jointly controlled entities are trade-related, unsecured and interest-free.

The ageing analysis of amounts due from jointly controlled entities is as follows:

	2010 HK\$'000	2009 HK\$'000
Not yet due	32,047	25,242
Amounts past due but not impaired:		
1-30 days	107	–
	32,154	25,242

The amounts from associates are unsecured, interest-free and repayable on demand.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES

The pledged deposits have been placed in designated banks as part of the security provided for general banking facilities granted to the Group. The bank deposits carry interest at an average rate of 0.12% (2009: 0.6%) per annum.

Bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carry interest at an average rate of 0.4% (2009: 0.8%) per annum.

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26. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK\$269,556,000 (2009: HK\$176,866,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	2010	2009
	HK\$'000	HK\$'000
Not yet due	183,389	118,160
1 – 30 days	71,284	35,242
31 – 90 days	7,217	11,799
91 – 180 days	2,525	1,689
Over 180 days	5,141	9,976
	269,556	176,866

Included in the amount of creditors, deposits and accrued charges are retention payables to sub-contractors of HK\$81,740,000 (2009: HK\$95,808,000).

27. AMOUNTS DUE TO ASSOCIATES/JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest-free and repayable on demand except for an advance from a jointly controlled entity of HK\$30,000,000 (2009: HK\$nil) which carries interest at 2.15% per annum and repayable within 3 months.

Notes to the Consolidated Financial Statements
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28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Amounts payable under finance leases				
Within one year	8,803	550	8,262	546
In more than one year but not more than two years	8,803	–	8,488	–
In more than two years but not more than five years	3,743	–	3,684	–
	21,349	550	20,434	546
Less: future finance charges	(915)	(4)	–	–
Present value of lease obligations	20,434	546	20,434	546
Less: Amount due for settlement with 12 months (shown under current liabilities)			(8,262)	(546)
Amount due for settlement after 12 months			12,172	–

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease terms range from two to three years (2009: range from two to three years). The effective borrowing rates underlying all obligations under finance leases are fixed at respective contract dates range from 2.2% to 2.7% (2009: 3.1% to 3.7%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

Notes to the Consolidated Financial Statements
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29. BORROWINGS

	2010 HK\$'000	2009 HK\$'000
Borrowings comprise:		
Trust receipt loans (note a)	188,172	124,417
Bank loans (note b)	1,016,919	987,529
Mortgage loans (note c)	20,784	–
	<u>1,225,875</u>	<u>1,111,946</u>
Analysed as:		
Secured	553,679	446,828
Unsecured	672,196	665,118
	<u>1,225,875</u>	<u>1,111,946</u>
The borrowings are repayable as follows:		
On demand or within one year	675,900	1,010,835
More than one year, but not exceeding two years	443,314	8,667
More than two years, but not exceeding five years	94,727	26,000
Over five years	11,934	66,444
	<u>1,225,875</u>	<u>1,111,946</u>
Less: Amounts due within one year shown under current liabilities	<u>(675,900)</u>	<u>(1,010,835)</u>
Amounts due after one year	<u>549,975</u>	<u>101,111</u>

All the Group's borrowings are denominated in the functional currencies of the relevant group companies.

Notes to the Consolidated Financial Statements
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29. BORROWINGS (continued)

Notes:

- (a) The trust receipt loans are unsecured and carry interest at floating rates ranging from Hong Kong Interbank Offered Rates (“HIBOR”) plus 1.5% to HIBOR plus 2.6% (2009: HIBOR plus 1.5% to HIBOR plus 2%).
- (b) Bank loans of HK\$862,136,000 (2009: HK\$888,778,000) are denominated in Hong Kong dollars carry interest at floating rates with average interest rates ranging from HIBOR plus 1.5% to HIBOR plus 4% (2009: HIBOR plus 0.85% to HIBOR plus 2.6%). The remaining borrowings are denominated in Renminbi and carrying interest at floating rates with average interest rates ranging from benchmark interest rate from the People’s Bank of China (“Benchmark Rate”) to Benchmark Rate with 20% mark-up or Benchmark Rate plus 1.5% per annum, whichever is higher (2009: Benchmark Rate to Benchmark Rate with 15% mark-up or Benchmark Rate plus 1.5% per annum, whichever is higher). The balance comprised secured bank loans and unsecured bank loans of HK\$532,895,000 (2009: HK\$446,828,000) and HK\$484,024,000 (2009: HK\$540,701,000), respectively.
- (c) Mortgage loans were secured and carried interest at floating rates of Hong Kong Dollars Prime Rate (“Prime”) minus 2.25% or HIBOR plus 0.925%.

30. CONVERTIBLE BONDS

On 6 December 2007, the Company issued HK\$372.3 million zero coupon convertible bonds due on 6 December 2012. Holders of the convertible bonds will have the right at any time on or after 6 June 2008 up to, and including, the close of business on the maturity date, 6 December 2012, to convert the convertible bonds into ordinary shares of the Company at the initial conversion price of HK\$2.18, subject to adjustment and reset as set out in the subscription agreement dated 26 November 2007.

