



CHUN WO HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

Interim Report

2005-2006

## INTERIM RESULTS

The Board of Directors (the "Board") of Chun Wo Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2005, together with the relevant comparative figures, are as follows:

### Condensed Consolidated Income Statement for the six months ended 30th September, 2005

	Notes	Unaudited six months ended 30th September,	
		2005 HK\$'000	2004 HK\$'000 (restated)
Turnover	3	<b>1,082,198</b>	1,338,513
Cost of sales		<b>(1,003,113)</b>	(1,274,681)
Gross profit		<b>79,085</b>	63,832
Other operating income		<b>19,031</b>	22,110
General and administrative expenses		<b>(68,707)</b>	(59,901)
Operating profit	4	<b>29,409</b>	26,041
Finance costs	5	<b>(6,405)</b>	(1,352)
Share of results of jointly controlled entities		<b>7,715</b>	15,984
Profit before taxation		<b>30,719</b>	40,673
Taxation	6	<b>(5,305)</b>	(7,130)
Profit for the period		<b><u>25,414</u></b>	<u>33,543</u>
Attributable to:			
Equity holders of the Company		<b>25,517</b>	33,455
Minority interests		<b>(103)</b>	88
		<b><u>25,414</u></b>	<u>33,543</u>
Proposed interim dividend	7	<b><u>7,446</u></b>	<u>9,238</u>
Earnings per share – basic	8	<b><u>3.4 cents</u></b>	<u>4.6 cents</u>
– diluted		<b><u>3.4 cents</u></b>	<u>4.5 cents</u>

## Condensed Consolidated Balance Sheet

as at 30th September, 2005 and 31st March, 2005

		<b>Unaudited</b>	Audited
		<b>30th September,</b>	31st March,
		<b>2005</b>	2005
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
			(restated)
<b>Non-current assets</b>			
Investment properties		<b>232,819</b>	232,819
Property, plant and equipment	9	<b>191,019</b>	204,873
Prepaid lease payments		<b>401,072</b>	405,905
Properties under development		<b>151,275</b>	83,215
Interests in associates		<b>122,974</b>	122,524
Interests in jointly controlled entities		<b>37,141</b>	29,426
Available-for-sale investments		<b>1,002</b>	–
Investments		–	1,002
		<b>1,137,302</b>	1,079,764
<b>Current assets</b>			
Amounts due from customers for contract work		<b>195,908</b>	321,253
Properties under development		<b>779,256</b>	620,836
Debtors, deposits and prepayments	10	<b>644,602</b>	380,026
Prepaid lease payments		<b>10,237</b>	10,237
Amounts due from associates		<b>1,027</b>	1,027
Amounts due from jointly controlled entities		<b>39,892</b>	71,021
Investments held for trading		<b>2,943</b>	–
Investments		–	6,672
Taxation recoverable		<b>4,499</b>	4,834
Pledged bank deposits		<b>10,477</b>	38,705
Bank balances and cash		<b>277,281</b>	203,455
		<b>1,966,122</b>	1,658,066

**Condensed Consolidated Balance Sheet (Continued)**  
*as at 30th September, 2005 and 31st March, 2005*

	<i>Notes</i>	<b>Unaudited 30th September, 2005 HK\$'000</b>	Audited 31st March, 2005 HK\$'000 (restated)
<b>Current liabilities</b>			
Amounts due to customers for contract work		<b>171,768</b>	215,889
Creditors, deposits and accrued charges	11	<b>847,608</b>	552,241
Amounts due to jointly controlled entities		<b>81,072</b>	93,016
Taxation payable		<b>12,666</b>	11,111
Dividend payable		<b>9,307</b>	–
Obligations under finance leases			
– due within one year		<b>4,101</b>	5,833
Borrowings – due within one year		<b>724,432</b>	685,731
		<b>1,850,954</b>	1,563,821
<b>Net current assets</b>		<b>115,168</b>	94,245
<b>Total assets less current liabilities</b>		<b>1,252,470</b>	1,174,009
<b>Non-current liabilities</b>			
Obligations under finance leases			
– due after one year		<b>1,143</b>	2,465
Borrowings – due after one year		<b>454,661</b>	398,796
Deferred taxation		<b>23,921</b>	20,895
		<b>479,725</b>	422,156
<b>Net assets</b>		<b>772,745</b>	751,853
<b>Capital and reserves</b>			
Share capital	12	<b>74,457</b>	74,457
Reserves		<b>695,669</b>	674,674
Equity attributable to equity holders of the Company		<b>770,126</b>	749,131
Minority interests		<b>2,619</b>	2,722
<b>Total equity</b>		<b>772,745</b>	751,853

