CHUN WO DEVELOPMENT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 711)
(Warrant Code: 1032)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

INTERIM RESULTS

The Board of Directors (the "Board" or the "Directors") of Chun Wo Development Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2010

		Unaudited six months ended 30 September	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**1,226,229**	1,190,306
Cost of sales		**(1,112,503)**	(1,077,530)
Gross profit		**113,726**	112,776
Other income		**6,414**	2,700
Fair value changes on investment properties		**47,246**	10,285
Selling expenses		**(2,753)**	(2,054)
General and administrative expenses		**(115,921)**	(100,132)
Fair value changes on embedded derivatives of convertible bonds		**–**	1,158
Impairment loss on property, plant and equipment		**(18,173)**	–
Share of results of jointly controlled entities		**3,798**	2,706
Finance costs	*4*	**(10,973)**	(11,230)

	Notes	Unaudited six months ended 30 September **2010** ***HK$'000***	2009 *HK$'000*
Profit before tax		**23,364**	16,209
Income tax (expense) credit	*5*	**(17,754)**	14,562
Profit for the period	*6*	**5,610**	30,771
Other comprehensive income (expense)			
Exchange differences arising on translation		**14,282**	(114)
Total comprehensive income for the period		**19,892**	30,657
Profit for the period attributable to:			
Owners of the Company		**5,610**	30,771
Non-controlling interests		**–**	–
		5,610	30,771
Total comprehensive income attributable to:			
Owners of the Company		**19,892**	30,657
Non-controlling interests		**–**	–
		19,892	30,657
Earnings per share			
– basic	*8*	**0.61 cents**	3.58 cents
– diluted	*8*	**0.61 cents**	3.58 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 September 2010 and 31 March 2010

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

	Notes	Unaudited 30 September 2010 HK$'000	Audited 31 March 2010 HK$'000 (restated)
Current liabilities			
Amounts due to customers for contract work		**135,096**	161,783
Creditors, deposits and accrued charges	*11*	**496,901**	621,000
Deposits received from pre-sales of properties under development		**327,141**	136,532
Amounts due to associates		**15,688**	15,625
Amounts due to jointly controlled entities		**65,207**	64,890
Tax payable		**29,463**	27,455
Dividend payable		**4,580**	–
Obligations under finance leases		**10,442**	8,262
Borrowings		**797,150**	675,900
		1,881,668	1,711,447
Net current assets		**1,083,045**	1,158,749
Total assets less current liabilities		**1,878,444**	1,945,626
Non-current liabilities			
Obligations under finance leases		**13,488**	12,172
Borrowings		**455,575**	549,975
Deferred tax liabilities		**42,606**	35,140
		511,669	597,287
Net assets		**1,366,775**	1,348,339
Capital and reserves			
Share capital		**91,599**	91,572
Reserves		**1,274,826**	1,256,417
Equity attributable to owners of the Company		**1,366,425**	1,347,989
Non-controlling interests		**350**	350
Total equity		**1,366,775**	1,348,339

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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

2 PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

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

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

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

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

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

Amendment to HKAS 17 "Leases"

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

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

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

3 SEGMENT INFORMATION

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

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

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

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

For the six months ended 30 September 2010

	Construction work	Property development	Property investment	Professional services	Other activities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	**1,072,111**	**59,520**	**3,733**	**90,865**	**–**	**1,226,229**
RESULT						
Operating results	**8,294**	**(20,376)**	**49,869**	**3,251**	**(240)**	**40,798**
Share of results of jointly controlled entities	**3,798**	**–**	**–**	**–**	**–**	**3,798**
Segment profit (loss)	**12,092**	**(20,376)**	**49,869**	**3,251**	**(240)**	**44,596**
Unallocated corporate expenses						**(11,384)**
Interest income						**1,125**
Finance costs						**(10,973)**
Profit before tax						**23,364**
Income tax expense						**(17,754)**
Profit for the period						**5,610**

For the six months ended 30 September 2009

	Construction work *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Professional services *HK$'000*	Other activities *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	988,964	123,347	17,136	60,859	–	1,190,306
RESULT						
Operating results	10,896	677	17,000	3,594	(1,224)	30,943
Share of results of jointly controlled entities	2,706	–	–	–	–	2,706
Segment profit (loss)	13,602	677	17,000	3,594	(1,224)	33,649
Unallocated corporate expenses						(8,081)
Interest income						713
Fair value changes on embedded derivatives of convertible bonds						1,158
Finance costs						(11,230)
Profit before tax						16,209
Income tax credit						14,562
Profit for the period						30,771

Segment result represents the gross profit (loss) generated from each segment, net of selling expenses and general and administrative expenses directly attributable to each segment without allocation of interest income, fair value changes on embedded derivatives of convertible bonds and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4 FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Interest on :		
Bank loans wholly repayable within five years	**18,397**	14,616
Bank loans not wholly repayable within five years	**111**	–
Finance leases	**63**	19
Amount due to a jointly controlled entity	**321**	–
Total borrowing costs	**18,892**	14,635
Less : Amount attributable to contract work	**(3,113)**	(1,615)
Amount attributable to properties under development	**(4,806)**	(1,790)
	10,973	11,230

5 INCOME TAX EXPENSE (CREDIT)

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

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

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

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

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

6 PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	**13,450**	11,217
Less: Amount attributable to contract work	**(10,320)**	(9,154)
	3,130	2,063
Loss (gain) on disposal of property, plant and equipment	**3,874**	(989)

7 DIVIDENDS

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

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

8 EARNINGS PER SHARE

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

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

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

9 PROPERTY, PLANT AND EQUIPMENT

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

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

10 DEBTORS, DEPOSITS AND PREPAYMENTS

Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of debtors of HK$139,227,000 (at 31 March 2010: HK$271,167,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

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

11 CREDITORS, DEPOSITS AND ACCRUED CHARGES

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

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

12 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	At 30 September 2010 HK$'000	At 31 March 2010 HK$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	**291,497**	352,909
– jointly controlled entities	**–**	5,850
	291,497	358,759
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	**40,000**	40,000
Extent of guarantee provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale and pre-sale properties	**217,392**	197,144

13 PLEDGE OF ASSETS

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

	At 30 September 2010 HK$'000	At 31 March 2010 HK$'000
Investment properties	**362,000**	315,000
Leasehold land and buildings	**37,978**	38,717
Properties under development	**237,880**	152,603
Bank deposits	**74,360**	67,566
	712,218	573,886

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

The Group's financial position is sound and strong. With available bank balances and cash at 30 September 2010 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 3,220 employees at 30 September 2010. Total remuneration of employees for the six months ended 30 September 2010 amounted to approximately HK$320.1 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective companies and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

BUSINESS REVIEW

Interim Results

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

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

Construction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Construction

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

Property Development

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company (the "Audit Committee") comprises three members, namely Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec and Mr. Hui Chiu Chung, Stephen, all are Independent Non-executive Directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 September 2010.

By Order of the Board
Pang Yat Ting, Dominic
Chairman

Hong Kong, 25 November 2010

As at the date of this announcement, the executive directors of the Company are Mr. Pang Yat Ting, Dominic, Mr. Pang Yat Bond, Derrick, Mr. Kwok Yuk Chiu, Clement and Madam Li Wai Hang, Christina and the independent non-executive directors of the Company are Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec, Mr. Hui Chiu Chung, Stephen JP and Mr. Lee Shing See GBS, OBE, JP.