The conversion price will be subject to adjustment for subdivision, consolidation or reclassification of shares of the Company, capitalisation of profits or reserves, capital distribution, bonus issues, rights issues, other issues at less than current market price, modification of rights of conversion, other offers to the Shareholders and other dilutive events.

If the Volume Weighted Average Price (note a) for each day during the 30 consecutive trading days ending on the 30th day prior to before 6 December 2008, 6 June 2009 or 6 December 2009 is less than the conversion price in effect on such date, the conversion price will automatically be adjusted downwards to the arithmetic average of the Volume Weighted Average Price during such 30 trading day period, save that the adjusted conversion price shall not be lower than the Reset Price Floor (note b).

Pursuant to the terms and conditions of the convertible bonds, the conversion price has been adjusted from HK\$2.18 to HK\$1.74 with effect from 6 December 2008. Details of the adjustment of the conversion price are set out in the Company’s announcement dated 5 December 2008.

Subsequent to 31 March 2009, the conversion price has been further adjusted from HK\$1.74 to HK\$1.63 with effect from 6 June 2009. Details of the adjustment of the conversion price are set out in the Company’s announcement dated 5 June 2009.

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30. CONVERTIBLE BONDS (continued)

At any time the Company may redeem the convertible bonds, in whole but not in part, at a redemption price equal to the Early Redemption Amount (note c) if (i) on or at any time after 6 December 2010 but not less than 14 business days prior to the maturity date, if the Volume Weighted Average Price of the ordinary shares of the Company for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is given was at least 130% of the applicable Early Redemption Amount divided by the Conversion Ratio (note d) in effect on such trading day or (ii) less than 10% of aggregate principal amount of the convertible bonds originally issued is outstanding or (iii) as a result of regulatory change impacting on the payment obligations of the Company under the convertible bonds.

In addition, on 6 December 2010, the Company will, at the option of the holders of the convertible bonds, redeem their convertible bonds in whole or in part at 124.3% of the principal amount of the convertible bonds.

Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 143.6% of their principal amount in Hong Kong dollars on the maturity date, which is expected to give a yield to maturity of 7.375% per annum, calculated on a semi-annual basis, from 6 December 2007 to 6 December 2012.

The convertible bonds contain the liability component, the redemption options derivative and conversion option derivative. The fair values of the conversion option derivatives and the redemption option derivatives of the convertible bonds were determined, upon issuance, and are carried as financial liabilities which are measured at fair value with movement dealt with in the statement of comprehensive income.

The effective interest rate of the liability component is 19%.

During the year ended 31 March 2010, the Company repurchased the convertible bonds from the holders of the convertible bonds at a total consideration of \$346,112,000 (net with interest charge).

The fair value of the liability component as at 31 March 2009 was HK\$182,000,000.

The movement of the liability component and the embedded derivatives of the convertible bonds for the years is set out as below:

	2010		2009	
	Liability HK\$'000	Embedded derivatives HK\$'000	Liability HK\$'000	Embedded derivatives HK\$'000
At beginning of the year	259,270	88,000	212,820	110,000
Interest charge (note 8)	-	-	46,450	-
Gain arising on changes of fair value	-	(1,158)	-	(22,000)
Repurchase during the year	(259,270)	(86,842)	-	-
At end of the year	-	-	259,270	88,000

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

30. CONVERTIBLE BONDS (continued)

The fair values of the redemption option and the conversion option derivatives of the convertible bonds at the end of the reporting periods were calculated using Binomial model. The inputs into the model were as follows:

	2009
Share price	HK\$0.34
Volatility	53.86%
Risk free rate	1.48%
Dividend yield	5.15%

Since the Binomial option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

Notes:

- a. "Volume Weighted Average Price" is in respect of the daily volume weighted average sale price (rounded to the nearest cent) of ordinary shares of the Company sold on the Stock Exchange.
- b. "Reset Price Floor" is (i) in respect of the first reset date on 6 December 2008, 80% of the initial conversion price of HK\$2.18; (ii) in respect of the second reset date on 6 June 2009, 75% of the initial conversion price and (iii) in respect of the third reset date on 6 December 2009, 70% of the initial conversion price.
- c. "Early Redemption Amount" is the principal amount of the convertible bonds plus a gross yield of 7.375% per annum, calculated on semi-annual basis.
- d. "Conversion Ratio" is the principal amount of the convertible bonds divided by the then conversion price.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Tax losses	Other temporary differences	Fair value gain of investment properties	Undistributed earnings of subsidiaries	Total
	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	(25,099)	121	6,379	(47,814)	–	(66,413)
Credit (charge) to profit or loss	(500)	1,952	(1,805)	351	(1,434)	(1,436)
Effect of change in tax rate	1,435	(7)	(15)	1,991	–	3,404
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2009	(24,164)	2,066	4,559	(45,472)	(1,434)	(64,445)
Credit (charge) to profit or loss	(3,069)	5,217	2,179	(1,769)	(2,902)	(344)
Reversal of previously recognised deferred tax liabilities on disposal of investment properties	4,954	–	–	24,695	–	29,649
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2010	<u>(22,279)</u>	<u>7,283</u>	<u>6,738</u>	<u>(22,546)</u>	<u>(4,336)</u>	<u>(35,140)</u>

Note: The amount represents temporary differences arising from the unrealised profits on the Group's construction contracts.