## Condensed Consolidated Statement of Changes in Equity

for the six months ended 30th September, 2005 – unaudited

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31st March, 2005										
As originally stated	74,457	250,026	48,329	(7,340)	8,531	1,272	381,543	756,818	2,722	759,540
Effect of changes in accounting policies	-	-	(7,687)	-	-	-	-	(7,687)	-	(7,687)
As restated	74,457	250,026	40,642	(7,340)	8,531	1,272	381,543	749,131	2,722	751,853
Adjustment on adoption of HKAS 40	-	-	(40,642)	-	-	-	40,642	-	-	-
At 1st April, 2005 (as restated)	74,457	250,026	-	(7,340)	8,531	1,272	422,185	749,131	2,722	751,853
Exchange differences arising on translation of financial statements of operations in the People's Republic of China (the "PRC")	-	-	-	-	-	4,785	-	4,785	-	4,785
Profit for the period	-	-	-	-	-	-	25,517	25,517	(103)	25,414
2004/2005 proposed final dividend	-	-	-	-	-	-	(9,307)	(9,307)	-	(9,307)
At 30th September, 2005	<u>74,457</u>	<u>250,026</u>	<u>-</u>	<u>(7,340)</u>	<u>8,531</u>	<u>6,057</u>	<u>438,395</u>	<u>770,126</u>	<u>2,619</u>	<u>772,745</u>
At 1st April, 2004										
As originally stated	72,455	242,572	38,099	(7,340)	8,531	676	358,666	713,659	2,787	716,446
Effect of changes in accounting policies	-	-	(6,812)	-	-	-	-	(6,812)	-	(6,812)
As restated	72,455	242,572	31,287	(7,340)	8,531	676	358,666	706,847	2,787	709,634
Issue of shares	1,448	2,753	-	-	-	-	-	4,201	-	4,201
Profit for the period	-	-	-	-	-	-	33,455	33,455	88	33,543
2003/2004 proposed final dividend	-	-	-	-	-	-	(19,445)	(19,445)	-	(19,445)
At 30th September, 2004	<u>73,903</u>	<u>245,325</u>	<u>31,287</u>	<u>(7,340)</u>	<u>8,531</u>	<u>676</u>	<u>372,676</u>	<u>725,058</u>	<u>2,875</u>	<u>727,933</u>

**Condensed Consolidated Cash Flow Statement**  
*for the six months ended 30th September, 2005*

	<b>Unaudited</b>	
	<b>six months ended</b>	
	<b>30th September,</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash from operating activities</b>	<b>178,050</b>	21,532
<b>Net cash used in investing activities</b>	<b>(171,946)</b>	(150,661)
<b>Net cash from (used in) financing activities</b>	<b>67,456</b>	(25,601)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>73,560</b>	(154,730)
<b>Cash and cash equivalents at beginning of the period</b>	<b>203,455</b>	282,840
<b>Effect of foreign exchange rate changes</b>	<b>266</b>	–
<b>Cash and cash equivalents at end of the period</b>	<b><u>277,281</u></b>	<u>128,110</u>
Being:		
Bank balances and cash	<b><u>277,281</u></b>	<u>128,110</u>

**NOTES:****1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

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

The condensed financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests, share of tax of associates and jointly controlled entities have been changed in accordance with HKAS 1 "Presentation of Financial Statements". The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in the following changes to the Group's accounting policies:

**Share-based payments**

In the current period, the Group has applied HKFRS 2 "Share-based payments", which requires an expense to be recognised where the Group buys goods or obtain services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of grantees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

The Group has applied HKFRS 2 to share options granted on or after 1st April, 2005. In relation to share options granted before 1st April, 2005, the Group has not applied HKFRS 2 to share options that were granted after 7th November, 2002 and had vested before 1st April, 2005 in accordance with the relevant transitional provisions. The Group had no share options granted after 7th November, 2002 and had not yet vested on 1st April, 2005, and accordingly, no retrospective restatement is required.

## 1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Financial instruments**

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The adoption of HKAS 32 has had no impact on the presentation of the financial instruments in the Group's financial statements. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Previously, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice ("SSAP") 24. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any).

From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

### **Leasehold interest in land**

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively.



## 1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Leasehold interest in land** (Continued)

In previous periods, leasehold land for development for sale was stated at cost less any impairment loss where appropriate. With adoption of HKAS 17 as from 1st April, 2005, any prepaid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. If the property is in the course of development, the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised in the income statement immediately. The new accounting policy has been adopted retrospectively.

### **Investment properties**

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April, 2005 onwards. The amount held in investment property revaluation reserve as at 1st April, 2005 has been transferred to the Group's retained profits.

