



CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00711



Interim Report

2014

Vision

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

Mission

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

Core Values



CONTENTS

	Page
Corporate Information	2
Management Discussion and Analysis	3
Corporate Social Responsibility	10
Awards and Recognitions	11
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Condensed Consolidated Statement of Financial Position	14
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Statement of Cash Flows	17
Notes to the Condensed Consolidated Financial Statements	19
Other Information	37
Chairman's Appreciation	44



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
Shea Chun Lok, Martin

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

COMPANY SECRETARY

Chan Sau Mui, Juanna

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Conyers Dill & Pearman
Deacons

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai
Banking Corporation 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

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

www.chunwo.com

STOCK CODE

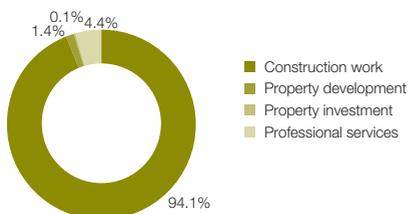
00711

MANAGEMENT DISCUSSION AND ANALYSIS

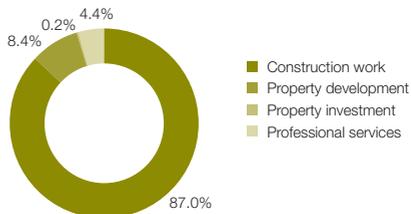
FINANCIAL SUMMARY

Revenue and Results by Operating and Reportable Segment

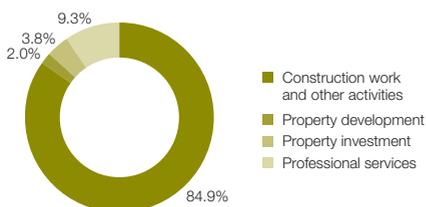
Segment Revenue
(Six months ended 30 September 2014)



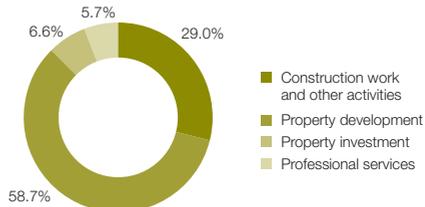
Segment Revenue
(Six months ended 30 September 2013)



Segment Results
(Six months ended 30 September 2014)



Segment Results
(Six months ended 30 September 2013)



Summary of the results for the six months ended 30 September 2014 is as follows:

- Segment revenue was approximately HK\$3.97 billion, 28% increased from that of the corresponding period of last year.
- Segment results was approximately HK\$69.8 million, by comparing with that of approximately HK\$114.3 million for the corresponding period of last year.

BUSINESS REVIEW

Interim Results

For the six months ended 30 September 2014, Chun Wo Development Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group” or “Chun Wo”) recorded revenue of approximately HK\$3.97 billion, representing a year-on-year rise of 28% from approximately HK\$3.11 billion. Profit attributable to owners of the Company amounted to approximately HK\$20.5 million compared with approximately HK\$53.4 million for the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Construction

Over the past six months, the management has maintained its objective of leveraging opportunities created by infrastructure and urban development in Hong Kong. Having amassed extensive experience in the construction sector, and continuously strengthened its reputation, such competitive edges have enabled Chun Wo to consistently earn new contracts. During the review period, the construction operation recorded revenue of approximately HK\$3.74 billion, representing year-on-year growth of 38% despite a slowdown in the tendering of government projects. Ever mindful of the need to further enhance profitability, better control costs and budgeting, the Group has been scrupulous towards examining tenders, electing to focus on short-term projects in particular. Segmental profit rose by 79% over the last corresponding period, amounting to approximately HK\$59.9 million in the review period. Chun Wo has also sought to capitalise on its wide-ranging capabilities, submitting tenders for large-scale infrastructure projects, including tunnelling projects that are not only able to return higher profit margins but further showcase the Group's extensive expertise.

As at 30 September 2014, the total value of construction contracts was estimated at approximately HK\$30.02 billion — representing a new record high of the Group, in which approximately HK\$15.33 billion remains outstanding. In all, seven new projects were won, equivalent to a total contract sum of approximately HK\$2.22 billion, among which include a joint-venture contract for building the boundary crossing facilities, passenger clearance building and the public transport facilities for Hong Kong-Zhuhai-Macao Bridge in Hong Kong. This joint venture project alone represents a record-high contract sum — valued at approximately HK\$8.40 billion of which Chun Wo has a stake, and is emblematic of the confidence that the Group enjoys for undertaking such mammoth infrastructure developments.

Indicative of the Group's competitiveness in public sector tenders, Chun Wo was also awarded with a construction contract for the public housing development at Lin Shing Road, Chai Wan, which is part of the initiative of the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") to increase the supply of affordable housing to the general public.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Construction *(Continued)*

Outside of Hong Kong, Chun Wo has continued to strengthen its presence in neighbouring Macau by securing several notable projects, including a contract with the leading gaming and entertainment resort facilities owner and developer, Melco Crown Entertainment Limited for the design, supply and installation work at Tree House and Adventure Gate, which are located in Studio City Macau, Cotai. The Group also secured a project with the authorities of the Macau International Airport in last financial year. Such opportunities will help further bolster the Group's reputation in the enclave; opening the door to still more projects in the future. It is worth noting as well that the Government of the Macau Special Administrative Region offers hospitable conditions, including favourable labour policies that are less restrictive towards import workers, and thus enable Chun Wo to achieve higher margins.

During the review period, the Group achieved further progress on the Central–Wan Chai Bypass projects, which it won in 2009. Moreover, among the five projects that Chun Wo has completed, include the Residential Development at 106–114 Kwok Shui Road in Tsuen Wan; the Open Space in Area 117, Tin Shui Wai; and MTR Contract No. 771B–West Island Line: Building Services for Kennedy Town Station.

Property Development

Revenue derived from the property development business amounted to approximately HK\$53.2 million in the review period, compared with approximately HK\$262.3 million for the corresponding period of 2013. Segmental profit amounted to approximately HK\$1.4 million, compared with approximately HK\$67.1 million for the same period last year. The declines are indicative of the closing of sales activities among the Group's properties in Mainland China, whereas properties in Hong Kong are currently at preliminary stages of development. The Hong Kong projects, which are situated in attractive locations with strong demand from home buyers, are expected to become good revenue streams for the Company upon completion.

