

商界展關懷

caringcompany²⁰⁰⁵⁻⁰⁸

Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發



CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 711

2009 Interim Report

CONTENTS

	<i>Page</i>
Corporate Information	2
Business Review	3
Outlook and Prospects	7
Liquidity and Financial Resources	8
Employee and Remuneration Policies	9
Condensed Consolidated Statement of Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	14
Notes to the Condensed Consolidated Financial Statements	15
Other Information	29
Appreciation	36

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Pang Kam Chun (*Chairman*)

Kwok Yuk Chiu, Clement

(*Managing Director*)

Li Wai Hang, Christina

Independent Non-executive Directors

Au Son Yiu

Chan Chiu Ying

Lee Shing See

Hui Chiu Chung

AUDIT COMMITTEE

Chan Chiu Ying (*Chairman*)

Au Son Yiu

Hui Chiu Chung

EXECUTIVE COMMITTEE

Kwok Yuk Chiu, Clement (*Chairman*)

Pang Yat Ting, Dominic

Pang Yat Bond, Derrick

Kwok Man Fai

MANAGEMENT COMMITTEE

Pang Kam Chun (*Chairman*)

Kwok Yuk Chiu, Clement

Li Wai Hang, Christina

NOMINATION COMMITTEE

Lee Shing See (*Chairman*)

Au Son Yiu

Kwok Yuk Chiu, Clement

REMUNERATION COMMITTEE

Au Son Yiu (*Chairman*)

Chan Chiu Ying

Kwok Yuk Chiu, Clement

SECRETARY

Chan Sau Mui, Juanna

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Conyers Dill & Pearman

JSM

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai

Banking Corporation Limited

Hang Seng Bank Limited

Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

C2, 5th Floor

Hong Kong Spinners Industrial Building

601-603 Tai Nan West Street

Cheung Sha Wan

Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

WEBSITE

<http://www.chunwo.com>

STOCK CODE

The Stock Exchange of Hong Kong

Limited: 711

BUSINESS REVIEW

Interim Results

For the six months ended 30 September 2009, Chun Wo Development Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) reported turnover of HK\$1,190.3 million (2008: HK\$590.5 million), an increase of 102% compared to the corresponding period last year. Profit attributable to owners of the Company was approximately HK\$30.8 million (2008: HK\$6.2 million), representing an increase of approximately 394% year on year.

Overall construction market is picking up in Hong Kong. In particular, the number of civil construction projects under the tendering process has increased in the past six months. The Group has positioned itself to participate in the upcoming major civil projects by forming a number of joint ventures with other local and/or international companies. However, the building sector has been slow, mainly contributed by the slow pick up of new development projects from the private sector. Concurrently, the Group is actively pursuing construction business opportunities in Macau and Thailand.

The property business saw significant volatility in the early part of the year which was reflected in the sales of the property business. Property markets across the world have since stabilized, and in some areas such as Mainland China and Hong Kong, there have been robust growth. Going forward, the Group is cautiously optimistic, positive yet weary of potential asset bubbles.

Construction

At the time of writing this report, the Group’s estimated value of contracts on hand increased to approximately HK\$10.0 billion, with about HK\$6.6 billion outstanding. These represent 20% increases in both contracts on hand and outstanding amount as compared with the figures as at 31 March 2009.

During the period under review, the civil division was awarded contracts for the improvement of Fuk Man Road Nullah and the Tiu Keng Leng infrastructure work project. Work at the Tseung Kwan O Maser Utilities and Civil Work Project for a private client is progressing well. In December this year, it was further awarded the Tuen Mun Western Trunk Sewerage contract.

BUSINESS REVIEW *(Continued)*

Construction *(Continued)*

The maintenance and minor works division has maintained good progress on projects for the Water Services Department, Architectural Services Department and a private sector developer. The division also contributed to the emergency repair of recent water main bursts in Central and Gloucester Road with great recognition by the client for its swift response.

The “trenchless, no-dig” subsidiary, Reliance-Tech, continued its inspection works in Singapore. The aforesaid Tuen Mun Western Trunk Sewerage comprises major trenchless, microtunneling works that exploit the subsidiary’s expertise.

The fitting out subsidiary completed projects at Lok Fu Shopping Centre (Phase 2) and Harbour Plaza 8 Degree at To Kwa Wan in the period under review. Current projects include fitting out works for Towers 6-8, TKOTL 70, Area 86, Site AB Development and A&A works for Windsor House which are both progressing steadily. The subsidiary also won a private residential development project at Deep Water Bay.