### **Deferred taxes related to investment properties**

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amounts of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" ("HKAS-Int 21") which removes the presumption that the carrying amounts of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS-Int 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

## 2 SUMMARY OF THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES

The effects of the changes in accounting policies described in note 1 above on the results of operations of the Group for the current and the prior period are as follows:

	Six months ended 30th September, 2005			Six months ended 30th September, 2004		
	Before adoption of new HKFRSs	Adoption of HKAS 1	After adoption of new HKFRSs	Before adoption of new HKFRSs	Adoption of HKAS 1	After adoption of new HKFRSs
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating profit	29,409	-	29,409	26,041	-	26,041
Finance costs	(6,405)	-	(6,405)	(1,352)	-	(1,352)
Share of results of jointly controlled entities	9,385	(1,670)	7,715	19,172	(3,188)	15,984
Profit before taxation	32,389	(1,670)	30,719	43,861	(3,188)	40,673
Taxation	(6,975)	1,670	(5,305)	(10,318)	3,188	(7,130)
Profit for the period	<u>25,414</u>	<u>-</u>	<u>25,414</u>	<u>33,543</u>	<u>-</u>	<u>33,543</u>

Upon adoption of HKAS 1, the share of tax of jointly controlled entities was reclassified and included in the share of results of jointly controlled entities.

The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005	Effects of adoption of		As at 31st March, 2005	Adjustment on	As at 1st April, 2005
	(as originally stated)	HKAS 17	HKAS-Int 21	(as restated)	adoption of	(as restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance sheet items</b>						
Property, plant and equipment	234,882	(30,009)	-	204,873	-	204,873
Properties under development						
- non-current	469,348	(386,133)	-	83,215	-	83,215
Prepaid lease payments						
Non-current	-	405,905	-	405,905	-	405,905
Current	-	10,237	-	10,237	-	10,237
Deferred taxation	<u>(13,208)</u>	-	(7,687)	<u>(20,895)</u>	-	<u>(20,895)</u>
Total effects on assets and liabilities		<u>-</u>	<u>(7,687)</u>		<u>-</u>	
Retained profits	381,543	-	-	381,543	40,642	422,185
Investment property revaluation reserve	<u>48,329</u>	-	(7,687)	<u>40,642</u>	(40,642)	<u>-</u>
Total effects on equity		<u>-</u>	<u>(7,687)</u>		<u>-</u>	

## 2 SUMMARY OF THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES (Continued)

The financial effects of the application of the new HKFRSs to the Group's equity as at 1st April, 2004 are summarised below:

	As at 1st April, 2004 (as originally stated) <i>HK\$'000</i>	Effects of adoption of HKAS-Int 21 <i>HK\$'000</i>	As at 1st April, 2004 (as restated) <i>HK\$'000</i>
Investment property revaluation reserve	<u>38,099</u>	<u>(6,812)</u>	<u>31,287</u>
Total effects on equity		<u>(6,812)</u>	

## 3 BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into three operating divisions - construction works, property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

### For the six months ended 30th September, 2005

	Construction works <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>					
External sales	<u>1,069,370</u>	<u>-</u>	<u>12,555</u>	<u>273</u>	<u>1,082,198</u>
<b>RESULT</b>					
Segment result	<u>25,810</u>	<u>(8)</u>	<u>9,602</u>	<u>(289)</u>	<u>35,115</u>
Interest income					354
Unallocated corporate expenses					<u>(6,060)</u>
Operating profit					29,409
Finance costs					<u>(6,405)</u>
Share of results of jointly controlled entities	7,715				<u>7,715</u>
Profit before taxation					30,719
Taxation					<u>(5,305)</u>
Profit for the period					<u>25,414</u>

### 3 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

For the six months ended 30th September, 2004

	Construction works <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>					
External sales	<u>1,301,845</u>	<u>22,066</u>	<u>14,602</u>	<u>–</u>	<u>1,338,513</u>
<b>RESULT</b>					
Segment result	<u>16,651</u>	<u>670</u>	<u>12,883</u>	<u>270</u>	30,474
Interest income					502
Unallocated corporate expenses					<u>(4,935)</u>
Operating profit					26,041
Finance costs					(1,352)
Share of results of jointly controlled entities	15,984				<u>15,984</u>
Profit before taxation					40,673
Taxation					<u>(7,130)</u>
Profit for the period					<u>33,543</u>

#### Geographical segments

The Group's operations are mainly located in Hong Kong and elsewhere in the PRC.

No analysis of contribution to profit from operations by geographical market has been presented as more than 90% of the Group's activities were carried out in Hong Kong.