Consistent with Chun Wo's focus on Hong Kong and Southern China, it has continued to make steady progress on projects in both regions. In Hong Kong, the luxurious residential development at Kau To Shan, Sha Tin will begin site formation work in 2015 subsequent to approval from relevant authorities. The residential development on Tseng Choi Street, Tuen Mun, has achieved satisfactory progress, with demolition of existing buildings now in progress, and pre-sale activities are expected to commence by as early as 2016. And also, the industrial redevelopment project at Cheung Sha Wan has applied for Compulsory Sales Order, with hearing scheduled in the first quarter of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Development *(Continued)*

In Mainland China, the Group has sought to sell the remaining flats of its projects in Shijiazhuang and Shanwei, and thereby generate capital for projects in the pipeline. As at the review period, 81% of units in Tower 8 and 100% of units in Tower 9 of “Arc De Royal” in Shijiazhuang have been sold. In respect of “Le Palais Royal” in Shanwei, 99% of residential units and 98% of shops have been sold as at the review period.

For overseas, construction of the “Reem Diamond”, a low-rise residential development in Abu Dhabi, United Arab Emirates, was completed in April 2014. Thus far, approximately half of the units available have been leased, contributing rental income of approximately HK\$5 million during the review period. Chun Wo will therefore focus on quickly securing rental contracts for the remaining units so as to maximise rental income within a short timeframe. Moreover, in the medium term, the Group might also consider selling the units that have lease contracts when appropriate.

The management remains open to small-scale projects where such projects can be quickly completed and launched on the market, thus pose lower risk.

Property Investment

With respect to the “Grand View Garden” shopping mall, located on Hammer Hill Road, Kowloon, which Chun Wo holds 40% shareholding interest, the property achieved year-on-year rental growth of 6%. Further, the disposal of the “Infinity 8” shopping mall in Choi Hung was completed in June 2014, resulting in revenue of approximately HK\$353.8 million, which was recorded in the previous financial year.

Security and Property Management Services

The Group’s security and property management services subsidiaries have continued to bolster their reputation for providing dependable, quality one-stop facilities solutions, by earning severable notable contracts. These agreements include a security contract with Caritas Medical Centre and a cleaning contract with TWGHs Wong Tai Sin Hospital, both are managed by Hospital Authority, a security and car park management contract with Harriman Property Management Limited for One Midtown and clubhouse management contracts with MTR Corporation Limited pertaining to The Waterfront and Lake Silver properties. Furthermore, the Group’s security services subsidiary has again been selected to provide security services for the 49th Hong Kong Brands and Product Expo — the fifth consecutive year that they have been entrusted with the responsibility. The subsidiaries remain fully committed to further penetrate the market in order to grasp fresh opportunities for sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Liquidity and Financial Resources

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

At 30 September 2014, the total net debts of the Group amounted to approximately HK\$1,344.8 million, representing total debts of approximately HK\$2,631.8 million less total of pledged bank deposits and bank balances and cash of approximately HK\$1,287.0 million. The debt maturity profile based on scheduled repayment dates set out in loan agreements of the Group at 30 September 2014 is analysed as follows:

	As at 30 September 2014 HK\$ million	As at 31 March 2014 HK\$ million
Borrowings and obligations under finance leases repayable:		
Within one year or on demand	2,045.2	2,004.2
After one year, but within two years		
— On demand shown under current liabilities	64.9	18.4
— Remaining balances	18.8	15.8
After two years, but within five years		
— On demand shown under current liabilities	207.0	26.6
— Remaining balances	125.9	243.8
	2,461.8	2,308.8
Unsecured bonds		
— Repayable within one year	150.0	150.0
Amounts due to joint operations/other partner of a joint operation		
— Repayable on demand	20.0	55.0
— Repayable within one year	—	10.0
Total debts	2,631.8	2,523.8

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Liquidity and Financial Resources *(Continued)*

At 30 September 2014, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to owners of the Company was 0.81 (31 March 2014: 0.73).

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

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

Pledge of Assets

As at 30 September 2014, the Group pledged bank deposits, properties, plant and equipment of approximately HK\$1,295.2 million to financial institutions in order to secure the general banking facilities granted to the Group.

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.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in Note 18 to the condensed consolidated financial statements.

Employee and Remuneration Policies

The Group had approximately 4,750 employees as at 30 September 2014. Total remuneration of employees for the six months ended 30 September 2014 amounted to approximately HK\$622.5 million. Employees are remunerated based on the nature of the job and market trend, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. The remuneration system also includes various bonuses and incentives to ensure a competitive remuneration level, particularly for highly-skilled personnel. Bonus is determined by the performance of the respective subsidiaries and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions. The Group aims to build up a sufficiently competitive remuneration system, attracting good employees to secure their commitment to the Company and to motivate them.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK AND PROSPECTS

Construction

The Hong Kong Government is expected to remain a significant source of construction projects in the coming years, given that its Capital Works Reserve Fund is valued at an estimated approximately HK\$78.7 billion as at 1 April 2014. Even though the pace of public tenders announced have recently slowed, the construction sector has flourished, and will likely continue to thrive driven by such major developments as the West Kowloon Cultural District, Kowloon East, Tuen Mun-Chek Lap Kok Link, Tuen Mun Western Bypass, and Central-Kowloon Route. Aside from these infrastructure and construction projects, the Group will also continue to keep an eye on the possible opportunities emerging from the north-eastern New Territories and housing market.

With regard to public housing projects, the Hong Kong Government's 2014 Policy Address has indicated that the new public housing supply would increase from 25,000 units to 28,000 units annually, while the Long-Term Housing Strategy Steering Committee has suggested the provision of 470,000 units within the coming decade. Given that 60% of this figure consists of public residences, there are expected to be more opportunities for Chun Wo to strengthen its presence in this housing segment.

While the construction industry is set to sustain growth, there remain ongoing challenges that are unlikely to dissipate in the immediate future. They include continuously rising operating costs and subcontractor fees, as well as a shortage of skilled labour. Consequently, the Group has been operating an elite training programme aimed at recruiting young talents, while concurrently; talent retention initiatives have helped retain many of its top veterans and skilled workers. The aforementioned challenges also help support the Group's reasoning behind its focus on short- to medium-term projects as they facilitate greater cost control and better management of working capital. Yet another area of concern is the delay in the issuance of new contracts by the Hong Kong Government due to conflicts between various political parties. If such delays persist, the Group may be confronted with a marked slowdown in the construction industry from 2016 onwards.

