# CHUN WO DEVELOPMENT HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

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

## ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

### RESULTS

The Board of Directors (the "Board" or the "Directors") of Chun Wo Development Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2011, together with the relevant comparative figures for the previous year:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 MARCH 2011*

| | *NOTES* | **2011**<br>***HK$'000*** | 2010<br>*HK$'000*<br>(restated) |
|---|---|---|---|
| Revenue | 2 | **3,002,446** | 2,606,241 |
| Cost of sales | | **(2,815,017)** | (2,418,975) |
| Gross profit | | **187,429** | 187,266 |
| Other income | | **25,780** | 16,657 |
| Other gains and losses | | **(20,081)** | 798 |
| Fair value changes on investment properties | | **51,114** | 10,473 |
| Selling expenses | | **(8,993)** | (5,816) |
| General and administrative expenses | | **(241,363)** | (216,532) |
| Gain on disposals of subsidiaries | | **—** | 16,898 |
| Fair value changes on embedded derivatives of convertible bonds | | **—** | 1,158 |
| Share of results of associates | | **2,202** | 34,517 |
| Share of results of jointly controlled entities | | **9,142** | 2,857 |
| Finance costs | 3 | **(22,148)** | (22,214) |
| (Loss) profit before tax | | **(16,918)** | 26,062 |
| Income tax (expense) credit | 4 | **(38,045)** | 5,028 |
| (Loss) profit for the year | 5 | **(54,963)** | 31,090 |

| | NOTES | 2011 HK$'000 | 2010 HK$'000 (restated) |
|---|---|---|---|
| Other comprehensive income (expense) | | | |
| Exchange differences arising on translation | | **32,456** | 3,871 |
| Share of translation reserve of associates | | **(1,798)** | (4,384) |
| Disposals of subsidiaries | | **—** | (16,898) |
| Other comprehensive income (expense) for the year | | **30,658** | (17,411) |
| Total comprehensive (expense) income for the year | | **(24,305)** | 13,679 |
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | **(54,963)** | 31,090 |
| Non-controlling interests | | **—** | — |
| | | **(54,963)** | 31,090 |
| Total comprehensive (expense) income attributable to: | | | |
| Owners of the Company | | **(24,305)** | 13,679 |
| Non-controlling interests | | **—** | — |
| | | **(24,305)** | 13,679 |
| (Loss) earnings per share | 7 | | |
| — Basic | | **(6.00) cents** | 3.62 cents |
| — Diluted | | **N/A** | 3.35 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 MARCH 2011*

| | NOTES | 31.03.2011<br>HK$'000 | 31.03.2010<br>HK$'000<br>(restated) | 01.04.2009<br>HK$'000<br>(restated) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 8 | **256,217** | 251,042 | 185,003 |
| Investment properties | | **370,193** | 324,524 | 617,051 |
| Interests in associates | | **58,534** | 70,130 | 62,629 |
| Interests in jointly controlled entities | | **42,834** | 37,767 | 39,884 |
| Amounts due from associates | | **103,417** | 103,414 | 106,498 |
| | | **831,195** | 786,877 | 1,011,065 |
| **Current assets** | | | | |
| Amounts due from customers for contract work | | **401,101** | 621,375 | 534,293 |
| Debtors, deposits and prepayments | 9 | **555,559** | 567,723 | 397,626 |
| Properties under development | | **995,924** | 696,302 | 676,613 |
| Deposits paid for properties under development | | **180,263** | 336,460 | 238,465 |
| Properties held for sale | | **52,501** | 101,536 | 174,136 |
| Deposits paid for properties held for sale | | **44,822** | 54,762 | 53,999 |
| Investments held for trading | | **651** | 967 | 2,474 |
| Amounts due from associates | | **1,253** | 1,251 | 1,233 |
| Amounts due from jointly controlled entities | | **34,204** | 32,154 | 25,242 |
| Tax recoverable | | **16,010** | 23,552 | 28,618 |
| Pledged bank deposits | | **183,228** | 67,566 | 22,454 |
| Bank balances and cash | | **605,295** | 366,548 | 435,882 |
| | | **3,070,811** | 2,870,196 | 2,591,035 |
| **Current liabilities** | | | | |
| Amounts due to customers for contract work | | **102,905** | 161,783 | 53,830 |
| Creditors, deposits and accrued charges | 10 | **631,791** | 621,000 | 600,801 |
| Deposits received from pre-sales of properties under development | | **153,576** | 136,532 | 72,323 |
| Amount due to a shareholder | | **202,384** | — | — |
| Amounts due to associates | | **15,770** | 15,625 | 12,436 |
| Amounts due to jointly controlled entities | | **47,928** | 64,890 | 36,886 |
| Tax payable | | **26,961** | 27,455 | 14,712 |
| Obligations under finance leases | | **14,494** | 8,262 | 546 |
| Borrowings | | **1,290,109** | 967,454 | 1,111,946 |
| Derivative financial instruments | | **—** | — | 88,000 |
| | | **2,485,918** | 2,003,001 | 1,991,480 |
| **Net current assets** | | **584,893** | 867,195 | 599,555 |
| **Total assets less current liabilities** | | **1,416,088** | 1,654,072 | 1,610,620 |