#### 4 OPERATING PROFIT

	six months ended 30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit has been arrived at after charging:		
Depreciation and amortisation	<b>20,728</b>	19,855
Less: Amount attributable to contract work	<b>(14,518)</b>	(17,457)
Amount attributable to properties under development	<b>(4,492)</b>	(616)
	<b>1,718</b>	1,782

#### 5 FINANCE COSTS

	six months ended 30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest payable	<b>23,785</b>	7,370
Less: Amount attributable to contract work	<b>(3,766)</b>	(2,870)
Amount attributable to properties under development	<b>(13,614)</b>	(3,148)
	<b>6,405</b>	1,352

#### 6 TAXATION

	six months ended 30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax	<b>2,163</b>	10,723
– Foreign Enterprise Income Tax in the PRC	<b>116</b>	565
	<b>2,279</b>	11,288
Deferred taxation		
– Hong Kong Profits Tax	<b>3,026</b>	(4,158)
	<b>5,305</b>	7,130

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods.

Foreign Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

## 7 PROPOSED INTERIM DIVIDEND

	six months ended 30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed interim dividend of HK1 cent (2004: HK1.25 cents) per share	<u><u>7,446</u></u>	<u><u>9,238</u></u>

## 8 EARNINGS PER SHARE

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

	six months ended 30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share		
– Profit attributable to the equity holders of the Company	<u><u>25,517</u></u>	<u><u>33,455</u></u>
	<b>Number of shares</b>	
Weighted average number of shares for the purpose of basic earnings per share	<b>744,565,896</b>	727,922,442
Effect of dilutive potential shares in respect of share options	<u>–</u>	<u>8,396,006</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><u>744,565,896</u></u>	<u><u>736,318,448</u></u>

In the current period, there was no dilutive potential shares outstanding as the exercise prices of those options were higher than the average market prices of the Company's shares.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$2.6 million (six months ended 30th September, 2004: HK\$8.2 million) on property, plant and equipment.

There was no major disposal of property, plant and equipment during the period.

## 10 DEBTORS, DEPOSITS AND PREPAYMENTS

Interim applications for progress payments in construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of trade debtors of HK\$323,248,000 (at 31st March, 2005: HK\$158,367,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	<b>At 30th September, 2005</b>	At 31st March, 2005
	<b>HK\$'000</b>	<b>HK\$'000</b>
Not yet due	<b>317,327</b>	155,285
0 to 30 days	<b>5,411</b>	2,945
31 to 90 days	<b>510</b>	102
91 to 180 days	<b>-</b>	35
	<b>323,248</b>	<b>158,367</b>

## 11 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$363,561,000 (at 31st March, 2005: HK\$267,659,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	<b>At 30th September, 2005</b>	At 31st March, 2005
	<b>HK\$'000</b>	<b>HK\$'000</b>
Not yet due	<b>236,312</b>	197,447
0 to 30 days	<b>116,046</b>	33,313
31 to 90 days	<b>4,499</b>	25,557
91 to 180 days	<b>1,482</b>	3,640
Over 180 days	<b>5,222</b>	7,702
	<b>363,561</b>	<b>267,659</b>

## 12 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.1 each		
Authorised:		
At 1st April, 2005 and 30th September, 2005	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 1st April, 2005 and 30th September, 2005	<u>744,565,896</u>	<u>74,457</u>

## 13 CAPITAL COMMITMENTS

	At 30th September, 2005 HK\$'000	At 31st March, 2005 HK\$'000
Capital expenditure relating to property, plant and equipment contracted for but not provided in the financial statements	<u>2,971</u>	<u>101</u>

## 14 CONTINGENT LIABILITIES

	At 30th September, 2005 HK\$'000	At 31st March, 2005 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	270,250	147,685
– an associate	22,400	22,400
– jointly controlled entities	<u>26,817</u>	<u>134,417</u>
	<u>319,467</u>	<u>304,502</u>
Extent of guarantee issued to a financial institution to secure a credit facility granted to:		
– an associate	<u>48,000</u>	<u>48,000</u>
Extent of guarantee issued to a customer to indemnify contract work of a subsidiary	<u>115,900</u>	<u>115,900</u>