Property Development

Even though cooling measures implemented by the respective governments of Hong Kong and Mainland China have effectively reduced some of the speculation-driven volatility in the property market, the subsequent easing of such measures recently have highlighted concerns that policies rather than demand are driving the markets; hence, Chun Wo will remain highly cautious towards pursuing new projects.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK AND PROSPECTS *(Continued)*

Property Development *(Continued)*

Despite the cautionary note, the Group will continue to focus on development opportunities within Southern China and Hong Kong. While priority will be given to smaller scale projects that can best optimise Chun Wo's resources, this does not preclude the possibility of engaging in larger scale projects through joint ventures with potential partners. With its renowned technical expertise and ample construction resources, the Group has been approached by other developers seeking joint-venture arrangements. Chun Wo will thoroughly examine such opportunities as it recognises that they represent ideal means for engaging in large-scale projects with lower risk as well as draw less working capital.

Presently, Chun Wo has acquired a new plot of land in Tung Chung, which will add to its Hong Kong land bank. In Mainland China, the Group will continue to explore the possibility of developing Phase 3 of "Arc De Royal" in Shijiazhuang with a suitable partner, or alternatively, disposing of the property in its entirety to generate additional capital.

CORPORATE SOCIAL RESPONSIBILITY

Chun Wo is fully committed to fulfilling its corporate social responsibilities. Correspondingly, one of its missions is to improve people's quality of life through city and infrastructure development. During the past six months, the Group has been implementing a "Harmonious Community" campaign that encourages front-line staff at its construction sites — located across all 18 districts of Hong Kong — to strengthen communication and form closer ties with the stakeholders of their respective communities through various volunteer activities. Nearly 350 staff members have participated in the campaign and more than 45 activities for corporate social responsibility have been held so far, benefitting approximately 2,500 people. The campaign aims to promote sustainable development, lessen disruptions caused by construction work on the community and improve residents' living environment.

AWARDS AND RECOGNITIONS

Within the review period, Chun Wo continued to earn recognition from members of the public and private sectors, as highlighted by the following accolades:

Award Name	Issuing Authority
Yan Oi Tong Plastic Recycling Partnership Scheme 2013–2014 – Construction (Bronze Award)	Yan Oi Tong EcoPark Plastic Resources Recycling Centre
Innovative Safety Initiative Award 2014 – Operational Device Category (Gold Award) (Radio Frequency Identification (RFID))	Development Bureau, Construction Industry Council & Hong Kong Construction Association
Innovative Safety Initiative Award 2014 – Operational Device Category (Bronze Award) (Double Latch for Lifting Hook)	Development Bureau, Construction Industry Council & Hong Kong Construction Association
The 20th Considerate Contractors Site Award Scheme – Considerate Contractors Site Awards (Public Works — New Works) (Gold Award)	Development Bureau & Construction Industry Council
The 20th Considerate Contractors Site Award Scheme – Outstanding Environmental Management & Performance Awards (Silver Award)	Development Bureau & Construction Industry Council
Construction Safety Forum and Award Presentation 2014 – Best Safe Working Cycle Site (Bronze Award)	Occupational Safety & Health Council
The 13th Hong Kong Occupational Safety & Health Award – Safety Management System Award – Construction (Silver Award)	Occupational Safety & Health Council
Projects Quality, Safety, Environmental and Stakeholder Engagement Awards – Gold Safety Award for Express Rail Link Project	MTR Corporation Limited
Projects Quality, Safety, Environmental and Stakeholder Engagement Awards – Gold Stakeholder Engagement Award	MTR Corporation Limited
Safe Project Team Award 2014 – Recognizing Excellence in Safety (Bronze Award)	The Lighthouse Club

AWARDS AND RECOGNITIONS *(Continued)*

It is worth noting that Chun Wo was again recognised by the Occupational Safety & Health Council, winning The 13th Hong Kong Occupational Safety & Health Award — Safety Management System Award — Construction (Silver Award). This represented a step forward from the Bronze Award that it earned only a year earlier, while it also received the Construction Safety Forum and Award Presentation 2014 — Best Safe Working Cycle Site (Bronze Award). Still other safety-related awards that it has received include the Gold Safety Award for the Express Rail Link Project under the Projects Quality, Safety, Environmental and Stakeholder Engagement Awards from MTR Corporation Limited, and the Recognizing Excellence in Safety (Bronze Award) in Safe Project Team Award 2014 from The Lighthouse Club.

The Development Bureau, Construction Industry Council (CIC) and Hong Kong Construction Association likewise took note of Chun Wo's innovation on safety initiative for operational device. During CIC's Innovative Safety Initiative Award 2014, the Group was presented with the Operational Device Category (Gold Award) for its Radio Frequency Identification (RFID) and Operational Device Category (Bronze Award) for its Double Latch for Lifting Hook. Moreover, at the Award Presentation Ceremony of The 20th Considerate Contractors Site Award Scheme, Chun Wo won the Considerate Contractors Site Awards (Public Works — New Works) (Gold Award) and Outstanding Environmental Management & Performance Awards (Silver Award) from Development Bureau and CIC, which added credence to the Group's objective of championing safety and environmental protection in the industry.