| | NOTES | **31.03.2011**<br>***HK$'000*** | 31.03.2010<br>*HK$'000*<br>(restated) | 01.04.2009<br>*HK$'000*<br>(restated) |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Obligations under finance leases | | **15,039** | 12,172 | — |
| Borrowings | | **29,762** | 258,421 | — |
| Convertible bonds | | **—** | — | 259,270 |
| Deferred tax liabilities | | **46,375** | 35,140 | 64,445 |
| | | **91,176** | 305,733 | 323,715 |
| **Net assets** | | **1,324,912** | 1,348,339 | 1,286,905 |
| **Capital and reserves** | | | | |
| Share capital | | **91,613** | 91,572 | 85,884 |
| Reserves | | **1,232,949** | 1,256,417 | 1,200,671 |
| Equity attributable to owners of the Company | | **1,324,562** | 1,347,989 | 1,286,555 |
| Non-controlling interests | | **350** | 350 | 350 |
| **Total equity** | | **1,324,912** | 1,348,339 | 1,286,905 |

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Group's financial year beginning 1 April 2010.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 |
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (as revised in 2008) | Business Combinations |
| HKAS 27 (as revised in 2008) | Consolidated and Separate Financial Statements |
| HKAS 32 (Amendment) | Classification of Right Issues |
| HKAS 39 (Amendment) | Eligible Hedged Items |
| HK (IFRIC) — Int 17 | Distributions of Non-cash Assets to Owners |
| HK — Int 5 | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

**HKAS 32 (Amendment)** ***Classification of Right Issues***

HKAS 32 (Amendment) requires that right issues, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the right issues, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The adoption of this amendment has had no material impact on the reported results, basic and diluted loss per share and the financial position of the Group as the bonus warrants issued by the Company to its shareholders on 9 September 2010 are denominated in the Company's functional currency.

**Amendments 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 amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$25,580,000 and HK$24,937,000 as at 1 April 2009 and 31 March 2010 respectively being reclassified to property, plant and equipment.

*Summary of the effect of the changes in accounting policies*

The effects of changes in accounting policies described above on the consolidated statement of financial position of the Group as at 1 April 2009 and 31 March 2010 are as follows:

| | As at 1.4.2009 (originally stated) *HK$'000* | Adjustments *HK$'000* | As at 1.4.2009 (restated) *HK$'000* | As at 31.3.2010 (originally stated) *HK$'000* | Adjustments *HK$'000* | As at 31.3.2010 (restated) *HK$'000* |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 159,423 | 25,580 | 185,003 | 226,105 | 24,937 | 251,042 |
| Prepaid lease payments | | | | | | |
| — non-current | 24,936 | (24,936) | — | 24,293 | (24,293) | — |
| — current | 644 | (644) | — | 644 | (644) | — |
| Total effects on net assets | 185,003 | — | 185,003 | 251,042 | — | 251,042 |

As at 31 March 2011, leasehold land that qualifies for finance lease classification with the carrying amount of HK$24,293,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

**Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause***

Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK — Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK — Int 5 for the first time in the current year. HK — Int 5 requires retrospective application.

In order to comply with the requirements set out in HK — Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK — Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$101,111,000 and HK$291,554,000 have been reclassified from non-current liabilities to current liabilities as at 1 April 2009 and 31 March 2010 respectively. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$140,942,000 have been classified as current liabilities. The application of HK — Int 5 has had no impact on the reported profit or loss for the current and prior years.