The building division’s current projects, which include the construction of the podium structure of a private development at Tseung Kwan O, redevelopment of the Hong Kong Sports Institute (“HKSI”) and temporary velodrome in Whitehead, construction of 1,800 units of student residence for the University of Hong Kong (“HKU”) and the design and build contract for the extension of the Tseung Kwan O Hospital, are progressing well. The division was awarded a new contract for a private residential development at Hung Shui Kiu, Yuen Long in September 2009.

The foundation subsidiary has successfully completed two foundation projects at 188, Pak Shek Kok, Tai Po; and Site E, Area 86, Tseung Kwan O. Current projects including the student residence of HKU and No. 3 Connaught Road are both progressing on schedule. The extension of the Tseung Kwan O Hospital is scheduled to be completed by the end of this year. In September 2009, a new foundation contract for the development at Warren Street, Causeway Bay, was awarded to the subsidiary.

BUSINESS REVIEW *(Continued)*

Construction *(Continued)*

The electrical and mechanical subsidiary has several major contracts on hand including the design and build of Tseung Kwan O Hospital and some in-house projects such as the redevelopment of a Sports Complex for HKSI and student residences for HKU.

The railway division is currently providing consultancy service in Thailand involving track doubling, signaling installation and a telecommunication system on the line from Chachoengsao to Laem Chabang (Bangkok). The railway construction for the Commuter Train Project (The Red Line) Bang Sue – Taling Chan Section for the State Railway of Thailand (SRT) and the installation of noise barriers for MTR Corporation Limited at Olympic Station are ongoing.

Property Development and Investment

The Mainland Property Sector

Both the transaction volume and price have stagnated in 2008 and the first quarter of 2009. Since then, the Group sold a limited number of residential and commercial properties and we expect further improvement in future. In December 2009, the Group has completed the acquisition of a plot of land at Shenyang, Liaoning Province. The Group has not made any other major acquisitions in Mainland China or elsewhere. The Group shall continue to seek property development opportunities especially in Hong Kong and the Pearl River Delta.

Hong Kong Property Sector

The Group completed the disposition of its investment property “Grandeur Terrace” at Tin Shui Wai on 28 August 2009, for the consideration of HK\$303,000,000. “Infinity 8” at Choi Hung continues to generate stable income for the Group.

Overseas Property Sector

The Group has made some property investments in Abu Dhabi, United Arab Emirates. Though the market’s recovery has lagged Hong Kong and China, decline has stopped and we have witnessed improvements in market sentiment backed by rising number of transactions and prices that are starting to rise. The Group is expecting the Abu Dhabi market will be strengthened in future.

BUSINESS REVIEW *(Continued)*

Security and Property Management Services

The Group has continued to provide security and property management services for MTR Corporation Limited, Swire Properties Limited, Sun Hung Kai Properties Limited and HKR International Limited as well as to the Group in Hong Kong and China.

Awards and Recognition

The Group continued to win environmental, quality and safety awards in the period under review including the “Honorable Mention for the Outstanding Green Project” of HSBC Living Business Award 2009 and the “Wastewi\$e Label – Class of Excellence” of Hong Kong Awards for Environmental Excellence. In addition, the Group gained nineteen safety awards in recognition of its continual efforts in health and safety issues including five awards from Hong Kong Occupational Safety and Health Council, seven awards from Labour Department, five awards from Hong Kong Construction Association, the Considerate Contractors Site Award from Development Bureau and the Safe Foreman Award 2009 from the Lighthouse Club and the Society of Registered Safety Officers.

Corporate Social Responsibility

The Group has a strong belief in caring for the community and has put its resources, experience and expertise to good use in helping the needy to fulfill our corporate social responsibilities. The Hong Kong Council of Social Service has awarded the Group status as a Caring Company for four consecutive years.

In 2009, the Group has developed a partnership programme with Hong Kong Young Women’s Christian Association (“YWCA”) focusing on “Trust & Commitment” campaign to care for people in need especially for poor families. The Group actively supports YWCA’s activities such as Elderly Farm Visit and Hug Families Charity Walk.

OUTLOOK AND PROSPECTS

Following the turmoil in the financial markets, efforts by governments to stabilize the banking system and stimulate their economies, in particular investments in infrastructure in Hong Kong have lead to an increase in construction opportunities which will provide the Group with future business. The property markets in Hong Kong and Mainland China have improved dramatically over the last six months. The Group is accelerating its efforts to develop its projects in Mainland China and is reaffirming its strategy to seek property development opportunities in Hong Kong and Mainland China.