The MTR Corporation Limited recognised the outstanding performance of Chun Wo in stakeholder engagement. The Group was awarded Gold Stakeholder Engagement Award for its proactive and established efforts to gain the trust of Stakeholders to facilitate construction work.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014 (Unaudited)

	Notes	Six months ended 30 September	
		2014 HK\$'000	2013 HK\$'000
Revenue	3	3,967,564	3,106,654
Cost of sales		(3,753,988)	(2,887,190)
Gross profit		213,576	219,464
Other income		13,303	9,741
Other gains and losses		3,326	22,345
Selling expenses		(6,930)	(4,540)
General and administrative expenses		(156,236)	(145,136)
Share of results of associates		1,900	9,035
Finance costs	4	(18,696)	(21,123)
Profit before tax		50,243	89,786
Income tax expense	5	(24,342)	(36,416)
Profit for the period	6	25,901	53,370
Other comprehensive income (expense) <i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		(289)	12,166
Release of translation reserve upon deregistration of a subsidiary		-	(22,313)
Other comprehensive expense for the period		(289)	(10,147)
Total comprehensive income for the period		25,612	43,223
Profit for the period attributable to:			
Owners of the Company		20,485	53,370
Non-controlling interests		5,416	-
		25,901	53,370
Total comprehensive income attributable to:			
Owners of the Company		20,196	43,223
Non-controlling interests		5,416	-
		25,612	43,223
Earnings per share	8		
— Basic		HK 1.89 cents	HK 5.35 cents
— Diluted		HK 1.89 cents	HK 5.29 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014 (Unaudited)

	Notes	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Non-current assets			
Property, plant and equipment	9	319,934	279,237
Investment properties	10	60,993	60,982
Interests in associates		67,983	66,083
Deferred tax assets		7,768	7,768
Amounts due from associates		103,611	103,611
Amount due from an investee company	11	155,700	154,200
		715,989	671,881
Current assets			
Amounts due from customers for contract work		1,658,408	1,466,461
Debtors, deposits and prepayments	12	1,590,534	1,289,232
Properties under development for sale		1,024,295	773,242
Deposits paid for properties under development for sale		236,001	224,880
Properties held for sale		197,486	233,741
Deposits paid for properties held for sale		24,427	24,404
Investments held for trading		192	220
Amounts due from associates		21,119	16,055
Amounts due from joint operations/other partners of joint operations	13	240,542	232,260
Tax recoverable		9,421	8,254
Pledged bank deposits		551,797	504,584
Bank balances and cash		735,183	820,930
		6,289,405	5,594,263
Assets classified as held for sale		-	353,800
		6,289,405	5,948,063

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 September 2014 (Unaudited)

	Notes	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Current liabilities			
Amounts due to customers for contract work		886,251	893,991
Creditors, deposits and accrued charges	14	1,534,219	1,346,417
Deposits received from sales of properties		5,548	14,632
Amounts due to associates		20,159	20,151
Amounts due to joint operations/other partners of joint operations	13	161,896	163,025
Amounts due to non-controlling shareholders		48,433	10,006
Tax payable		57,304	49,774
Obligations under finance leases		20,934	18,642
Bank borrowings	15	2,296,144	2,030,576
Unsecured bonds		150,000	150,000
		5,180,888	4,697,214
Net current assets		1,108,517	1,250,849
Total assets less current liabilities		1,824,506	1,922,730
Non-current liabilities			
Obligations under finance leases		39,696	28,305
Bank borrowings	15	105,000	231,284
Deferred tax liabilities		20,276	18,595
		164,972	278,184
Net assets		1,659,534	1,644,546
Capital and reserves			
Share capital	16	109,203	108,310
Reserves		1,544,251	1,535,572
Equity attributable to owners of the Company		1,653,454	1,643,882
Non-controlling interests		6,080	664
Total equity		1,659,534	1,644,546

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014 (Unaudited)

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Share option reserve	Capital reserve	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	98,777	389,659	2,900	7,659	8,531	96,034	927,055	1,530,615	350	1,530,965
Profit for the period	-	-	-	-	-	-	53,370	53,370	-	53,370
Exchange differences arising on translation	-	-	-	-	-	12,166	-	12,166	-	12,166
Release of translation reserve upon deregistration of a subsidiary	-	-	-	-	-	(22,313)	-	(22,313)	-	(22,313)
Total comprehensive (expense) income for the period	-	-	-	-	-	(10,147)	53,370	43,223	-	43,223
Dividend	-	-	-	-	-	-	(13,878)	(13,878)	-	(13,878)
Recognition of equity-settled share-based payments	-	-	-	318	-	-	-	318	-	318
Issue of shares upon exercise of warrants and share options	8,983	35,837	-	-	-	-	-	44,820	-	44,820
Lapse of share options	-	-	-	(333)	-	-	333	-	-	-
At 30 September 2013	107,760	425,496	2,900	7,644	8,531	85,887	966,880	1,605,098	350	1,605,448
At 1 April 2014	108,310	427,201	2,900	1,090	8,531	82,579	1,013,271	1,643,882	664	1,644,546
Profit for the period	-	-	-	-	-	-	20,485	20,485	5,416	25,901
Exchange differences arising on translation	-	-	-	-	-	(289)	-	(289)	-	(289)
Total comprehensive (expense) income for the period	-	-	-	-	-	(289)	20,485	20,196	5,416	25,612
Dividend	-	-	-	-	-	-	(18,565)	(18,565)	-	(18,565)
Recognition of equity-settled share-based payments	-	-	-	146	-	-	-	146	-	146
Issue of shares upon exercise of share options	893	6,902	-	-	-	-	-	7,795	-	7,795
Lapse of share options	-	-	-	(147)	-	-	147	-	-	-
At 30 September 2014	109,203	434,103	2,900	1,089	8,531	82,290	1,015,338	1,653,454	6,080	1,659,534

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014 (Unaudited)

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Net cash (used in) from operating activities	(425,662)	52,670
Investing activities		
Dividend received from an associate	–	9,296
Proceeds from disposal of property, plant and equipment	6,562	348
Proceeds from disposal of investment properties	–	6,554
Proceeds from disposal of assets classified as held for sale	353,800	6,321
Interest received	8,205	4,904
Increase in amounts due from associates	–	(42)
Repayment from (advance to) a joint operation/ other partner of a joint operation	34,986	(39,200)
Increase in amount due from an investee company	(1,500)	(271,000)
Purchase of property, plant and equipment	(43,157)	(31,620)
Placement in pledged bank deposits	(99,932)	(289,176)
Withdrawal from pledged bank deposits	53,653	105,662
Net cash from (used in) investing activities	312,617	(497,953)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the six months ended 30 September 2014 (Unaudited)

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Financing activities		
(Repayment to) advance from a joint operation /other partner of a joint operation	(44,986)	39,200
Repayment to a non-controlling shareholder	(10,000)	–
New trust receipt loans raised	780,051	801,334
Repayment of trust receipt loans	(699,856)	(684,137)
New bank loans raised	938,185	960,764
Repayment of bank loans	(882,712)	(661,091)
Repayment of mortgage loans	–	(15,474)
Repayment of principal portion of obligations under finance leases	(11,120)	(10,192)
Interest paid	(32,817)	(33,721)
Proceeds from issue of shares	7,795	44,820
Dividend paid	(18,565)	–
Net cash from financing activities	25,975	441,503
Net decrease in cash and cash equivalents	(87,070)	(3,780)
Cash and cash equivalents at beginning of the period	820,930	607,615
Effect of foreign exchange rate changes	(2,293)	2,989
Cash and cash equivalents at end of the period	731,567	606,824
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	735,183	606,824
Bank overdraft	(3,616)	–
	731,567	606,824

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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

2 PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the new and revised HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these financial statements.