*Summary of the effect of the changes in accounting policies*

The effects of changes in accounting policies described above on the consolidated statement of financial position of the Group as at 1 April 2009 and 31 March 2010 are as follows:

| | As at 1.4.2009 (originally stated) *HK$'000* | Adjustments *HK$'000* | As at 1.4.2009 (restated) *HK$'000* | As at 31.3.2010 (originally stated) *HK$'000* | Adjustments *HK$'000* | As at 31.3.2010 (restated) *HK$'000* |
|---|---|---|---|---|---|---|
| Bank borrowings due within one year | 1,010,835 | 101,111 | 1,111,946 | 675,900 | 291,554 | 967,454 |
| Bank borrowings due after one year | 101,111 | (101,111) | — | 549,975 | (291,554) | 258,421 |
| Total effects on net assets | 1,111,946 | — | 1,111,946 | 1,225,875 | — | 1,225,875 |

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010[1] |
| HKFRS 7 (Amendments) | Disclosures — Transfers of Financial Assets[4] |
| HKFRS 9 | Financial Instruments[6] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets[5] |
| HKAS 24 (as revised in 2009) | Related Party Disclosures[3] |
| HK(IFRIC) — Int 14 (Amendments) | 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 2012
6 Effective for annual periods beginning on or after 1 January 2013

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. As at 31 March 2011, the deferred tax arising from the revaluation of the properties amounted to HK$30,467,000. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the Directors of the Company anticipate that the application of the amendments to HKAS 12 may decrease the deferred tax liabilities for investment properties that are measured using the fair value model for the Group and an associate. The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014. Based on the assets and liabilities of the Group as at 31 March 2011, the application of the new standard is not expected to have significant impact on amounts reported in financial statements of the Group.

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

## 2. SEGMENT INFORMATION

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

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

## Segment revenues and results

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

*For the year ended 31 March 2011*

| | Construction work<br>*HK$'000* | Property development<br>*HK$'000* | Property investment<br>*HK$'000* | Professional services<br>*HK$'000* | Other activities<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External sales *(Note)* | **2,364,707** | **430,442** | **8,129** | **199,168** | **—** | **3,002,446** |
| Share of revenue of jointly controlled entities | **1,015,048** | **—** | **—** | **—** | **—** | **1,015,048** |
| Segment revenue | **3,379,755** | **430,442** | **8,129** | **199,168** | **—** | **4,017,494** |
| RESULT | | | | | | |
| Operating results | **(119,136)** | **72,824** | **57,800** | **5,089** | **(103)** | **16,474** |
| Share of results of associates | **—** | **2,202** | **—** | **—** | **—** | **2,202** |
| Share of results of jointly controlled entities | **9,142** | **—** | **—** | **—** | **—** | **9,142** |
| Segment (loss) profit | **(109,994)** | **75,026** | **57,800** | **5,089** | **(103)** | **27,818** |
| Unallocated corporate expenses | | | | | | **(24,997)** |
| Interest income | | | | | | **2,409** |
| Finance costs | | | | | | **(22,148)** |
| Loss before tax | | | | | | **(16,918)** |
| Income tax expense | | | | | | **(38,045)** |
| Loss for the year | | | | | | **(54,963)** |

*For the year ended 31 March 2010*

| | Construction work *HK$'000* | Property development *HK$'000* | Property investment *HK$'000* | Professional services *HK$'000* | Other activities *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External sales *(Note)* | 2,203,292 | 256,636 | 15,307 | 131,006 | — | 2,606,241 |
| Share of revenue of jointly controlled entities | 41,900 | — | — | — | — | 41,900 |
| Segment revenue | 2,245,192 | 256,636 | 15,307 | 131,006 | — | 2,648,141 |
| RESULT | | | | | | |
| Operating results | 2,609 | 1,775 | 19,947 | 4,567 | (1,619) | 27,279 |
| Share of results of associates | — | 34,517 | — | — | — | 34,517 |
| Share of results of jointly controlled entities | 2,857 | — | — | — | — | 2,857 |
| Segment profit (loss) | 5,466 | 36,292 | 19,947 | 4,567 | (1,619) | 64,653 |
| Unallocated corporate expenses | | | | | | (19,176) |
| Interest income | | | | | | 1,641 |
| Fair value changes on embedded derivatives of convertible bonds | | | | | | 1,158 |
| Finance costs | | | | | | (22,214) |
| Profit before tax | | | | | | 26,062 |
| Income tax credit | | | | | | 5,028 |
| Profit for the year | | | | | | 31,090 |

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

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies except for the segment revenue. In the current year, the share of revenue of jointly controlled entities has been included in segment revenue for the purpose of performance assessment by the chief operating decision maker. The segment revenue for the prior year has been restated to conform with the current year's presentation.