At the end of the reporting period, the Group has unused tax losses of HK\$357,522,000 (2009: HK\$266,583,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$44,139,000 (2009: HK\$12,522,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$313,383,000 (2009: HK\$254,061,000) losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

32. SHARE CAPITAL OF THE COMPANY

	Number of shares		Amount	
	2010	2009	2010 HK\$'000	2009 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and at end of the year	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
At beginning of the year	858,840,328	858,821,018	85,884	85,882
Exercise of warrants	–	19,310	–	2
Exercise of share options	471,696	–	47	–
Acquisition of subsidiaries (note 36)	56,406,250	–	5,641	–
At end of the year	915,718,274	858,840,328	91,572	85,884

Details of the exercise of warrants and share options during the years ended 31 March 2009 and 2010 are set out in notes 33 and 34 respectively.

All the shares issued during the year rank pari passu with the existing shares in all respects.

33. WARRANTS

Pursuant to an ordinary resolution passed at Directors meeting of the Company held on 14 February 2007, a bonus issue of warrants (the "Warrants") on the basis of 1 warrant for every 5 shares of HK\$0.1 each held by the Shareholders on the register of members of the Company as at 30 January 2007 was approved. A total of 148,913,179 units of the Warrants with an aggregate subscription amount of HK\$126,576,202 were issued on 1 March 2007. Each of the Warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK\$0.85 per share, subject to anti-dilutive adjustment, at any time from the date of issue up to and including 28 February 2009.

During the year ended 31 March 2009, 19,310 new shares of the Company of HK\$0.1 each were issued upon the exercise of the Warrants. All the outstanding warrants were lapsed on 28 February 2009.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010**34. SHARE OPTION SCHEMES****(a) Chun Wo Scheme**

On 28 August 2002, a share option scheme was adopted by the Company (the “Chun Wo Scheme”) for the primary purpose of providing the Directors and employees of, as well as technical, financial or corporate managerial advisers and consultants to, the Company and its subsidiaries (the “Eligible Personnel”) with an opportunity to acquire proprietary interests in the Company, which will encourage the grantees of such options to work towards enhancing the value of the Company and its shares for the benefit of the Company and the Shareholders as a whole. The Board will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board either on a case-by-case basis or generally.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Chun Wo Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (the “Scheme Limit”). No options will be granted under the Chun Wo Scheme at any time if such grant will result in the Scheme Limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Chun Wo Scheme and all other share option schemes of the Company shall not exceed 10% of the shares in issue on the adoption date (the “Scheme Mandate Limit”), subject to the refreshment of the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Chun Wo Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of shares issued and to be issued upon exercise of the options granted to any Eligible Personnel (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue without prior approval from the Shareholders. An offer of the options shall be deemed to have accepted by way of consideration of HK\$1 payable by the Eligible Personnel within 30 days from the date of offer.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

34. SHARE OPTION SCHEMES (continued)

(a) Chun Wo Scheme (continued)

Where any grant of options to a substantial Shareholder or an Independent Non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of the shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the relevant date of grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders.

The subscription price shall be such price determined by the Board in its absolute discretion and will be notified to the Eligible Personnel in the offer and shall be no less than the highest of:

- (i) the closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of a share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a share on the date of grant.

The Chun Wo Scheme is valid and effective for a period of 10 years commencing on the adoption date, i.e. 28 August 2002.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

34. SHARE OPTION SCHEMES (continued)

(a) Chun Wo Scheme (continued)

Details of the movements in share options are as follows:

