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 2012

FINANCIAL HIGHLIGHTS

	HK$'000
Total revenue (including share of jointly controlled entities)	2,441,905
Profit attributable to owners of the Company	37,168
Earnings per share	HK3.80 cents
Equity per share **	HK$1.54

** *Equity per share refers to equity attributable to owners of the Company divided by the total number of issued ordinary share capital as at 30 September 2012.*

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 condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2012, together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012 (Unaudited)

		Six months ended 30 September	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**1,763,156**	1,425,325
Cost of sales		**(1,601,790)**	(1,327,983)
Gross profit		**161,366**	97,342
Other income		**28,216**	18,645
Other gains and losses		**(521)**	(1,539)
Fair value changes on investment properties		**(2,199)**	–
Selling expenses		**(3,580)**	(2,238)
General and administrative expenses		**(114,691)**	(100,466)
Share of results of associates		**2,975**	–
Share of results of jointly controlled entities		**19,311**	58,624
Finance costs	*4*	**(21,481)**	(11,862)
Profit before tax		**69,396**	58,506
Income tax expense	*5*	**(32,228)**	(24,731)
Profit for the period	*6*	**37,168**	33,775
Other comprehensive (expense) income			
Exchange differences arising on translation		**(5,846)**	21,163
Total comprehensive income for the period		**31,322**	54,938
Profit for the period attributable to:			
Owners of the Company		**37,168**	33,775
Non-controlling interests		**–**	–
		37,168	33,775

	Notes	Six months ended 30 September	
		2012	2011
		HK$'000	*HK$'000*
Total comprehensive income attributable to:			
Owners of the Company		**31,322**	54,938
Non-controlling interests		**–**	–
		31,322	54,938
Earnings per share			
— Basic	*8*	**3.80 cents**	3.69 cents
— Diluted	*8*	**3.80 cents**	3.69 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012 (Unaudited)

	Notes	30 September 2012 HK$'000	31 March 2012 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	*9*	**216,585**	215,890
Investment properties		**432,117**	422,622
Interests in associates		**69,240**	66,387
Interests in jointly controlled entities		**96,937**	77,626
Deferred tax assets		**13,852**	10,015
Amounts due from associates		**103,427**	103,420
		932,158	895,960
Current assets			
Amounts due from customers for contract work		**601,057**	564,814
Debtors, deposits and prepayments	*10*	**589,610**	578,998
Properties under development		**646,664**	642,587
Deposits paid for properties under development		**172,590**	179,783
Properties held for sale		**396,147**	457,088
Deposits paid for properties held for sale		**27,805**	36,004
Investments held for trading		**423**	468
Amounts due from associates		**705**	705
Amounts due from jointly controlled entities		**90,197**	54,581
Tax recoverable		**20,583**	17,010
Pledged bank deposits		**159,577**	242,082
Bank balances and cash		**354,956**	414,944
		3,060,314	3,189,064

	Notes	30 September 2012 HK$'000	31 March 2012 HK$'000 (Restated)
Current liabilities			
Amounts due to customers for contract work		**157,694**	120,476
Creditors, deposits and accrued charges	*11*	**702,907**	765,213
Deposits received from pre-sales of properties under development		**60,188**	63,646
Amounts due to associates		**15,864**	15,893
Amounts due to jointly controlled entities		**52,524**	69,905
Tax payable		**92,595**	82,796
Dividend payable		**7,829**	–
Obligations under finance leases		**15,374**	15,864
Borrowings		**1,202,014**	1,242,185
		2,306,989	2,375,978
Net current assets		**753,325**	813,086
Total assets less current liabilities		**1,685,483**	1,709,046
Non-current liabilities			
Unsecured bonds		**150,000**	150,000
Obligations under finance leases		**15,459**	15,250
Borrowings		**–**	48,189
Deferred tax liabilities		**14,786**	14,638
		180,245	228,077
Net assets		**1,505,238**	1,480,969
Capital and reserves			
Share capital		**97,864**	97,864
Reserves		**1,407,024**	1,382,755
Equity attributable to owners of the Company		**1,504,888**	1,480,619
Non-controlling interests		**350**	350
Total equity		**1,505,238**	1,480,969

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 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 2012 except for those described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 *Deferred Tax*: *Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$33,132,000 as at 31 March 2012, with the corresponding adjustment being recognised in retained earnings.

The application of the other amendment to HKFRSs in the current interim period has had no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[2]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities are currently accounted for using the equity method of accounting or proportionate accounting under HKAS 31.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors of the Group have already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures or measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results and financial position.