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

**Segment assets and liabilities**

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

**Other segment information**

**2011**

Amounts included in the measure to segment (loss) profit:

| | Construction work *HK$'000* | Property development *HK$'000* | Property investment *HK$'000* | Professional services *HK$'000* | Other activities *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| Depreciation and amortisation | **4,431** | **1,435** | **—** | **569** | **—** | **6,435** |
| (Gain) loss on disposal of property, plant and equipment | **(229)** | **22,122** | **—** | **2** | **—** | **21,895** |

2010

Amounts included in the measure to segment profit (loss):

| | Construction work *HK$'000* | Property development *HK$'000* | Property investment *HK$'000* | Professional services *HK$'000* | Other activities *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| Depreciation and amortisation | 3,523 | 1,380 | — | 427 | — | 5,330 |
| Gain on disposal of property, plant and equipment | (1,775) | — | — | — | — | (1,775) |

**Geographical information**

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

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

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* (restated) |
| Hong Kong (country of domicile) | **2,349,188** | 2,237,318 | **644,894** | 553,105 |
| Other regions in the PRC | **568,230** | 350,057 | **11,690** | 16,107 |
| Others | **85,028** | 18,866 | **71,194** | 114,251 |
| | **3,002,446** | 2,606,241 | **727,778** | 683,463 |

**Information about major customers**

Included in the revenue arising from construction work, there were two customers (2010: one) who accounted for over 10% of total revenue with revenue of HK$845,312,000 (2010: HK$654,406,000) and HK$402,326,000 (2010: nil) separately. Both customers were located in Hong Kong.

## 3. FINANCE COSTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| Bank loans wholly repayable within five years | **36,817** | 31,169 |
| Bank loans not wholly repayable within five years | **217** | 65 |
| Finance leases | **630** | 198 |
| Amount due to a jointly controlled entity | **645** | 135 |
| Total borrowing costs | **38,309** | 31,567 |
| Less: Amount attributable to contract work | **(7,822)** | (3,993) |
| Amount attributable to properties under development | **(8,339)** | (5,360) |
| | **22,148** | 22,214 |

## 4. INCOME TAX EXPENSE (CREDIT)

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| — Hong Kong Profits Tax | | |
| — current year | **1,768** | 18,337 |
| — overprovision in prior year | **(4)** | (1,858) |
| | **1,764** | 16,479 |
| — Other jurisdictions | | |
| — current year | **34** | 556 |
| — underprovision in prior year | **—** | 1,072 |
| | **34** | 1,628 |
| — PRC Enterprise Income Tax ("EIT") | | |
| — current year | **18,688** | 1,671 |
| — (over)underprovision in prior years | **(2,599)** | 798 |
| | **16,089** | 2,469 |
| — PRC Land Appreciation Tax ("LAT") | **8,923** | 3,701 |
| Deferred tax liabilities | **11,235** | (29,305) |
| | **38,045** | (5,028) |

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

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

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

Under the EIT Law of PRC, withholding income tax at 10% is imposed on dividends declared in respect profits earned in the calendar year 2008 or onwards and being distributed by enterprises established in the PRC to their foreign shareholders, if there is no applicable tax treaty. Deferred tax liability of HK$366,000 (2010: HK$2,902,000) on the undistributed earnings of subsidiaries has been charged to the profit or loss for the year.

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

## 5. (LOSS) PROFIT FOR THE YEAR

| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000*<br>(restated) |
|---|---|---|
| (Loss) profit for the year has been arrived at after charging (crediting): | | |
| Depreciation and amortisation | **32,185** | 25,975 |
| Less: Amount attributable to contract work | **(25,750)** | (20,645) |
| | **6,435** | 5,330 |
| Loss (gain) on disposal of property, plant and equipment (included in other gains and losses) | **21,895** | (1,775) |
| Net foreign exchange gains (included in other gains and losses) | **(2,130)** | (530) |

## 6. DIVIDENDS

| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000* |
|---|---|---|
| Final dividend recognised as distribution during the year in respect of 2010 of HK0.5 cent per share | **4,580** | — |

The Directors did not recommend the payment of a final dividend for the year ended 31 March 2011.