For the year ended 31 March 2010

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options				
				Outstanding at 1/4/2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/3/2010
Directors	13/8/2004	0.904	21/8/2004 to 12/8/2014	4,058,000	-	-	-	4,058,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	1,494,000	-	-	-	1,494,000
	15/1/2010	0.650	15/1/2011 to 14/1/2014	-	2,289,600	-	-	2,289,600
	15/1/2010	0.650	15/1/2012 to 14/1/2014	-	2,289,600	-	-	2,289,600
	15/1/2010	0.650	15/1/2013 to 14/1/2014	-	3,052,800	-	-	3,052,800
Employees	13/8/2004	0.904	21/8/2004 to 12/8/2014	6,326,000	-	-	-	6,326,000
	3/9/2004	0.950	4/10/2004 to 30/9/2009	698,000	-	-	(698,000)	-
	2/5/2007	1.010	2/5/2007 to 1/5/2010	5,104,000	-	-	-	5,104,000
	15/1/2010	0.650	15/1/2011 to 14/1/2014	-	8,641,200	-	-	8,641,200
	15/1/2010	0.650	15/1/2012 to 14/1/2014	-	8,641,200	-	-	8,641,200
	15/1/2010	0.650	15/1/2013 to 14/1/2014	-	11,521,600	-	-	11,521,600
Consultants	3/9/2004	0.950	4/10/2004 to 30/9/2009	400,000	-	-	(400,000)	-
	2/5/2007	1.010	2/5/2007 to 1/5/2010	1,868,000	-	-	-	1,868,000
	25/5/2007	1.420	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	2.010	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
	2/2/2009	0.318	2/8/2009 to 1/2/2012	471,696	-	(471,696)	-	-
	31/7/2009	0.550	31/1/2010 to 30/7/2012	-	272,724	-	-	272,724
	15/1/2010	0.650	15/1/2011 to 14/1/2014	-	396,600	-	-	396,600
	15/1/2010	0.650	15/1/2012 to 14/1/2014	-	396,600	-	-	396,600
	15/1/2010	0.650	15/1/2013 to 14/1/2014	-	528,800	-	-	528,800
	22/3/2010	0.660	22/3/2010 to 21/3/2013	-	75,757	-	-	75,757
Other (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	-	732,000
				<u>29,062,550</u>	<u>38,106,481</u>	<u>(471,696)</u>	<u>(1,098,000)</u>	<u>65,599,335</u>
Number of options exercisable at the end of the reporting period								<u>27,841,335</u>
Weighted average exercise price				<u>1.138</u>	<u>0.649</u>	<u>0.318</u>	<u>0.950</u>	<u>0.863</u>

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

34. SHARE OPTION SCHEMES (continued)

(a) Chun Wo Scheme (continued)

For the year ended 31 March 2009

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options			
				Outstanding at 1/4/2008	Granted during the year	Lapsed during the year	Outstanding at 31/3/2009
Directors	13/8/2004	0.904	21/8/2004 to 12/8/2014	4,058,000	-	-	4,058,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	1,494,000	-	-	1,494,000
Employees	13/8/2004	0.904	21/8/2004 to 12/8/2014	6,326,000	-	-	6,326,000
	3/9/2004	0.950	4/10/2004 to 30/9/2009	1,298,000	-	(600,000)	698,000
	2/5/2007	1.010	2/5/2007 to 1/5/2010	5,104,000	-	-	5,104,000
	9/8/2007	1.950	9/8/2007 to 8/8/2010	800,000	-	(800,000)	-
Consultants	3/9/2004	0.950	4/10/2004 to 30/9/2009	400,000	-	-	400,000
	2/5/2007	1.010	2/5/2007 to 1/5/2010	1,868,000	-	-	1,868,000
	25/5/2007	1.420	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	2.010	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
	2/2/2009	0.318	2/8/2009 to 1/2/2012	-	471,696	-	471,696
Other (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	732,000
				<u>29,771,560</u>	<u>690,990</u>	<u>(1,400,000)</u>	<u>29,062,550</u>
Number of options exercisable at the end of the reporting period							<u>28,590,854</u>
Weighted average exercise price				<u>1.172</u>	<u>0.434</u>	<u>1.521</u>	<u>1.138</u>

Notes to the Consolidated Financial Statements
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34. SHARE OPTION SCHEMES (continued)

(a) Chun Wo Scheme (continued)

Notes:

1. 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.
2. 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, 2 February 2009, 31 July 2009 and 15 January 2010, the vesting dates are 31 January 2008, 25 September 2007, 31 July 2008, 31 January 2009, 2 August 2009, 31 January 2010, 15 January 2011, 15 January 2012 and 15 January 2013 respectively.
3. The closing price of the shares of the Company immediately before the options granted on 31 July 2009, 15 January 2010 and 22 March 2010 were HK\$0.55, HK\$0.65 and HK\$0.66 respectively.
4. In respect of the share options exercised during the year ended 31 March 2010, the weighted average share price at the date of exercise was HK\$0.63.
5. No share options were cancelled during the year ended 31 March 2010.

During the year, 38,106,481 (2009: 690,990) share options were granted under the Chun Wo Scheme to the eligible directors and employees of the Group and consultants. The fair value of the options determined at the date of grant using the Black-Scholes option pricing model ranged from HK\$0.188 to HK\$0.282. The total fair value of the share options granted amounting to HK\$1,265,000 (2009: HK\$109,000) was recognised for the year ended 31 March 2010.

The following assumptions were used to calculate the fair values of share options granted during the year:

Date of grant of the share option	Expected life of share option	Expected volatility of share prices	Expected dividend yield
31 July 2008	1.75 years	57.31%	4.23%
2 February 2009	1.75 years	71.81%	8.73%
31 July 2009	1.75 years	66.53%	0.00%
15 January 2010	2.50 years	65.81%	0.00%
15 January 2010	3.00 years	63.95%	0.00%
15 January 2010	3.50 years	60.41%	0.00%
22 March 2010	1.71 years	62.93%	0.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2-5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

34. SHARE OPTION SCHEMES (continued)

(a) Chun Wo Scheme (continued)

The Black-Scholes option pricing model has been used to estimate the fair values of the options. The variables and assumptions used in computing the fair values of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

As at 31 March 2010, the total number of shares in respect of which share options had been granted and remained outstanding under the Chun Wo Scheme was 65,599,335 (2009: 29,062,550) representing 7.16% (2009: 3.4%) of the shares of the Company in issue as at 31 March 2010.