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

3 SEGMENT INFORMATION

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

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

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

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

3 SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 September 2014

	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	3,736,197	53,244	4,186	173,937	-	3,967,564
RESULT						
Operating results	60,888	411	699	6,503	(616)	67,885
Share of results of associates	(1,028)	993	1,935	-	-	1,900
Segment profit (loss)	59,860	1,404	2,634	6,503	(616)	69,785
Unallocated corporate expenses						(9,051)
Interest income						8,205
Finance costs						(18,696)
Profit before tax						50,243
Income tax expense						(24,342)
Profit for the period						25,901

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

3 SEGMENT INFORMATION *(Continued)*

For the six months ended 30 September 2013

	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	2,702,941	262,317	6,052	135,344	-	3,106,654
RESULT						
Operating results	33,387	59,920	5,725	6,467	(199)	105,300
Share of results of associates	-	7,223	1,812	-	-	9,035
Segment profit (loss)	33,387	67,143	7,537	6,467	(199)	114,335
Unallocated corporate expenses						(8,330)
Interest income						4,904
Finance costs						(21,123)
Profit before tax						89,786
Income tax expense						(36,416)
Profit for the period						53,370

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

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

4 FINANCE COSTS

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Interests on:		
Bank loans wholly repayable within five years	33,204	27,704
Unsecured bonds	5,438	5,438
Finance leases	672	579
Amounts due to joint operations/other partner of a joint operation	683	–
Total borrowing costs	39,997	33,721
Less: Amount attributable to contract work	(14,624)	(9,963)
Amount capitalised as part of costs of properties under development for sale	(6,677)	(2,635)
	18,696	21,123

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

5 INCOME TAX EXPENSE

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

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

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

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

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	12,179	8,583
– PRC Enterprise Income Tax	6,856	13,715
– PRC LAT	2,409	11,643
– Other jurisdictions	1,217	2,700
	22,661	36,641
Deferred tax charge (credit)	1,681	(225)
	24,342	36,416

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

6 PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	24,394	19,594
Less: Amount attributable to contract work	(21,237)	(16,562)
	3,157	3,032
Gain on disposal of property, plant and equipment	(3,689)	(120)

7 DIVIDENDS

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Final dividend recognised as distribution during the period in respect of 2014 of HK1.7 cents (2013: HK1.4 cents) per share	18,565	13,878

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2014.

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

8 EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	20,485	53,370

	Six months ended	
	30 September	
	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,085,674,275	997,530,970
Effect of dilutive potential ordinary shares in respect of:		
– Share options	4,848	2,812,519
– Warrants	–	8,092,199
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,085,679,123	1,008,435,688

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$43.2 million (six months ended 30 September 2013: HK\$31.6 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$2.9 million (six months ended 30 September 2013: HK\$0.2 million).

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

10 INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 April 2014	60,982
Exchange realignment	11
At 30 September 2014	60,993

11 AMOUNT DUE FROM AN INVESTEE COMPANY

The amount due from an investee company represents the amount advanced to an investee company for one of the Group's property development projects, which is unsecured, interest-free and will not be repayable within the next twelve months.

12 DEBTORS, DEPOSITS AND PREPAYMENTS

Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are normally settled within one month. The ageing analysis of trade debtors (by due date) of HK\$906,092,000 (at 31 March 2014: HK\$733,293,000), which are included in the Group's debtors, deposits and prepayments, is as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Not yet due	879,993	695,790
Amounts past due but not impaired:		
1–30 days	20,280	29,793
31–90 days	5,041	3,989
91–180 days	93	3,220
Over 180 days	685	501
	906,092	733,293

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

13 AMOUNTS DUE FROM (TO) JOINT OPERATIONS/OTHER PARTNERS OF JOINT OPERATIONS

Amount represents balances due from and to joint operations, which are deemed to be borne by other partners of such joint operations, amounting to HK\$168,605,000 (at 31 March 2014: HK\$194,914,000) and HK\$70,020,000 (at 31 March 2014: HK\$85,818,000) respectively, and balances due from and to other partners of joint operations amounting to HK\$71,937,000 (at 31 March 2014: HK\$37,346,000) and HK\$91,876,000 (at 31 March 2014: HK\$77,207,000) respectively.

14 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK\$776,181,000 (at 31 March 2014: HK\$730,758,000), which are included in the Group's creditors, deposits and accrued charges, is as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Not yet due	552,399	589,986
1–30 days	142,638	78,100
31–90 days	56,604	35,856
91–180 days	13,431	9,643
Over 180 days	11,109	17,173
	776,181	730,758

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

15 BANK BORROWINGS

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Bank borrowings comprise:		
Bank overdraft	3,616	–
Trust receipt loans	433,707	353,511
Bank loans	1,963,821	1,908,349
	2,401,144	2,261,860
Analysed as:		
Secured	1,513,071	1,524,053
Unsecured	888,073	737,807
	2,401,144	2,261,860
Carrying amount repayable <i>(Note)</i>		
Within one year	250,784	–
More than one year, but not more than five years	105,000	231,284
	355,784	231,284
Carrying amount of bank loans that contain a repayment on demand clause		
– repayable within one year	1,773,526	1,985,563
– repayable after one year (shown under current liabilities)	271,834	45,013
	2,045,360	2,030,576
	2,401,144	2,261,860
Amounts shown under current liabilities	(2,296,144)	(2,030,576)
Amounts due after one year	105,000	231,284

Note: The amounts due are based on scheduled repayment dates set out in the respective loan agreements, which do not contain a repayment on demand clause.