## 7. (LOSS) EARNINGS PER SHARE

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

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **(Loss) earnings** | | |
| (Loss) earnings for the purpose of basic (loss) earnings per share | **(54,963)** | 31,090 |
| Effect of dilutive potential ordinary shares: | | |
| — Fair value changes on embedded derivatives of convertible bonds | **N/A** | (1,158) |
| Earnings for the purpose of diluted earnings per share | **N/A** | 29,932 |

| | 2011 | 2010 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | **916,024,227** | 859,074,989 |
| Effect of dilutive potential ordinary shares: | | |
| — convertible bonds | **N/A** | 34,454,683 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **N/A** | 893,529,672 |

No diluted loss per share for the year ended 31 March 2011 is presented as the exercise of the warrants and share options would result in a reduction in loss per share for the year ended 31 March 2011.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$65,855,000 (2010: HK$94,742,000) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK$30,237,000 (2010: HK$4,257,000).

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of debtors of HK$255,284,000 (2010: HK$271,167,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Not yet due | **184,127** | 205,919 |
| Amounts past due but not impaired: | | |
| 1–30 days | **67,628** | 61,537 |
| 31–90 days | **1,938** | 2,960 |
| 91–180 days | **1,232** | 166 |
| Over 180 days | **359** | 585 |
| | **255,284** | 271,167 |

## 10. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK$246,771,000 (2010: HK$269,556,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not yet due | **190,581** | 183,389 |
| 1–30 days | **42,713** | 71,284 |
| 31–90 days | **8,772** | 7,217 |
| 91–180 days | **893** | 2,525 |
| Over 180 days | **3,812** | 5,141 |
| | **246,771** | 269,556 |

## 11. CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by: | | |
| — subsidiaries | **276,588** | 352,909 |
| — jointly controlled entities | **—** | 5,850 |
| | **276,588** | 358,759 |
| Extent of guarantee issued to financial institutions to secure credit facilities granted to: | | |
| — an associate | **40,000** | 40,000 |
| — jointly controlled entities | **164,500** | — |
| | **204,500** | 40,000 |
| Extent of guarantee provided for a property development project to banks which granted facilities to purchasers of the Group's properties held for sale and pre-sale properties | **275,885** | 197,144 |

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

## 12. PLEDGE OF ASSETS

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Investment properties | **365,000** | 315,000 |
| Property, plant and equipment | **68,147** | 38,717 |
| Properties under development | **39,792** | 152,603 |
| Properties held for sale | **3,559** | — |
| Bank deposits | **183,228** | 67,566 |
| | **659,726** | 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.

## 13. WARRANTS

Pursuant to an ordinary resolution passed at a board of directors meeting of the Company held on 16 July 2010, a bonus issue of warrants (the "Warrants") on the basis of three warrants for every sixteen shares of HK$0.1 each held by shareholders on the register of members of the Company as at 3 September 2010 was approved. A total of 171,748,312 units of the Warrants with an aggregate subscription amount of HK$85,874,156 were issued on 9 September 2010. Each of the Warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK$0.5 per share, subject to anti-dilutive adjustment, at any time from the date of issue up to and including 12 September 2013.

During the year ended 31 March 2011, 141,533 new shares of the Company of HK$0.1 each were issued upon the exercise of the Warrants. At 31 March 2011, the Company had 171,606,779 outstanding Warrants. Exercise in full of such outstanding Warrants would result in the issue of 171,606,779 additional shares.

## 14. COMPARATIVE FIGURES

In order to conform with current year's presentation:

(a) net gain on disposal of property, plant and equipment of HK$1,775,000 and net foreign exchange gains of HK$530,000 for the year ended 31 March 2010 included in other income have been reclassified to other gains and losses; and

(b) decrease in fair value of investments held for trading of HK$1,507,000 for the year ended 31 March 2010 included in general and administrative expenses has been reclassified to other gains and losses.