The directors of the Group anticipate that the application of the other new and revised standards, amendments or interpretations will not have material impact on the condensed consolidated financial statements.

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 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 securities

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

For the six months ended 30 September 2012

	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)*	**1,466,291**	**182,243**	**6,033**	**108,589**	**–**	**1,763,156**
Share of revenue of jointly controlled entities	**678,749**	**–**	**–**	**–**	**–**	**678,749**
Segment revenue	**2,145,040**	**182,243**	**6,033**	**108,589**	**–**	**2,441,905**
RESULT						
Operating results	**5,645**	**57,610**	**4,112**	**6,109**	**(119)**	**73,357**
Share of results of associates	**–**	**2,975**	**–**	**–**	**–**	**2,975**
Share of results of jointly controlled entities	**19,311**	**–**	**–**	**–**	**–**	**19,311**
Segment profit (loss)	**24,956**	**60,585**	**4,112**	**6,109**	**(119)**	**95,643**
Unallocated corporate expenses						**(6,812)**
Interest income						**2,046**
Finance costs						**(21,481)**
Profit before tax						**69,396**
Income tax expense						**(32,228)**
Profit for the period						**37,168**

For the six months ended 30 September 2011

	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)*	1,168,961	136,255	4,417	115,692	–	1,425,325
Share of revenue of jointly controlled entities	757,734	–	–	–	–	757,734
Segment revenue	1,926,695	136,255	4,417	115,692	–	2,183,059
RESULT						
Operating results	(33,160)	38,348	5,526	3,046	(8)	13,752
Share of results of jointly controlled entities	58,624	–	–	–	–	58,624
Segment profit (loss)	25,464	38,348	5,526	3,046	(8)	72,376
Unallocated corporate expenses						(4,022)
Interest income						2,014
Finance costs						(11,862)
Profit before tax						58,506
Income tax expense						(24,731)
Profit for the period						33,775

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

The share of revenue of jointly controlled entities has been included in segment revenue for the purpose of performance assessment by the CODM.

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.

4 FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Interests on:		
Bank loans wholly repayable within five years	**20,690**	16,870
Bank loans not wholly repayable within five years	**102**	103
Finance leases	**728**	412
Amount due to a jointly controlled entity	**–**	311
Unsecured bonds	**5,438**	–
Total borrowing costs	**26,958**	17,696
Less: Amount attributable to contract work	**(3,920)**	(3,084)
Amount attributable to properties under development	**(1,557)**	(2,750)
	21,481	11,862

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	
	2012	2011
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax	**1,823**	1,404
— PRC Enterprise Income Tax	**13,753**	10,750
— PRC LAT	**16,404**	12,107
— Other Jurisdictions	**100**	–
	32,080	24,261
Deferred tax	**148**	470
	32,228	24,731

6 PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	**17,778**	18,469
Less: Amount attributable to contract work	**(14,610)**	(14,222)
	3,168	4,247
Gain on disposal of property, plant and equipment	**(33)**	(145)

7 DIVIDENDS

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Final dividend		
Final dividend recognised as distribution in respect of 2012 of HK 0.8 cent (2011: nil) per share	**7,829**	–

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2012.

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	
	2012	2011
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**37,168**	33,775
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**978,638,531**	916,135,974
Effect of dilutive potential ordinary shares in respect of:		
— Share options	**91,247**	–
— Warrants	**–**	773
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**978,729,778**	916,136,747

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$8.2 million (six months ended 30 September 2011: HK$11.6 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK$0.4 million (six months ended 30 September 2011: HK$2.1 million).

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$281,736,000 (at 31 March 2012: HK$276,134,000), which are included in the Group's debtors, deposits and prepayments, is as follows:

	At 30 September 2012	At 31 March 2012
	HK$'000	*HK$'000*
Not yet due	**262,966**	262,739
Amounts past due but not impaired:		
1–30 days	**14,148**	11,596
31–90 days	**3,753**	888
91–180 days	**463**	538
Over 180 days	**406**	373
	281,736	276,134

11 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK$481,138,000 (at 31 March 2012: HK$403,059,000), which are included in the Group's creditors, deposits and accrued charges, is as follows:

	At 30 September 2012	At 31 March 2012
	HK$'000	*HK$'000*
Not yet due	**338,612**	257,700
1–30 days	**92,084**	92,968
31–90 days	**35,082**	43,174
91–180 days	**8,421**	6,758
Over 180 days	**6,939**	2,459
	481,138	403,059