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

15 BANK BORROWINGS *(Continued)*

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

16 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2014 and 30 September 2014	1,500,000,000	150,000
Issued and fully paid:		
At 1 April 2014	1,083,098,976	108,310
Issue upon exercise of share options	8,930,600	893
At 30 September 2014	1,092,029,576	109,203

17 CAPITAL COMMITMENTS

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	843	14,710

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

18 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

(A) At the end of the reporting period, the Group had guarantees as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
— subsidiaries	565,542	574,059
— joint operations	241,360	94,092
	806,902	668,151
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
— an associate	18,400	20,800
— joint operations	624,000	509,000
	642,400	529,800
Guarantee provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale	237,760	259,941

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

18 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

(Continued)

- (B) Since the year ended 31 March 2014, a subsidiary of the Group commenced legal proceedings to seek payment for an outstanding amount of approximately HK\$335 million against Metta Resources Limited, the employer in relation to Tsz Shan Monastery project. Therefore, a writ of summons was issued at the High Court of the Hong Kong Special Administrative Region against Metta Resources Limited for additional works performed and costs incurred by the Group for superstructure works in relation to the main buildings and associated facilities at the Tsz Shan Monastery complex on 8 August 2013. Subsequently, such subsidiary has received a defence and counterclaim from Metta Resources Limited on 22 November 2013, in which Metta Resources Limited accepted that it was liable to pay only a certain amount of the Group's claims and alleged contra charges against the Group in respect of rectification of alleged non-compliance works and sectional liquidated damages.

The Group has recognised contract revenue and cost in profit or loss up to 30 September 2014, by reference to the stage of completion of the contract activity at the end of the reporting period, which is measured by reference to the value of work carried out to date as certified by the architect. Variations in contract work and claims are included in revenue to the extent that the amount has been certified by the architect and its receipt is considered probable.

The ultimate outcome of the case will depend on the evidence adduced before the court at trial which is not expected at least until early 2016.

However, after having performed management's internal critical assessment of the aforesaid case and seeking advice from independent quantum assessor and legal advisor, the management of the Company are of the opinion that the defence and counterclaim by Metta Resources Limited has no merit and would be successfully defended, therefore no material adverse financial impact to the Group is expected.

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

19 PLEDGE OF ASSETS

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

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Investment properties	–	50,000
Assets classified as held for sale	–	353,800
Property, plant and equipment	44,328	45,840
Properties under development for sale	699,091	449,669
Bank deposits	551,797	504,584
	1,295,216	1,403,893

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

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

20 RELATED PARTY TRANSACTIONS

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

	Associates		A related party <i>(Note)</i>	
	Six months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Transactions during the period:				
Interest expense	-	-	5,438	5,438
Management fee income	1,500	-	-	-
Contract revenue recognised	230	-	-	-

	Associates		A related party	
	30 September	31 March	30 September	31 March
	2014	2014	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Extent of guarantee issued to financial institutions to secure credit facilities granted	18,400	20,800	-	-

- (ii) The emoluments of directors, the Group's key management personnel during the period were HK\$4,920,000 (six months ended 30 September 2013: HK\$4,895,000).

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

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

21 EVENTS AFTER THE REPORTING PERIOD

On 10 September 2014, the controlling shareholder of the Company (the “Vendor”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) to dispose of an aggregate of 510,000,000 shares in the Company to China New Way Investment Limited (the “Purchaser”), an independent third party immediately before entering into the Sale and Purchase Agreement, for a consideration of HK\$560,490,000 in total. On 16 September 2014, the Company and the Purchaser entered into a subscription agreement (the “Subscription Agreement”) in relation to the subscription of (i) 100,000,000 new shares in the Company (the “Subscription Shares”) and (ii) the convertible bonds in the principal amount of HK\$84,266,000 due on the third anniversary date of issue to be issued by the Company (the “Convertible Bonds”).

As part of the above transactions, (a) the Company will undergo a group restructuring which involves, among other things, (i) the subsidiaries (the “Privateco Group”) which are involved in property acquisition and redevelopment of an industrial building located in Hong Kong be distributed in specie to the shareholders of the Company (the “Distribution In Specie”); and (ii) the Company and the remaining subsidiaries (the “Remaining Group”) which are 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 be retained in the Group; (b) it is proposed that the share premium account be reduced by an amount of HK\$200 million to cover the difference between the carrying value in the books of account of the Privateco Group and the aggregate amount standing to the credit of the Company’s reserves available for distribution and the credit arising from such reduction be transferred to the Company’s reserve available for distribution for the purpose of the Distribution In Specie (the “Share Premium Reduction”); (c) the maturity date of the existing 7.25% bonds be extended from 22 November 2014 to 23 November 2015 which will be provided at the same interest rate (the “Bond Extension”); (d) it is proposed to increase the authorised share capital of the Company from HK\$150,000,000 (divided into 1,500,000,000 shares) to HK\$250,000,000 (divided into 2,500,000,000 shares) by the creation of an additional 1,000,000,000 shares (the “Increase In Authorised Share Capital”); and (e) it is proposed that the Company will extend a shareholder’s loan of about HK\$127.26 million to Excel Value International Limited (“Privateco”), and GT Winners Limited will extend an unsecured loan of approximately HK\$50.5 million to Smart Wealth Asia Pacific Limited (“Privateco Subsidiary”) (the “GT Winners Loan”) before the Distribution In Specie, in order for Privateco Subsidiary to fully repay the bank loan of approximately HK\$176 million and pay a flat prepayment fee of 1% on the outstanding amount of the bank loan amounting to approximately HK\$1.8 million on or before the Distribution In Specie. The GT Winners Loan will bear an interest rate of 7.25% per annum and will be repayable on demand.

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

21 EVENTS AFTER THE REPORTING PERIOD *(Continued)*

A special general meeting (the “SGM”) will be held on 19 December 2014 for the purpose of considering and, if thought fit, approving the resolutions in respect of the Subscription Agreement, the Share Premium Reduction, the Distribution In Specie, the Bond Extension, the GT Winners Loan, the Increase In Authorised Share Capital and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Subscription Shares and the conversion shares, by way of poll at the SGM. The Purchaser, the Vendor, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolutions(s) at the SGM (except the resolution on the Increase In Authorised Share Capital).

Completion of the Sale and Purchase Agreement is to take place on the fifth business day after the conditions precedent of the Sale and Purchase Agreement are fulfilled (or otherwise waived by the Purchaser in accordance with the Sale and Purchase Agreement) or such other date as the parties to the Sale and Purchase Agreement may agree.