## LIQUIDITY AND FINANCIAL RESOURCES

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

At 31 March 2011, the total net debts of the Group amounted to approximately HK$793.3 million, representing total debts of approximately HK$1,581.8 million less total of pledged bank deposits and bank balances and cash of approximately HK$788.5 million. The debt maturity profile based on scheduled repayment dates set out in the loan agreements of the Group at 31 March 2011 is analysed as follows:

| | **As at 31 March 2011** | As at 31 March 2010 |
|---|---|---|
| | ***HK$ million*** | *HK$ million* |
| Borrowings and obligations under finance leases repayable: | | |
| Within 1 year or on demand | **1,163.7** | 684.2 |
| After 1 year, but within 2 years | | |
| — On demand shown under current liabilities | **50.2** | 213.4 |
| — Remaining balances | **39.7** | 238.4 |
| After 2 years, but within 5 years | | |
| — On demand shown under current liabilities | **80.5** | 66.3 |
| — Remaining balances | **5.1** | 32.1 |
| Over 5 years | | |
| — On demand shown under current liabilities | **10.2** | 11.9 |
| | **1,349.4** | 1,246.3 |
| Amount due to a shareholder | | |
| — repayable within 1 year | **202.4** | — |
| Amount due to a jointly controlled entity | | |
| — repayable within 1 year | **30.0** | 30.0 |
| Total debts | **1,581.8** | 1,276.3 |

At 31 March 2011, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 0.60 (2010: 0.63(restated)). The amount due to a shareholder was included in the analysis even though the amount is interest free due to its materiality.

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

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

## EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 3,320 employees at 31 March 2011. Total remuneration of employees for the year ended 31 March 2011 amounted to approximately HK$693.8 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.

## FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 March 2011.

## BUSINESS REVIEW

Although the Group's China property development arm achieved a profit during the year and its construction arm was kept busy with new and ongoing projects, the Group posted a loss in the year under review. This was primarily the result of settlement of final accounts at substantial lower amounts than previously estimated on several completed contracts that the Group undertook some years ago. These old projects were won and carried out under drastically different and often difficult conditions. Furthermore, concessions were made at the time in order to prevent escalations and disputes that could have resulted in far-reaching consequences. Exceptionally, we also incurred high tendering and overhead costs which have been reflected in the Group's profit and loss, whereas attributable profit from some large projects with comparatively long construction periods has not been included in this year's financials since, as required by accounting policy, revenue from each of these projects had not yet amounted to 20% of the respective contract sum. These factors contributed to a loss on the construction segment. However, the Group does not expect losses related to final accounts to continue on this scale in the future, as our more recent projects enjoy higher margins and our changes in management and administration have brought overhead costs under firm control. As for property development, returns were good and the segment achieved a profit mainly from the sale of residential units of Phase 2A of Arc de Royal in Shijiazhuang, Hebei Province despite loss on disposal of worker quarters and impairment charge sustained from the Group's property development in Abu Dhabi, UAE. Moreover, property investment segment recorded a material positive fair value change on "Infinity 8" at Choi Hung. Lastly, the professional services segment achieved higher revenue and profit as compared with that of last year despite fierce competition.

### Construction

The construction sector in Hong Kong is experiencing an unprecedented boom, as Hong Kong's economy has flourished and infrastructure projects in particular have taken off. The Group has the expertise, the experience and the scale to bid on many of these new projects, either on its own or in collaboration with partners. In the year under review, the Group devoted much attention to selecting prestigious and high-margin projects to tender for. This year can be characterized as one in which we successfully won many significant tender awards that will sustain the Group's healthy growth for years to come. Milestones includes the contract for construction of the Central-Wan Chai Bypass Tunnel (North Point Section) and Island Eastern Corridor Link. This project is worth HK$4 billion, which began in January 2011 and is led by the Group, is a joint venture arrangement with China Railway Group Limited and China Major Bridge Engineering Company Limited.

Another major Hong Kong infrastructure contract won during the year was for the provision of electrical and mechanical services in the construction of the new Kennedy Town MTR Station, part of the new MTR West Island Line project. This HK$112 million project, begun in October 2010, is scheduled for completion in June 2014.

Other projects won in the year under review included contracts for the construction of noise barriers on the Fanling Highway, between MTR Fanling Station and Wo Hing Road; for piling works for the proposed residential development at 150-162 Belcher's Street on Hong Kong Island; and for podium fitting out works for a residential development project in Tseung Kwan O. In February 2011, the Group also won the contract for the proposed Tsz Shan Monastery Development at Tai Po in the New Territories, worth HK$423 million.