## 15 PLEDGE OF ASSETS

- (a) At 30th September, 2005, the Group's leasehold properties in Hong Kong with carrying values of approximately HK\$28,748,000 (at 31st March, 2005: HK\$29,269,000) and bank deposits of HK\$Nil (at 31st March, 2005: HK\$5,866,000) have been pledged to banks as securities for credit facilities granted to the Group.
- (b) At 30th September, 2005, all the Group's interests in the properties under development in Hong Kong together with the prepaid land lease payments with carrying values of approximately HK\$941,131,000 (at 31st March, 2005: HK\$749,802,000) and bank deposit of HK\$4,827,000 (at 31st March, 2005: HK\$23,381,000) have been pledged to certain banks as securities for bank loans amounting to HK\$1,300,000,000 (at 31st March, 2005: HK\$1,300,000,000) granted to subsidiaries.
- (c) At 30th September 2005, the Group's investment properties with carrying values of approximately HK\$175,000,000 (at 31st March, 2005: HK\$175,000,000) and bank deposit of HK\$5,650,000 (at 31st March, 2005: HK\$9,458,000) have been pledged to certain banks as securities for a bank loan amounting to HK\$95,000,000 (at 31st March, 2005: HK\$95,000,000) granted to a subsidiary.

## 16 RELATED PARTY TRANSACTIONS

	Notes	Associates		Jointly controlled entities	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Transactions during the period:					
Contract revenue recognised	(a)	<u>—</u>	<u>—</u>	<u>170,586</u>	<u>4,977</u>
Project management fee received	(a)	<u>—</u>	<u>—</u>	<u>2,838</u>	<u>1,095</u>
Rental income received	(a)	<u>—</u>	<u>—</u>	<u>—</u>	<u>50</u>
Security guard services income received	(a)	<u>—</u>	<u>—</u>	<u>2,171</u>	<u>420</u>

## 16 RELATED PARTY TRANSACTIONS (Continued)

	<b>At 30th September, 2005 HK\$'000</b>	At 31st March, 2005 HK\$'000	<b>At 30th September, 2005 HK\$'000</b>	At 31st March, 2005 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	<b><u>22,400</u></b>	<u>22,400</u>	<b><u>26,817</u></b>	<u>134,417</u>
Extent of guarantee issued to a financial institution to secure a credit facility granted to a related party	<b><u>48,000</u></b>	<u>48,000</u>	<u>-</u>	<u>-</u>
Amounts due from related parties:				
Due from associates (b)	<b>79,741</b>	79,741	-	-
Trade balances shown under current assets (c)	<b><u>1,027</u></b>	<u>1,027</u>	<b><u>39,892</u></b>	<u>71,021</u>
	<b><u>80,768</u></b>	<u>80,768</u>	<b><u>39,892</u></b>	<u>71,021</u>
Amounts due to related parties:				
Trade balances shown under current liabilities (c)	<u>-</u>	<u>-</u>	<b><u>81,072</u></b>	<u>93,016</u>

*Notes:*

- (a) The pricing policy of contracts with related parties is consistent with the pricing of contracts with third parties.
- (b) The amount is unsecured, interest free and will not be repayable within the next twelve months.
- (c) The amounts are unsecured, interest free and are repayable on demand.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK1 cent per share (2004: HK1.25 cents per share) payable to shareholders whose names appear on the Register of Members on 8th February, 2006. Dividend warrants will be despatched to shareholders on or about 17th March, 2006.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 2nd February, 2006 to 8th February, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrars of the Company, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (with effect from 3rd January, 2006, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) not later than 4:00 p.m. on 1st February, 2006.

## **REVIEW OF OPERATIONS**

During the period under review, the state of the world economy was generally solid and resilient despite rising oil prices. In most rising markets and developing economies, we saw a continued strong growth. Expansions in emerging Asia were led by Mainland China and India. The GDP growth of Mainland China in the third quarter was 9.4%, higher than the predicted 9%. The economy in Hong Kong followed suit to grow briskly. There was a general optimism as reflected by the favourable land sale in September and the improvement in unemployment rate to a 4-year low. The Group's diversification strategy unfolded advantageously along this robust economic climate. Despite the slowing down of construction activities in Hong Kong and a lack of large-scale construction projects, the Group had managed to maintain its stable market share of the works.

Turnover of the Group for the six months ended 30th September, 2005 was HK\$1,082 million (2004: HK\$1,339 million), a decrease of 19% as compared to last period. Profit for the period was HK\$25.4 million (2004: HK\$33.5 million), representing a decrease of 24%. The decrease of the turnover and profit was due to the slowing down in the construction activities and keen competition. At the period end, the Group's estimated value of contracts in hand stands at HK\$6.6 billion, with about HK\$3.7 billion outstanding.

## **Construction**

The Group's construction business continued to progressing smoothly.

Local building projects completed or substantially completed included "The Pacifica" and Tsing Yi Office at TYTL139, Cyberport Phase II, and "No. 8 Clear Water Bay Road". The construction of the prestigious SkyPlaza at the Airport, an integrated transport centre connecting the existing terminal building was underway to meet its tight schedule.