Subject to and upon completion of the Sale and Purchase Agreement and the Subscription Agreement, Octal Capital Limited will, on behalf of the Purchaser, make offers to (i) acquire all the issued shares in the Company (other than those already owned or agreed to be acquired by the Purchaser and parties acting in concert with it); and (ii) cancel all the outstanding share options, on the terms to be set out in the relevant offer document to be issued. Upon completion of the Distribution In Specie, Investec Capital Asia Limited will, on behalf of Well Perfection Limited, make an offer to the shareholders of Privateco to acquire all the issued shares of Privateco (other than those already owned or agreed to be acquired by Well Perfection Limited and parties acting in concert with it), on the terms to be set out in the relevant offer document to be issued.

Further details regarding the above are set out in the circular of the Company dated 26 November 2014.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company (the “Board” or the “Directors”) has resolved not to declare an interim dividend for the six months ended 30 September 2014 (2013: Nil).

SHARE OPTION SCHEMES

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

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

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options			
				Outstanding at 1/4/2014	Exercised during the period	Lapsed during the period	Outstanding at 30/9/2014
Madam Li Wai Hang, Christina	2/4/2007	1.01	10/4/2007 to 1/4/2017	747,000	-	-	747,000
Mr. Pang Yat Bond, Derrick	13/8/2004	0.904	21/8/2004 to 12/8/2014	6,326,000	(6,326,000)	-	-
Mr. Kwok Yuk Chiu, Clement	13/8/2004	0.904	21/8/2004 to 12/8/2014	3,326,000	-	(3,326,000)	-
Other	13/8/2004	0.904	21/8/2004 to 12/8/2014	1,464,000	(1,464,000)	-	-
	2/4/2007	1.01	10/4/2007 to 1/4/2017	747,000	-	-	747,000 (Note 1)
				12,610,000	(7,790,000)	(3,326,000)	1,494,000

Notes:

1. These outstanding share options were held by a deceased director. The Board has approved that these outstanding share options can be exercised on or before 1 April 2017.
2. All options referred to in the above table are not subject to any vesting period.
3. No share options were cancelled under the Old Scheme during the period under review.

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

- (ii) The Company has adopted a new share option scheme on 3 September 2012 (the “New Scheme”) to provide the Directors and employees of, and technical, financial or corporate managerial advisers and consultants to the Company and its subsidiaries with the opportunity to acquire proprietary interests in the Company. The New Scheme is valid and effective for a period of 10 years commencing on the adoption date, i.e. 3 September 2012.

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

Eligible participants	Date of grant	Exercise price per option HK\$	Exercisable period	Number of share options			
				Outstanding as 1/4/2014	Exercised during the period	Lapsed during the period	Outstanding at 30/9/2014
Employees	20/2/2013	0.66	20/2/2014 to 19/2/2017	1,887,600	(1,140,600)	–	747,000
	20/2/2013	0.66	20/2/2015 to 19/2/2017	1,887,600	–	(67,800)	1,819,800
	20/2/2013	0.66	20/2/2016 to 19/2/2017	2,516,800	–	(90,400)	2,426,400
				6,292,000	(1,140,600)	(158,200)	4,993,200

Notes:

1. All options referred to in the above table granted on 20 February 2013, the vesting dates are 20 February 2014, 20 February 2015 and 20 February 2016 respectively.
2. No share options were granted or cancelled under the New Scheme during the period under review.

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

OTHER INFORMATION *(Continued)*

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

As at 30 September 2014, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 (the “Model Code”) to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

(i) Interests of the Directors in the ordinary shares of the Company (Long Position)

Directors	Number of ordinary shares held				% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Madam Li Wai Hang, Christina	10,880,875	–	100,042,884 <i>(Notes 1 & 2)</i>	110,923,759	10.15%
Mr. Pang Yat Ting, Dominic	5,680,000	–	100,042,884 <i>(Notes 1 & 2)</i>	105,722,884	9.68%
Mr. Pang Yat Bond, Derrick	7,326,000	–	–	7,326,000	0.67%
Mr. Kwok Yuk Chiu, Clement	3,000,000	312,000 <i>(Note 3)</i>	–	3,312,000	0.30%
Mr. Au Son Yiu	601,816	–	–	601,816	0.05%

Notes:

1. *GT Winners Limited is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the ordinary shares of the Company held by GT Winners Limited.*
2. *These represent the remaining balance of ordinary shares held by GT Winners Limited after disposal of 510,000,000 shares under the conditional sale and purchase agreement.*
3. *These shares are beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.*

OTHER INFORMATION *(Continued)*

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

(ii) Interests of the Director in the underlying shares of the Company (Long Position)

Director	Number of underlying shares			% of the Company's issued share capital
	Personal interests <i>(Note 1)</i>	Family interests <i>(Note 2)</i>	Total interests	
Madam Li Wai Hang, Christina	747,000	747,000	1,494,000	0.13%

Notes:

1. *These represent the interests in share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above.*
2. *Madam Li Wai Hang, Christina is deemed to have interest in the share options of the Company held by her spouse, the late Dr. Pang Kam Chun.*

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

Save as disclosed above, as at 30 September 2014, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, the following shareholders (other than Directors or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO as being interested or deemed to have interest in 5% or more of the issued share capital of the Company:

Shareholders	Capacity	Number of ordinary shares held	% of the Company's issued share capital
China New Way Investment Limited <i>(Note 1)</i>	Beneficial owner	792,000,000	72.52%
New Way International Investment Holdings Limited <i>(Note 1)</i>	Interest in controlled corporation	792,000,000	72.52%
GT Winners Limited <i>(Notes 2 & 3)</i>	Beneficial owner	100,042,884	9.16%

Notes:

1. These represent (i) an interest in 510,000,000 shares, representing approximately 46.70% of the issued share capital of the Company, that China New Way Investment Limited ("China New Way") has conditionally agreed to acquire from GT Winners Limited pursuant to the sale and purchase agreement; (ii) an interest in 100,000,000 new shares, representing approximately 9.15% of the issued share capital of the Company, that China New Way has conditionally agreed to subscribe for pursuant to the subscription agreement; and (iii) an interest in 182,000,000 underlying shares, representing approximately 16.66% of the issued share capital of the Company, issuable to China New Way upon the conversion of the convertible bonds. China New Way is wholly-owned by New Way International Investment Holdings Limited.
2. These represent the remaining balance of ordinary shares held by GT Winners Limited after disposal of 510,000,000 shares under the conditional sale and purchase agreement.
3. GT Winners Limited is 45% owned by Madam Li Wai Hang, Christina and Mr. Pang Yat Ting, Dominic respectively and they are deemed to have interest in the ordinary shares of the Company held by GT Winners Limited.