12 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	At **30 September 2012** ***HK$'000***	At 31 March 2012 *HK$'000*
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
— subsidiaries	**380,331**	255,797
— jointly controlled entities	**33,491**	33,491
	413,822	289,288
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
— an associate	**32,000**	32,000
— jointly controlled entities	**439,000**	344,500
	471,000	376,500
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	**290,669**	269,042

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 2012** ***HK$'000***	At 31 March 2012 *HK$'000*
Investment properties	**409,200**	409,200
Property, plant and equipment	**28,587**	31,497
Properties under development	**–**	8,679
Properties held for sale	**–**	132,272
Bank deposits	**159,577**	242,082
	597,364	823,730

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 2012, the total net debts of the Group amounted to approximately HK$868.3 million, representing total debts of approximately HK$1,382.8 million less total of pledged bank deposits and bank balances and cash of approximately HK$514.5 million. The debt maturity profile based on scheduled repayment dates set out in loan agreements of the Group at 30 September 2012 is analysed as follows:

	As at 30 September 2012 *HK$ million*	As at 31 March 2012 *HK$ million*
Borrowings and obligations under finance leases repayable:		
Within 1 year or on demand	**1,125.7**	1,141.9
After 1 year, but within 2 years		
— On demand shown under current liabilities	**64.5**	87.7
— Remaining balances	**10.9**	36.0
After 2 years, but within 5 years		
— On demand shown under current liabilities	**19.7**	20.1
— Remaining balances	**4.5**	27.4
Over 5 years		
— On demand shown under current liabilities	**7.5**	8.4
	1,232.8	1,321.5
Unsecured bonds		
— repayable after 2 years, but within 5 years	**150.0**	150.0
Total debts	**1,382.8**	1,471.5

At 30 September 2012, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to owners of the Company was 0.58 (31 March 2012: 0.55 (restated)).

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 3,530 employees at 30 September 2012. Total remuneration of employees for the six months ended 30 September 2012 amounted to approximately HK$406.4 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 has resolved not to declare an interim dividend for the six months ended 30 September 2012 (2011: Nil).

BUSINESS REVIEW

Interim Results

For the six months ended 30 September 2012, the Group recorded revenue of approximately HK$2.44 billion, which included the Group's share of revenue from jointly controlled entities. This represents an increase of 12% over HK$2.18 billion for the last corresponding period. Profit attributable to owners of the Company rose to approximately HK$37.2 million, up from HK$33.8 million for the corresponding period of last year.

Construction

In respect of the construction business, the Group has continued to capitalise on opportunities created by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government"), which is committed to developing major infrastructure and cross-boundary projects. As at 30 September 2012, the Group has on hand contracts worth approximately HK$22.01 billion of which HK$10.64 billion remains outstanding, representing an increase of 7% and 4% over the figures recorded as at 31 March 2012 respectively.

During the review period, the Group was awarded with nine major projects worth a total contract sum of approximately HK$2.71 billion. These involved a number of important and lucrative new construction projects from different government departments. These contracts help further reinforce the trust built between local authorities and the Group, as well as confidence in its capacity to undertake integrated construction works that contribute to the Hong Kong Government's infrastructure development initiatives.

Government projects that the Group is participating in include the Happy Valley Underground Stormwater Storage Scheme, which represents a major New Engineering Contract (NEC) with the Drainage Services Department worth HK$678 million. Furthermore, the Group has signed another HK$700 million term contract with the Water Supplies Department for Waterworks, District E — New Territories East and has reached an agreement with the Architectural Services Department regarding construction of an open space in Tin Shui Wai.

Other new construction contracts include residential development projects in Kwun Tong and Tsuen Wan, fitting out works for clubhouse and tower entrance lobbies of a proposed residential development project in Pak Shek Kok and foundation works for a proposed office development project in Cheung Sha Wan. The aggregate value of the four contracts is approximately HK$1.10 billion.

All projects are proceeding according to schedule, including three contracts for the Central-Wan Chai Bypass. All railway contracts with MTR Corporation Limited are proceeding satisfactorily, including trackwork and overhead line system for the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong section), construction of the Whampoa Station and overrun tunnel on the Kwun Tong Line Extension, and site formation and piling works for the Wong Chuk Hang Depot, South Island Line (East).

Property Development

In view of market volatility in certain parts of Mainland China, the Group has started to focus on establishing property developments in Hong Kong and Southern China.

With respect to the Group's Arc de Royal development in Shijiazhuang, Hebei Province, 16% of the units in Tower 8 and 76% of the units in Tower 9, representing the final residential phase of the project, have been sold as at 30 September 2012. At Le Palais Royal in Shanwei, Guangdong Province, 64% of the residential units and 88% of the retail units have been sold as at 30 September 2012.