The Group also made good progress on a number of ongoing projects won in earlier years. In infrastructure, these included contracts for constructing the Central-Wan Chai Bypass at the Hong Kong Convention and Exhibition Centre and also at Wan Chai East, as part of the Wan Chai Development Phase II. It also continued with major infrastructure works at Town Centre South and Tiu Keng Leng, in Tseung Kwan O. The Group has made significant headway in the construction of several major new buildings, including designing and building the extension to the Tseung Kwan O Hospital, constructing a Library Extension for the Chinese University of Hong Kong, and building a 1,800 places Student Residence in Pokfulam for the University of Hong Kong. It also continued work on carcass works contract for a residential development at Hung Shui Kiu, in Yuen Long. Besides these projects, Chun Wo carried out the fitting out of new residential developments in Tseung Kwan O and Hung Shui Kiu.

The Group was also very active during the year on various projects related to water supplies and drainage. It worked on contracts for replacing and rehabilitating the water mains in Hong Kong Island North and South West, Tuen Mun and Yuen Long, Tai Po and Sha Tin, and in Yuen Long, Tai Tong, Kam Tin, Pat Heung and Shek Kong. It also carried out term contracts for waterworks in District L (Lantau and the Outlying Islands) and District H (Hong Kong Island and Ap Lei Chau). Other important drainage projects included construction work for the Tuen Mun Western Trunk Sewerage project, and construction of the Fuk Man Road Nullah in Sai Kung.

Major projects completed during the year included building construction and civil engineering work for the proposed residential development at TKOTL No. 70, Area 86, Site AB, Tseung Kwan O, foundation work for Express Rail Link – West Kowloon Terminus (Site A – South) and the construction of noise barrier for MTR Corporation Limited ("MTRC") at Olympic Station.

In summary, as at 31 March 2011, the estimated value of the Group's contracts in hand was approximately HK$16.0 billion, of which around HK$9.8 billion is still outstanding. These figures represent an increase of 20.3% in the value of contracts in hand over the figure for last year, and an increase of 6.5% in the amount outstanding.

**Property Development**

During the year under review, the Chinese government continued to implement a series of control measures designed to rein in the property sector. These included the "Eight New Rules" (新八招) aimed at curbing the overheating property market, especially in the bigger cities. The government intervention has made for uncertainty in the market, but overall sales remained healthy, especially in non first-tier cities where property speculation was less rampant. This was in evidence in those smaller cities where the Group is active, and showed itself in its satisfactory sales results for the financial year. The Group's profitability in China property was also helped by greater internal efficiencies, for example as it gained tight control over delivery schedules.

Up to 31 March 2011, the Group had sold 99% of the residential units of Phase 2A of its Arc de Royal development in Shijiazhuang, in Hebei Province. These were handed over to buyers once the completion certificate had been issued on 11 March 2011. Meanwhile, the superstructure work on another of the Group's property developments, Le Palais Royal in Shanwei, Guangdong Province, was substantially completed in April 2011. Around 32% of the residential units have been pre-sold.

The Group holds two residential projects with a total GFA of around 28,000 square metres in Abu Dhabi, UAE, one of which has obtained building consent and has a provisional construction start-date in the third quarter of 2011. However, regional instability has affected the progress of the projects and their likely returns on investment. That said, oil-exporting states such as the UAE have benefited from the political turbulence, with oil revenues rising. The boost in oil revenues is likely to sustain the high level of public spending across the UAE, focused especially on addressing the housing shortage there and developing infrastructure. In this scenario, the Group's property development in Abu Dhabi will benefit in the longer term. In the meantime, as the Middle East region works through some of its political and economic issues, the Group will continue exercising caution in its activities in the UAE, limiting its exposure to uncertainties and being prepared to move appropriately once the economy there shows clear signs of recovery and stability.

**Property Investment**

The Group's major property investment is the 'Infinity 8' shopping mall at Choi Hung, Hong Kong. Performance and returns from this investment holding have been satisfactory for the year under review, and the fair value of 'Infinity 8' has increased as other high-profile developments in the vicinity have been competed, drawing more traffic to the area. In line with the Group's aim of focusing its activities more directly on its core competencies, the management is looking at the possibility of disposing of 'Infinity 8' in the coming year if prices continue to rise.

**Security and Property Management**

The Group's security and property management subsidiary has successfully positioned itself as an integrated facility services company. By focusing its efforts on customer retention and enhancements to the quality of its services, it was awarded several security service contracts with "Elements", an upscale shopping mall in Tsimshatsui with over one million square feet of floor area, and "Lake Silver", a prestigious residential property in Ma On Shan; these contracts were awarded by the MTRC. In addition, 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 execute its integrated business model and achieve organic growth.