For civil work projects in Hong Kong, the Group's four construction contracts for the Hong Kong Disneyland Resort had been completed well before its opening. The specialised project on the Investigation of Sewers & Drains for the Drainage Services Department was substantially completed. Tracklaying works for permanent way for KCRC Lok Ma Chau Spur Line was in smooth progress. The construction work of the Highways Department "design and construct" San Tin Interchange project was on track. Various term contracts with Water Supplies Department and Architectural Services Department in the public sector were progressing well.

For local site formation and foundation work under the Group's foundation subsidiary, the contract for Victoria Shanghai Academy at Shum Wan Road was progressing well and the foundation contract for a secondary-cum-primary school at Shatin which was awarded in the last reporting period had been substantially completed.

The Group's electrical and mechanical ("E&M") subsidiary was awarded various government E&M fitting out contracts. The E&M works for SkyPlaza and various minor works contracts were progressing well.

For projects outside Hong Kong, in Mainland China, the excavation work for the building complex at Guangzhou Huang Sha Station above the Guangzhou Metro had been completed. Moreover, in Vietnam, the Group was awarded a joint venture basement contract for a multi-purpose property development project in Ho Chi Minh City. In Macau, the piling contract for The Venetian was completed, and the work for Convention Centre commenced.

## **Property Development**

The Group's current property development "No. 8 Clear Water Bay Road", a commercial/PTI/residential development, outstanding in the district and locating advantageously atop Choi Hung MTR Station, had a substantial number of its residential units pre-sold.

The Group's property focus would be in Mainland China. The three new projects at Shijiazhuang, Yixing and Yangzhou involving residential and commercial property developments were in the planning and design stage and were all progressing well. In Asia, a joint venture project, including construction of luxurious residential and commercial complex with recreational and educational facilities in Vietnam had moved into construction stage.

### **Other Business**

The Group's security and property management businesses, undertaken by City Security Company Limited and City Professional Management Limited respectively, continued to offer competent services to the Group's various construction sites and also to other clients' premises.

The Group announced in August the signing of an agreement in relation to our investment of about HK\$32,000,000 for acquiring 35.58% interest in a company which is principally engaged in the business of selling and producing cardiovascular drug products. The approval for our investment by the relevant government authorities is still pending.

### **Awards and Recognition**

In recognition of the Group's Quality Management particularly in its strategic planning, customer and market focus, and business result, the Group was awarded the Bronze Medal of the 2005 Hong Kong Management Association Quality Award in July 2005.

The Group was awarded one of the Outstanding Enterprises 2005 by Economic Digest in November 2005. The media has also remarked highly the quality achievement of "The Pacifica".

### **Corporate Social Responsibilities**

The Group recognizes its social and industrial responsibilities and administers a policy of making contribution to the community including charity and volunteer services. Recent examples were participation in the MTR Chairman Walking Competition, Oxfam Trailwalker, and a joint programme in rendering regular voluntary services in maintenance work and caring to the aged with the Tung Wah Group of Hospitals.

## **OUTLOOK AND PROSPECTS**

A strong though slower growth of the global economy is envisaged. In the region, the economies of Mainland China, Hong Kong and Macau are expected to continue to grow with Mainland China leading. Uncertainties such as rising oil prices, interest rates, avian flu, etc. are still around.

Though the construction sector in Hong Kong is not expanding, that in Mainland China and Macau continues to grow. In Macau, there are sustainable construction opportunities fuelled by the flourishing entertainment industry. In Mainland China, the launch of series of macro-regulation measures provided enabling environment for overseas investors. The implementation of Closer Economic Partnership Arrangement Stage III continued to reinforce the support to Hong Kong. The launch of Pan-Pearl River Delta Regional Cooperation and Development initiative, also known as "9+2", had opened a vast opportunity portal for Hong Kong business to access the Mainland China market.

The Government is keen to maintain a quality infrastructure of Hong Kong, which interfaces with its hinterland with the rest of the world. In the Policy Address, the Chief Executive had pressed ahead various major infrastructure projects, inter alia, examining the draft feasibility study report for Hong Kong – Zhuhai – Macau Bridge, studying the KCRC's feasibility report on Guangzhou – Shenzhen – Hong Kong Express Rail Link, assessing the feasibility of the KCRC Northern Link and the MTRC South Hong Kong Island Line and planning for the Shatin to Central Link and West Hong Kong Island Line. The Government's blessing on continuous infrastructure development will help sustain benign market conditions.