As for the Group's property development in Abu Dhabi, United Arab Emirates, topping out of the 10-storey Reem Diamond low-rise residential project has been achieved. The building is scheduled for completion by the second quarter of 2013.

Property Investment

The "Infinity 8" shopping mall in Choi Hung, Hong Kong, represents one of the Group's major property investments. The performance of this property has been satisfactory, with rental revenue achieving a double-digit growth as compared with the last corresponding period.

Security and Property Management Services

The Group's security and property management services subsidiaries have continued to achieve sustainable and satisfactory growth in profitability. These two subsidiaries have been awarded with a security service contract from The Hong Kong University of Science and Technology and a cleaning contract from Nan Fung Centre in Tsuen Wan respectively. The security service subsidiary is also the security service provider to the 47th Hong Kong Brands and Products Expo organised by CMA Exhibition Services Limited, which is an immense honour. This marks the third consecutive year that the subsidiary has provided security service to the event.

The Group's security and property management services subsidiaries have a healthy flow of business as they are able to not only reap the fruits of their own business development efforts, but also enjoy benefits that come from the Group's integrated business model.

OUTLOOK AND PROSPECTS

Construction

Benefiting from "Ten Major Infrastructure Projects" and a golden age in the construction industry as a whole, the management remains optimistic about prospects for the Group's construction segment. The total value of infrastructure and logistic projects approved by the Legislative Council of the Hong Kong Government is expected to increase by almost threefold — up from HK$62 billion in 2007–08 to HK$184 billion in 2012–13, while annual actual expenditure on capital works has risen from HK$20.5 billion in 2007–08 to HK$62.3 billion in 2012–13. Hong Kong's current shortage of developable land and the growing call for such development and associated infrastructure will help sustain, if not further drive, public construction for a long time to come. The Group has already started to bid for many large-scale public projects, such as the MTR Shatin-Central Link, Tuen Mun-Chek Lap Kok Link, remainder of the Central-Wan Chai Bypass, Liantang/Heung Yuen Wai Boundary Control Point and other infrastructure projects.

Aside from the Hong Kong Government's commitment to bolstering infrastructure development, addressing local housing needs will also create opportunities for the Group over the long term. The Northeast New Territories development plan is a perfect example of creating more land principally for residential applications.

While opportunities for securing new projects are abundant, the demand for resources has increased dramatically. Professionals, skilled labour and plant resources are in shortage. Moreover, the cost of employing subcontractors and consultants has been rising dramatically due to demand. The cost of scarce resources has risen to levels that adversely affect the Group's bottom line. The Group is currently exploring various means to secure needed resources for its existing projects and to prepare for future opportunities. Efforts to control costs and plan for potential contingencies are underway as well, with sustaining profitability as the underlying objective.

Property Development

The Hong Kong property market continues to realise stable growth, driven by solid demand and limited land supply. The management expects the local market to sustain growth, thus create good opportunities for the Group in the coming years.

In view of the opportunities ahead, the Group will direct its property development efforts squarely on Hong Kong, with secondary focus on Southern China. It also intends to capitalise on measures proposed by the Hong Kong Government to relieve pent-up demand, such as the redevelopment of industrial buildings into residential flats or commercial offices.

The management is convinced that focusing on the Hong Kong property sector allows the Group to fully leverage its expertise in building and project management, which leads to generating higher returns.

In Mainland China, the unpredictability of upcoming property-related policies, compounded by possible new land and housing development restrictions to be introduced following the 18th National Congress of the Communist Party of China (CPC), will inevitably create challenges for the Group. Nevertheless, the management fully believes that by continuing to exercise restraint and closely examine market developments, it can turn challenges into opportunities. The property development in Shijiazhuang and Shanwei are examples of such opportunities, and have generated stable sales during the review period.

Overview

The management remains optimistic about the Group's outlook and generally bullish about the construction business. Large-scale construction projects have the potential to appreciably bolster the Group's growth and ability to diversify. With regards to property development, the Group will focus on enhancing its presence in the more mature and stable Hong Kong and Southern China markets. The primary objective of the Group will be to achieve an annual net profit growth rate of approximately 10%.

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 CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in 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 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 for Securities Transactions by Directors of Listed Issuers (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 (Chairman of the Audit Committee) and Mr. Hui Chiu Chung, Stephen, all are independent non-executive directors of the Company. The Audit Committee has reviewed with the management 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 2012.

By Order of the Board
Pang Yat Ting, Dominic
Chairman

Hong Kong, 26 November 2012

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.