(b) Foundations Scheme

On 28 August 2002, a share option scheme of Chun Wo Foundations Limited ("CWF"), an indirect wholly-owned subsidiary of the Company, (the "Foundations Scheme") was approved by the Company for the primary purpose of providing the Directors and employees of, as well as technical, financial or corporate managerial advisers and consultants (the "Eligible Participants") to, CWF, the Company and their respective subsidiaries with an opportunity to acquire proprietary interests in CWF, which will encourage the grantees of such options to work towards enhancing the value of CWF and its shares for the benefit of CWF and its shareholders as a whole. The directors of CWF (the "Board of CWF") will set out in the offer the terms on which the option is to be granted. Such terms may include (i) minimum performance targets that must be reached before the option can be exercised in whole or in part; and/or (ii) such other terms (including the vesting period) as may be imposed at the discretion of the Board of CWF either on a case-by-case basis or generally.

The overall limit on the number of shares in CWF which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Foundations Scheme and other share option schemes of CWF must not exceed 30% of the shares of CWF in issue from time to time ("Chun Wo Foundations Scheme Limit"). No options will be granted under the Foundations Scheme at any time if such grant will result in the Chun Wo Foundations Scheme Limit being exceeded.

The total number of shares in CWF which may be issued upon exercise of all options to be granted under the Foundations Scheme and all other share option schemes of CWF shall not exceed 10% of the shares in CWF in issue on the adoption date (the "Chun Wo Foundations Scheme Mandate Limit"), subject to the refreshment of the Chun Wo Foundations Scheme Mandate Limit. Options lapsed in accordance with the terms of the Foundations Scheme or any other share option schemes of CWF shall not be counted for the purpose of calculating the Chun Wo Foundations Scheme Mandate Limit.

34. SHARE OPTION SCHEMES (continued)

(b) Foundations Scheme (continued)

The total number of shares in CWF issued and to be issued upon exercise of the options granted to any Eligible Participants (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in CWF in issue without prior approval from the shareholders of CWF and, for so long as CWF remains a subsidiary of the Company, the Shareholders. An offer of the options shall be deemed to have accepted by way of consideration of HK\$1 payable by the Eligible Participants within 30 days from the date of offer.

Where any grant of options to a substantial shareholder or an independent non-executive director of CWF or the Company, or any of their respective associates, would result in the shares in CWF issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of the shares in CWF in issue; and
- (b) having an aggregate value, assuming such options were exercised and based on the net asset value per share by reference to the latest audited accounts of CWF, in excess of HK\$5 million,

such further grant of options must be approved by the shareholders of CWF and, for so long as CWF remains a subsidiary of the Company, the Shareholders.

The Foundations Scheme subscription price shall be such price determined by the Board of CWF in its absolute discretion and notified to the Eligible Participant in the offer and shall be no less than the higher of:

- (a) the net asset value per share of CWF as calculated by dividing (a) the audited net asset value of CWF as set out in the audited financial statements immediately preceding the offer date by (b) the number of shares of CWF in issue and credited as fully paid as at the offer date; and
- (b) the nominal value of a share of CWF on the offer date.

The Foundations Scheme is valid and effective for a period for 10 years commencing on the adoption date, i.e. 28 August 2002.

No option has been granted under the Foundations Scheme since its adoption.

Notes to the Consolidated Financial Statements
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35. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made retirement benefit scheme contributions of HK\$20,148,000 (2009: HK\$18,804,000) after forfeited contributions utilised of HK\$1,414,000 (2009: HK\$102,000).

At the end of the reporting period, the Group did not have any significant forfeited contributions which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to the retirement benefits schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the respective schemes.

36. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 5 February 2010, Chun Wo China Construction Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Pacific Group Limited, a company wholly owned by Mr. Pang Kam Chun, a director and controlling shareholder of the Company, for acquisition of the remaining 62% of the issued share capital of Mandarin Group Limited and its subsidiary (collectively referred to as the “Mandarin Group”); and the shareholder’s loan of HK\$5,145,732 due and owing by Mandarin Group Limited to Pacific Group Limited at a total consideration of HK\$36,100,000. Since these companies are principally engaged in the property development, the acquisitions were therefore regarded as acquisition of assets and liabilities. The consideration was satisfied by the issue of 56,406,250 ordinary shares at an issue price of HK\$0.64 upon completion. Upon the completion on 16 March 2010, Mandarin Group Limited became a wholly-owned subsidiary of the Company.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

36. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (continued)