In recognition to the importance of tourism industry, the Government is investing HK\$31 billion to transform tourism infrastructure over the next decade. New Aberdeen Tourism Development Project comprised of the redevelopment programme of Ocean Park with new hotels and transportation facilities will be a token in construction industry. Moreover, the Government has invited interested parties to submit expression of interest for construction of world class cruise terminal in November this year.

Property Development plans of KCRC and MTRC continue to be implemented. KCRC and MTRC have invited Expression of Interest for Tai Wai Maintenance Centre and Dream City Phase II respectively. The Government has held consultation with LegCo on building of Central Government Offices and LegCo Building on the Tamar Site. The Government has also had further consultation on West Kowloon Cultural District Project. There are tendering plans of the Housing Authority on construction of over 10,000 public flats in the coming six months. Apart from the major projects, there are also urban renewal and building maintenance projects.

The property market after the period under review has been slowing down due to the rising interest rate which is predicted to become more stable in the later half of 2006. The Group is confident in generally higher selling price of the remaining unsold units of "No. 8 Clear Water Bay Road" which are at higher levels and with better views than those sold. Recurring revenue produced from the commercial properties both locally and in Mainland China will provide stable income to the Group for further investments opportunities in this revitalizing economy.

Diversification, in business natures and in geographical areas, will enable the Group to deliver a consistent performance in this vigorous competitive construction industry. The Group continues to seek actively but prudently diversification opportunities to increase the return of its businesses and spread the risks of shareholders' fund.

## 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 30th September, 2005, the total net debts of the Group amounted to HK\$896.6 million, representing total debts of HK\$1,184.3 million less bank balances and cash of HK\$287.7 million. The debt maturity profile of the Group at 30th September, 2005 is analysed as follows:

	<b>As at 30th September, 2005 HK\$ Million</b>	As at 31st March, 2005 HK\$ Million
Repayable within one year or on demand	<b>728.5</b>	691.5
Repayable after 1 year, but within 2 years	<b>35.3</b>	36.3
Repayable after 2 years, but within 5 years	<b>420.5</b>	365.0
<b>Total</b>	<b><u>1,184.3</u></b>	<b><u>1,092.8</u></b>

At 30th September, 2005, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 1.16 (at 31st March, 2005: 1.14 (restated)).

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange rate fluctuation. Besides, 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 30th September, 2005 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

## EMPLOYEE AND REMUNERATION POLICIES

The Group has approximately 2,080 employees at 30th September, 2005. Total remuneration of employees for the period ended 30th September, 2005 amounted to approximately HK\$203.6 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective companies and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions.

## CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.22 OF THE LISTING RULES

In compliance with the rule 13.22 of the Listing Rules, the information in relation to the proforma combined balance sheet of certain affiliates and the Group's attributable interest in these affiliates based on the unaudited management accounts as at 30th September, 2005 is as follows:

	<b>Unaudited proforma combined balance sheet HK\$'000</b>	<b>Group's attributable interest HK\$'000</b>
Non-current assets	479,522	158,553
Current assets	322,665	177,496
Current liabilities	(308,126)	(132,418)
Non-current liabilities	(307,952)	(123,257)
	<u>186,109</u>	<u>80,374</u>
Capital and reserves	<u>186,109</u>	<u>80,374</u>



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30th September, 2005, the interests of the Directors, Chief Executives and their associates in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 352 of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

Name of Director	Number of shares held in the Company (Long Positions)			Percentage of the Company's issued share capital as at 30/9/2005	Outstanding option shares (Note 2)
	Personal interests	Family interests (Note 1)	Total		
Pang Kam Chun	265,096,950	10,148,875	275,245,825	36.97%	732,000
Li Wai Hang, Christina	10,148,875	265,096,950	275,245,825	36.97%	–
Kwok Yuk Chiu, Clement	2,983,540	–	2,983,540	0.40%	7,326,000
Au Son Yiu	866,000	–	866,000	0.12%	732,000
Woo Kam Wai	346,000	–	346,000	0.05%	732,000
Nip Yun Wing	–	–	–	–	3,200,000

### Notes:

1. Madam Li Wai Hang, Christina is the spouse of Mr Pang Kam Chun and is deemed to be interested in those shares of the Company in which Mr Pang Kam Chun has an interest. Similarly, Mr Pang Kam Chun is also deemed to be interested in those shares of the Company in which Madam Li Wai Hang, Christina has an interest.
2. Details of share options granted to Directors are stated under the heading "Directors' and Chief Executives' Rights to Acquire Shares or Debentures" below.