Save as disclosed above, as at 30 September 2014, the Company had not been notified of any other person or corporation (other than Directors or chief executive of the Company) as being interested or deemed to have interest in 5% or more of the issued share capital of the Company or short position in shares or underlying shares of the Company.

OTHER INFORMATION *(Continued)*

EVENTS AFTER THE REPORTING PERIOD

On 10 September 2014, the controlling shareholder of the Company (the “Vendor”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) to dispose of an aggregate of 510,000,000 shares in the Company to China New Way Investment Limited (the “Purchaser”), an independent third party immediately before entering into the Sale and Purchase Agreement, for a consideration of HK\$560,490,000 in total. On 16 September 2014, the Company and the Purchaser entered into a subscription agreement (the “Subscription Agreement”) in relation to the subscription of (i) 100,000,000 new shares in the Company (the “Subscription Shares”) and (ii) the convertible bonds in the principal amount of HK\$84,266,000 due on the third anniversary date of issue to be issued by the Company (the “Convertible Bonds”).

As part of the above transactions, (a) the Company will undergo a group restructuring which involves, among other things, (i) the subsidiaries (the “Privateco Group”) which are involved in property acquisition and redevelopment of an industrial building located in Hong Kong be distributed in specie to the shareholders of the Company (the “Distribution In Specie”); and (ii) the Company and the remaining subsidiaries (the “Remaining Group”) which are 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 be retained in the Group; (b) it is proposed that the share premium account be reduced by an amount of HK\$200 million to cover the difference between the carrying value in the books of account of the Privateco Group and the aggregate amount standing to the credit of the Company’s reserves available for distribution and the credit arising from such reduction be transferred to the Company’s reserve available for distribution for the purpose of the Distribution In Specie (the “Share Premium Reduction”); (c) the maturity date of the existing 7.25% bonds be extended from 22 November 2014 to 23 November 2015 which will be provided at the same interest rate (the “Bond Extension”); (d) it is proposed to increase the authorised share capital of the Company from HK\$150,000,000 (divided into 1,500,000,000 shares) to HK\$250,000,000 (divided into 2,500,000,000 shares) by the creation of an additional 1,000,000,000 shares (the “Increase In Authorised Share Capital”); and (e) it is proposed that the Company will extend a shareholder’s loan of about HK\$127.26 million to Excel Value International Limited (“Privateco”), and GT Winners Limited will extend an unsecured loan of approximately HK\$50.5 million to Smart Wealth Asia Pacific Limited (“Privateco Subsidiary”) (the “GT Winners Loan”) before the Distribution In Specie, in order for Privateco Subsidiary to fully repay the bank loan of approximately HK\$176 million and pay a flat prepayment fee of 1% on the outstanding amount of the bank loan amounting to approximately HK\$1.8 million on or before the Distribution In Specie. The GT Winners Loan will bear an interest rate of 7.25% per annum and will be repayable on demand.

OTHER INFORMATION *(Continued)*

EVENTS AFTER THE REPORTING PERIOD *(Continued)*

A special general meeting (the “SGM”) will be held on 19 December 2014 for the purpose of considering and, if thought fit, approving the resolutions in respect of the Subscription Agreement, the Share Premium Reduction, the Distribution In Specie, the Bond Extension, the GT Winners Loan, the Increase In Authorised Share Capital and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Subscription Shares and the conversion shares, by way of poll at the SGM. The Purchaser, the Vendor, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolution(s) at the SGM (except the resolution on the Increase In Authorised Share Capital).

Completion of the Sale and Purchase Agreement is to take place on the fifth business day after the conditions precedent of the Sale and Purchase Agreement are fulfilled (or otherwise waived by the Purchaser in accordance with the Sale and Purchase Agreement) or such other date as the parties to the Sale and Purchase Agreement may agree.

Subject to and upon completion of the Sale and Purchase Agreement and the Subscription Agreement, Octal Capital Limited will, on behalf of the Purchaser, make offers to (i) acquire all the issued shares in the Company (other than those already owned or agreed to be acquired by the Purchaser and parties acting in concert with it); and (ii) cancel all the outstanding share options, on the terms to be set out in the relevant offer document to be issued. Upon completion of the Distribution In Specie, Investec Capital Asia Limited will, on behalf of Well Perfection Limited, make an offer to the shareholders of Privateco to acquire all the issued shares in Privateco (other than those already owned or agreed to be acquired by Well Perfection Limited and parties acting in concert with it), on the terms to be set out in the relevant offer document to be issued.

Further details regarding the above are set out in the circular of the Company dated 26 November 2014.

CHANGES IN DIRECTORS’ INFORMATION

Changes in Directors’ information since the publication of the 2013/14 Annual Report of the Company are set out below:

- Mr. Hui Chiu Chung, Stephen was appointed as an independent non-executive director of Agile Property Holdings Limited, whose shares are listed on the Stock Exchange, with effect from 27 June 2014
- Mr. Lee Shing See was appointed as a director of Aviation Security Company Limited with effect from 15 August 2014

Save as the information disclosed above, there is no change of information of each Director that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION *(Continued)*

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the "Audit Committee") comprises three members, namely Mr. Chan Chiu Ying, Alec (Chairman of the Audit Committee), Mr. Au Son Yiu and Mr. Hui Chiu Chung, Stephen, all are independent non-executive directors of the Company. The Audit Committee has reviewed and given its consent to the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2014.

CHAIRMAN'S APPRECIATION

On behalf of the Group, I would like to express my utmost gratitude to every member of the Board and all the staff who make up the Chun Wo workforce for their tireless efforts and unwavering commitment. I wish to further extend my gratitude to our business partners and shareholders for their trust and support. In the upcoming financial year, we will seek to capture more opportunities that help bolster our core businesses, leading to the sustained growth of the Group and greater returns for our shareholders.

By Order of the Board
Pang Yat Ting, Dominic
Chairman

Hong Kong, 28 November 2014