The net assets of the Mandarin Group at the date of acquisition were as follows:

	Carrying amount and fair value
	HK\$'000
Net assets acquired:	
Property, plant and equipment	41
Properties under development	80,600
Other receivables and prepayments	859
Bank balances and cash	3,263
Other payables and accrued expenses	(14,230)
Amounts due to the Company's subsidiaries	<u>(4,347)</u>
Net assets of the Mandarin Group	66,186
Less: Interests in associates	(19,846)
Less: Deemed contribution from a shareholder upon acquisition of subsidiaries	<u>(10,240)</u>
	<u>36,100</u>
Consideration satisfied by:	
Shares issued	<u>36,100</u>
Cash inflow arising on acquisition:	
Bank balances and cash acquired	<u>3,263</u>

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

37. DISPOSALS OF SUBSIDIARIES

During the year ended 31 March 2010, the Group disposed of its wholly-owned subsidiaries, which were established in the PRC and engaged in property development, at a cash consideration of HK\$84,515,000 to an independent third party. The disposal was considered as disposal of assets-based subsidiaries as its subsidiaries owned properties interests. Upon the sale of these subsidiaries, the corresponding consideration for and the carrying amounts of the underlying properties interests were recorded as revenue and cost of sales respectively. Translation reserve relating to the relevant subsidiaries of HK\$16,898,000 was released to profit or loss for the year.

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of plant and machinery and motor vehicle with a total capital value at the inception of the leases of HK\$25,215,000 (2009: HK\$nil).

As disclosed in note 36, the Group has acquired assets and liabilities through acquisition of subsidiaries by issuing the Company's ordinary shares. The net cash inflow of the transaction was HK\$3,263,000 (2009: HK\$nil).

39. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements

2010 HK\$'000	2009 HK\$'000
3,610	7,986

40. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

Within one year
In the second to fifth year inclusive

2010 HK\$'000	2009 HK\$'000
4,131	5,723
1,055	1,856
5,186	7,579

Operating leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

Notes to the Consolidated Financial Statements
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40. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor:

Property rental income earned during the year was HK\$15,307,000 (HK\$27,752,000). The properties held have committed tenants for an average term of two years. In addition to the minimum lease payments, the Group are entitled to receive contingent rent based on a fixed percentage of turnover of the tenants in excess of the minimum lease payments as stated in the relevant rental agreements.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2010 HK\$'000	2009 HK\$'000
Within one year	5,367	19,303
In the second to fifth year inclusive	3,622	17,270
	<u>8,989</u>	<u>36,573</u>

41. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	2010 HK\$'000	2009 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	352,909	224,248
– an associate	–	4,400
– jointly controlled entities	5,850	5,850
	<u>358,759</u>	<u>234,498</u>
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	<u>40,000</u>	<u>48,000</u>
Extent of a guarantee issued to a customer to indemnify contract work of a subsidiary	<u>–</u>	<u>115,900</u>
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	<u>197,144</u>	<u>221,530</u>

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote. Accordingly, no value has been recognised in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

42. 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:

	2010	2009
	HK\$'000	HK\$'000
Investment properties	315,000	608,000
Leasehold buildings and related prepaid lease payments	38,717	–
Properties under development	152,603	416,420
Properties held for sale	–	172,888
Bank deposits	67,566	22,454
	573,886	1,219,762

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 Consolidated Financial Statements
For the year ended 31 March 2010

43. RELATED PARTY TRANSACTIONS

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

	Associates		Jointly controlled entities	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Transactions during the year:				
Contract revenue recognised	<u>-</u>	<u>-</u>	<u>45,282</u>	<u>8,988</u>
Project management fee received	<u>-</u>	<u>-</u>	<u>293</u>	<u>240</u>
Security guard services income received	<u>-</u>	<u>-</u>	<u>479</u>	<u>677</u>
Interest expense	<u>-</u>	<u>-</u>	<u>135</u>	<u>-</u>
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	<u>-</u>	<u>4,400</u>	<u>5,850</u>	<u>5,850</u>
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	<u>40,000</u>	<u>48,000</u>	<u>-</u>	<u>-</u>

- (ii) On 5 February 2010, Chun Wo China Construction Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Pacific Group Limited, a company wholly owned by Mr. Pang Kam Chun, a director and controlling shareholder of the Company, to acquire remaining 62% of the issued share capital of Mandarin Group Limited and its subsidiary; and the shareholder's loan of HK\$5,145,732 due and owing by Mandarin Group Limited to Pacific Group Limited at a total consideration of HK\$36,100,000. Details of the transaction are set out in the Company's announcement dated 25 February 2010 and disclosed in note 36.
- (iii) The Group's key management personnel are all Directors, details of their remuneration are disclosed in note 11.
- (iv) Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and respective notes.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

44. COMPANY'S CONDENSED BALANCE SHEET

	2010	2009
	HK\$'000	HK\$'000
ASSETS AND LIABILITIES		
Total assets	1,166,416	1,308,446
Total liabilities	(502,012)	(697,291)
	664,404	611,155
CAPITAL RESERVES		
Share capital	91,572	85,884
Reserves	572,832	525,271
	664,404	611,155