In addition, Mr Pang Kam Chun and Madam Li Wai Hang, Christina hold 8,347,500 and 90,000 non-voting deferred shares respectively in Chun Wo Construction and Engineering Company Limited, which are subject to an option granted to Chun Wo Hong Kong Limited, a wholly-owned subsidiary of the Company, to purchase the said non-voting deferred shares.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by Directors in trust for the Group, at 30th September, 2005, none of the Directors, Chief Executives and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

- (a) The Company adopted a new share option scheme (the "Scheme") on 28th August, 2002 to enable the Directors to grant options to eligible participants, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company.

Details of the movements in share options granted are as follows:

Eligible participants	Date of grant	Exercise price per share HK\$	Exercisable period	Number of option shares				
				Outstanding at 1/4/2005 '000	Transferred from other category during the period '000	Transferred to other category during the period '000	Lapsed during the period '000	Outstanding at 30/9/2005 '000
<b>Directors</b>								
Pang Kam Chun	13/8/2004	0.904	21/8/2004 to 12/8/2014	732	–	–	–	732
Kwok Yuk Chiu, Clement	13/8/2004	0.904	21/8/2004 to 12/8/2014	7,326	–	–	–	7,326
Chen Po Sum (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732	–	(732)	–	–
Au Son Yiu	13/8/2004	0.904	21/8/2004 to 12/8/2014	732	–	–	–	732
Wong Sai Wing, James (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732	–	(732)	–	–
Woo Kam Wai	13/8/2004	0.904	21/8/2004 to 12/8/2014	732	–	–	–	732
Nip Yun Wing	15/11/2004	1.162	15/11/2004 to 14/11/2009	3,200	–	–	–	3,200
<b>Employees</b>								
	13/8/2004	0.904	21/8/2004 to 12/8/2014	7,326	–	–	–	7,326
	3/9/2004	0.950	4/10/2004 to 30/9/2009	6,118	–	–	(480)	5,638
<b>Consultants</b>								
	3/9/2004	0.950	4/10/2004 to 30/9/2009	400	–	–	–	400
<b>Others (Note 1)</b>								
	13/8/2004	0.904	21/8/2004 to 12/8/2014	–	1,464	–	–	1,464

*Notes:*

1. Madam Chen Po Sum and Dr Wong Sai Wing, James retired as Independent Non-executive Directors of the Company on 24th August, 2005. The Board has approved that they can exercise their outstanding share options on or before 12th August, 2014. Their share options were re-classified to the category of "Others" during the period.
  2. All share options referred to above are not subject to any vesting period.
  3. No share options were granted, exercised or cancelled under the Scheme during the period.
- (b) Pursuant to the share option scheme of Chun Wo Foundations Limited ("CWFL"), an indirect wholly-owned subsidiary of the Company, approved by the Company on 28th August, 2002, the board of directors of CWFL may, at their discretion, grant options to eligible participants of CWFL, the Company or any of their subsidiaries to subscribe for shares in CWFL.

No option has been granted under the share option scheme of CWFL since its adoption.

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

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests of certain Directors disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions" above, as at 30th September, 2005, the register required to be kept by the Company under Section 336 of the SFO ("Register of Substantial Shareholders") shows that the following shareholder had notified the Company of its relevant interests in the shares and underlying shares of the Company:

<b>Name</b>	<b>Capacity</b>	<b>Number of shares held (Long Positions)</b>	<b>Percentage of the Company's issued share capital as at 30/9/2005</b>
Midland Realty (Holdings) Limited	Beneficial Owner	52,748,000	7.08%

Save as disclosed above, the Register of Substantial Shareholders discloses no other person as having a notifiable interest or a short position in the shares and underlying shares of the Company as at 30th September, 2005.

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

During the period, the Company has not redeemed and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions in effect and certain recommended best practices set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period except for the following deviations:

**(a) Code Provision A.4.2**

All Directors should be subject to retirement by rotation at least once every three years. In accordance with Bye-law 87(1) of the Bye-laws of the Company, the Chairman of the Board and the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

**(b) Code Provision A.5.4**

The Board should establish written guidelines in respect of dealings by relevant employees in the securities of the Company. The Board will issue the written guidelines to the relevant employees accordingly.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules 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 as set out in the Model Code throughout the period.

## **AUDIT COMMITTEE**

The Audit Committee comprises three members, namely Mr Au Son Yiu, Mr Woo Kam Wai and Mr Chan Chiu Ying, all are Independent Non-executive Directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited interim financial statements for the six months ended 30th September, 2005.

## ACKNOWLEDGEMENT

I would like to extend my heartfelt appreciation to the Board and our Management, as well as to all our staff, for their dedicated and quality work. I would also like to thank our shareholders, financiers, business partners and clients for their valuable support.

By Order of the Board  
**Pang Kam Chun**  
*Chairman*

Hong Kong, 16th December, 2005