The subsidiary is firmly committed to developing integrated facility services, and to responding to the increasing focus on environmental protection in the community. To this end, it has obtained ISO 14001 – Environmental Management System (EMS) accreditation for incorporating green elements in its services and enhancing its quality standards. Its efforts have been reflected in the award of security service contracts by Cafe de Coral and CITIC Bank International, and, more generally, increased corporate confidence in its services.

## OUTLOOK AND PROSPECTS

### Construction

Management is very positive about the prospects for the Group's construction arm over the next decade in Hong Kong. The spur in infrastructure development in Hong Kong is opening numerous opportunities for Chun Wo to reap the benefits, and the Group is optimistic about winning a number of the new tenders still in the pipeline. Some of these are on a very substantial scale, such as the Hong Kong-Macau-Zhuhai Bridge project, the trunk road connecting Kowloon and the Tseung Kwan O-Lam Tin tunnel, and several relating to the MTRC's Shatin to Central Link. Further, there has been a growing amount of work from public sector clients, and this is expected to grow even further, especially if the Private Sector Participation Scheme gains government approval, as this will open up further opportunities on public housing estates.

This potential portfolio is only one side of the picture, however. Internally, the Group is at a stage now where it has close control of its overhead costs. Further, revenue of a number of the Group's existing projects will reach the 20% completion mark in the next year or so; this is the point at which the Group can begin booking profits on these contracts. All these factors combine to suggest that the Group's construction arm should be able to achieve good profits over the next couple of years.

### Property Development

As part of Chun Wo's theme of focus in the coming year, management plans to focus its property development resources primarily at Shijiazhuang, where higher returns from property sales are expected in the future. Pre-sales of Phase 2B of the Group's Arc de Royal residential development in Shijiazhuang are scheduled to begin in the third quarter of 2011, and management is optimistic about the likely demand for these units and the prices they should realise, especially given the fact that they will comprise some of the most luxurious residential units available in the region. The final portion, Phase 3, of the Arc de Royal development is commercial, and hence not subject to government cooling measures: it is planned as a combination of offices, serviced apartments and shops. Currently, plans for the commercial development have been submitted to the local government; once approved, Phase 3 is expected to be completed in under four years.

Another of the Group's commercial projects is located in the central business district of Shenyang, in Liaoning Province. Currently at the building plan approval stage, the 64,000 square metres GFA project is scheduled for completion in 2013.

The Group is also looking to capitalise on its expertise in construction and its renowned brand name to enter into appropriate joint ventures to bid on land in Hong Kong, with the aim of re-entering the Hong Kong property market. Chun Wo's success and experience in property development in China, and our powerful construction capabilities in Hong Kong, suggest that we can achieve good results in the Hong Kong property sector with the right partner(s).

### Other Businesses

Some pressure is expected on the Group's security and property management services subsidiary in the coming year as a result of the introduction of the Statutory Minimum Wage Ordinance in Hong Kong as from 1 May 2011. The Ordinance has already caused many users of security services in Hong Kong to reduce their use in order to save costs. At the time of writing, the Group is maintaining its high standard of services and working to minimise the impact of the Ordinance on revenue, and over 95% of existing clients have accepted price adjustments in the light of higher wage costs.

Leveraging the Group's existing resources and networks arising from providing building maintenance services to 45 large estates managed by MTRC, we also plan to participate in a new scheme being developed for providing a home maintenance service for large estates.

In summary, Chun Wo expects to stride forward positively in the coming year, leveraging its strong brand name, proven expertise and capabilities, and high-level management know-how to turn solid plans into firm achievements. With a reputation for quality and many new projects in the pipeline, we believe that the Group is very well placed to achieve a good performance in years to come, and deliver satisfactory returns to its shareholders.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year 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 Rules Governing Securities on the Stock Exchange (the "Listing Rules") throughout the year under review except for the deviations from the provision A.4.2 of the Code. Pursuant to provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every 3 years. The Board considers that the Chairman and the Managing Director are not subject to retirement by rotation in order to maintain the stability and continuity.

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

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in the Company's 2010/2011 Annual Report.

## AUDIT COMMITTEE REVIEW

The Audit Committee of the Company (the "Audit Committee") comprises 3 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 final results of the Group for the year ended 31 March 2011.

By Order of the Board
**Pang Yat Ting, Dominic**
*Chairman*

Hong Kong, 28 June 2011

*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.*