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2010 and 2009 are as follows:

Name of subsidiary	Place of Incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/registered capital				Principal activities
			held by the Company/ subsidiaries		attributable to the Group		
			2010 %	2009 %	2010 %	2009 %	
Caine Developments Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Investment holding
Chun Wo Building Construction Limited	Hong Kong	HK\$200,000 ordinary shares	100	100	100	100	Construction
Chun Wo (China) Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Investment holding and construction
Chun Wo Civil Engineering Limited	Hong Kong	HK\$18,000,000 ordinary shares	100	100	100	100	Construction
Chun Wo Construction and Engineering Company Limited ("CWCE")	Hong Kong	HK\$41,000,000 ordinary shares	100	100	100	100	Construction
		HK\$9,000,000 non-voting deferred shares	(note a)				
Chun Wo Contractors Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Construction
Chun Wo E & M Engineering Limited	Hong Kong	HK\$11,500,000 ordinary shares	100	100	100	100	Electrical and mechanical contract works
Chun Wo Elegant Decoration Engineering Company Limited	Hong Kong	HK\$4,000,000 ordinary shares	100	100	100	100	Interior design and decoration

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of Incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of				Principal activities
			held by the Company/ subsidiaries		attributable to the Group		
			2010 %	2009 %	2010 %	2009 %	
Chun Wo Foundations Limited	Hong Kong	HK\$19,000,000 ordinary shares	100	100	100	100	Construction
Chun Wo Railway Engineering Limited	Hong Kong	HK\$1 ordinary share	100	100	100	100	Construction
City Professional Management Limited	Hong Kong	HK\$3,000,000 ordinary shares	100	100	100	100	Property management and guarding services
City Security Company Limited	Hong Kong	HK\$1,000,000 ordinary shares	100	100	100	100	Security guard services
Mandarin Group Limited	BVI	HK\$26,000,000 ordinary share	100	38	100	38	Investment holding
Rich Resource Development Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Property investment
Shanghai Jinchun Wo Construction Engineering Co., Ltd. (note b)	PRC	US\$3,000,000 registered capital	100	100	100	100	Construction
Smart Rise Investment Limited	Hong Kong	HK\$2 ordinary shares	100	100	100	100	Security investment
Smartwill Asia Limited	Hong Kong	HK\$1 ordinary share	100	100	100	100	Property development
Wing Cheong Electrical Engineering & Contracting Company Limited	Hong Kong	HK\$15,000,000 ordinary shares	100	100	100	100	Electrical engineering
石家莊俊景房地產開發有限公司 (note c)	PRC	HK\$150,000,000 registered capital	100	100	100	100	Property development

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of Incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of issued share capital/registered capital				Principal activities
			held by the Company/ subsidiaries		attributable to the Group		
			2010 %	2009 %	2010 %	2009 %	
揚州俊杰房地產開發有限公司 (note c)	PRC	HK\$55,000,000 registered capital	100	100	100	100	Property development
宜興龍譽房地產開發有限公司 (note c and e)	PRC	US\$5,000,000 registered capital	-	100	-	100	Property development
沈陽盛隆房地產開發有限公司 (note c)	PRC	US\$20,000,000 registered capital	100	100	100	100	Property development

Notes:

- (a) The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of CWCE or to participate in any distribution on winding up. Chun Wo Hong Kong Limited, a subsidiary of the Company, has been granted an option by the holders of the non-voting deferred shares to acquire these shares at a nominal amount.
- (b) The subsidiary is registered as a sino-foreign equity joint venture company.
- (c) The subsidiaries are wholly foreign owned enterprise.
- (d) All the above principal subsidiaries are indirectly held by the Company.
- (e) The subsidiary was disposed of during the year.

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

None of the subsidiaries had any debt securities outstanding at 31 March 2010 or at any time during the year.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2010

46. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates as at 31 March 2010 and 2009 are as follows:

Name of associate	Form of business structure	Place of incorporation and operations	Nominal value of issued capital	Percentage of issued capital held by the Group		Principal activities
				2010 %	2009 %	
Grand View Properties Limited	Incorporated	Hong Kong	HK\$10 ordinary shares	40	40	Property investment
Mandarin Group Limited	Incorporated	BVI	HK\$26,000,000 ordinary shares	100 (Note)	38	Investment holding
Vietnam Land (HK) Limited	Incorporated	BVI	US\$25,000,000 ordinary shares	20	20	Investment holding

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

Note: The Group acquired the remaining 62% interest in Mandarin Group Limited during the year which became a subsidiary of the Group. Details of the transaction are disclosed in note 36.

Notes to the Consolidated Financial Statements
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47. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities as at 31 March 2010 and 2009 are as follows:

Name of jointly controlled entity	Form of business structure	Place of registration/ operation	Attributable interest to		Principal activities
			the Group 2010 %	2009 %	
Bin Khaled & Chun Wo Foundation LLC	Incorporated	UAE	49	49	Construction
Chun Wo-Henryvicy-China Railway Construction Corporation Joint Venture	Unincorporated	Hong Kong	50	50	Construction
Chun Wo-Henryvicy-China Railway Construction Corporation-Queensland Rail Joint Venture	Unincorporated	Hong Kong	45	45	Construction
Hip Hing-Chun Wo Joint Venture	Unincorporated	Hong Kong	51 (Note)	51 (Note)	Construction

Note: The Group holds greater than 50% interests in these entities. However, under the joint venture agreements, the entities are jointly controlled by the Group and the other significant joint venture partners. The joint venture partners have contractually agreed sharing of control over the financial and operating policies of these entities, therefore these entities are classified as jointly controlled entities.

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affect the results of the year or constitute a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

The Group is entitled to share the operating results of these jointly-controlled entities based on the Group's ownership interest/profit sharing ratio under the respective joint venture agreement.

FINANCIAL SUMMARY

	Year ended 31 March				2010 HK\$'000
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	
RESULTS					
Revenue	<u>2,600,638</u>	<u>4,034,066</u>	<u>2,952,736</u>	<u>2,010,338</u>	<u>2,606,241</u>
Profit (loss) before tax	62,237	578,303	123,097	(100,275)	26,062
Income tax (expense) credit	<u>(6,967)</u>	<u>(98,748)</u>	<u>(42,542)</u>	<u>(19,602)</u>	<u>5,028</u>
Profit (loss) for the year	<u>55,270</u>	<u>479,555</u>	<u>80,555</u>	<u>(119,877)</u>	<u>31,090</u>
Attributable to:					
Owners to the Company	56,525	480,376	80,548	(119,877)	31,090
Non-controlling interests	<u>(1,255)</u>	<u>(821)</u>	<u>7</u>	<u>-</u>	<u>-</u>
	<u>55,270</u>	<u>479,555</u>	<u>80,555</u>	<u>(119,877)</u>	<u>31,090</u>
At 31 March					
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
ASSETS AND LIABILITIES					
Total assets	3,351,549	3,441,968	3,577,750	3,602,100	3,657,073
Total liabilities	<u>(2,555,807)</u>	<u>(2,190,580)</u>	<u>(2,164,789)</u>	<u>(2,315,195)</u>	<u>(2,308,734)</u>
	<u>795,742</u>	<u>1,251,388</u>	<u>1,412,961</u>	<u>1,286,905</u>	<u>1,348,339</u>
Equity attributable to:					
Owners to the Company	794,266	1,251,045	1,412,611	1,286,555	1,347,989
Non-controlling interests	<u>1,476</u>	<u>343</u>	<u>350</u>	<u>350</u>	<u>350</u>
	<u>795,742</u>	<u>1,251,388</u>	<u>1,412,961</u>	<u>1,286,905</u>	<u>1,348,339</u>

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR DEVELOPMENT/SALE

Location	Stage of completion	Expected date of completion	Usage	Total estimated site area (square metres)	Total estimated gross floor area (square metres)	Group's interest
A parcel of land located between northern side of He Ping Road and southern side of Guang Hua Road Shijiazhuang, Hebei Province, The People's Republic of China	Phase 1: Completed Phase 2: Construction in progress Phase 3: Planning	— August 2011 —	Residential, commercial and carpark	111,554	286,090 (Phase 1: Unsold units and Phase 2 & 3)	100%
A parcel of land located at the western side of Yangzijiang Road Central, Yangzhou, Jiangsu Province, The People's Republic of China	Completed	—	Residential, commercial and carpark	17,505	3,696 (unsold units)	100%
A parcel of land located at the northeastern side of Shanwei Middle Road, Shanwei City, Guangdong Province, The People's Republic of China	Foundation completed	October 2011	Residential, commercial and carpark	8,576	73,055	100%
Plot No. S5-C35 at Shams Abu Dhabi, Al Reem Island, Abu Dhabi, United Arab Emirates	Planning	—	Residential	2,425	22,715	100%
Plot No. S6-C05 at Shams Abu Dhabi, Al Reem Island, Abu Dhabi, United Arab Emirates	Planning	—	Residential	1,646	5,644	100%
Plot No. RRA-02, Marjan Island, Ras Al Khaimah, United Arab Emirates	Planning	—	Residential	14,673	40,351	100%

PARTICULARS OF PROPERTIES

PROPERTIES HELD FOR INVESTMENT

Location	Usage	Lease term
Commercial Shops and Carparks Inland Lot No. 6179 Clear Water Bay Road Kowloon Hong Kong	Commercial and carpark	Medium
Level 23 Wing Kin Square No. 31 Jiansheliu Road Dongshan District, Guangzhou City The People's Republic of China	Commercial	Medium
Unit B, Level 11, Tower 1 Onward Science & Trade Centre No. 2 Dong Huan South Road Chao Yang District, Beijing The People's Republic of China	Commercial	Medium