Construction

The Group has consistently maintained that the market for construction would bottom out in 2009 and recover in 2010. Major civil projects in the pipeline confirm this view and the Group is optimistic for its prospects for 2010 based on tenders already submitted. The recovery in the property market in Hong Kong was signaled by dramatic recovery of property prices in the past six months; however, new private developments are scarce. We hope the continued recovery in the real estate sector will result in more opportunities for building projects from private developers.

Property Development

While the macro environment has stabilized, the Group maintains its conservative approach to further land acquisitions. With sufficient land bank for property development for the next few years, the Group will continue to seek investments with higher returns and lower risk before committing to additional land purchases. The Group will focus its efforts in Guangdong Province and Hong Kong, seeking investments that will benefit from the infrastructure development that is changing commuting and living patterns in the Pearl River Delta area.

The Middle East has not been immune to the financial turmoil but the Group's decision to focus on Abu Dhabi will bear long term dividends as the development of the city is implemented.

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 2009, the total net debts of the Group amounted to approximately HK\$684.4 million, representing total debts of approximately HK\$1,097.7 million less bank balances and cash of approximately HK\$413.3 million. The debt maturity profile of the Group at 30 September 2009 is analysed as follows:

	As at 30 September 2009 HK\$ million	As at 31 March 2009 HK\$ million
Borrowings repayable:		
Within one year or on demand	876.6	1,011.4
After one year, but within two years	70.5	8.7
After two years, but within five years	150.6	26.0
Over five years	–	66.4
	1,097.7	1,112.5
Convertible bonds due 2012	–	259.3
Total borrowings	1,097.7	1,371.8

At 30 September 2009, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 0.52 (at 31 March 2009: 0.71).

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

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 does not use any derivative contracts to hedge against its exposure to currency risk. Furthermore, the Group's borrowings have not been hedged by any interest rate financial instruments.

During the period under review, the Company repurchased all convertible bonds due 2012.

The Group's financial position is sound and strong. With available bank balances and cash at 30 September 2009 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 2,550 employees at 30 September 2009. Total remuneration of employees for the six months ended 30 September 2009 amounted to approximately HK\$252.6 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2009

		Unaudited six months ended 30 September	
		2009 HK\$'000	2008 HK\$'000
	Notes		
Revenue	3	1,190,306	590,492
Cost of sales		(1,077,530)	(523,450)
Gross profit		112,776	67,042
Other income		2,700	737
Fair value changes on investment properties		10,285	–
Gain on repurchase of convertible bonds		1,158	–
Selling expenses		(2,054)	(1,483)
General and administrative expenses		(100,132)	(79,770)
Fair value changes on embedded derivatives of convertible bonds		–	52,000
Share of results of jointly controlled entities		2,706	2,081
Finance costs	4	(11,230)	(34,878)
Profit before tax		16,209	5,729
Income tax credit	5	14,562	504
Profit for the period	6	30,771	6,233
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations		(114)	15,067
Total comprehensive income for the period		30,657	21,300
Profit for the period attributable to:			
Owners of the Company		30,771	6,233
Non-controlling interests		–	–
		30,771	6,233
Total comprehensive income attributable to:			
Owners of the Company		30,657	21,300
Non-controlling interests		–	–
		30,657	21,300
Earnings (loss) per share			
– basic	8	3.58 cents	0.7 cents
– diluted	8	3.58 cents	(2.3 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2009 and 31 March 2009

		Unaudited	Audited
		30 September	31 March
		2009	2009
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	9	177,532	159,423
Prepaid lease payments		24,614	24,936
Investment properties	10	324,336	617,051
Interests in associates		62,629	62,629
Interests in jointly controlled entities		41,465	39,884
Amounts due from associates		106,498	106,498
		737,074	1,010,421
Current assets			
Amounts due from customers for contract work		608,110	534,293
Debtors, deposits and prepayments	11	460,775	397,626
Prepaid lease payments		644	644
Properties under development		648,911	676,613
Deposits paid for properties under development		256,601	238,465
Properties held for sale		128,074	174,136
Deposits paid for properties held for sale		51,685	53,999
Investments held for trading		1,260	2,474
Amounts due from associates		1,235	1,233
Amounts due from jointly controlled entities		19,750	25,242
Tax recoverable		24,577	28,618
Pledged bank deposits		49,926	22,454
Bank balances and cash		363,393	435,882
		2,614,941	2,591,679

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

at 30 September 2009 and 31 March 2009

	Notes	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Current liabilities			
Amounts due to customers for contract work		107,676	53,830
Creditors, deposits and accrued charges	12	668,998	600,801
Deposits received from pre-sales of properties under development		51,748	72,323
Amount due to an associate		12,436	12,436
Amounts due to jointly controlled entities		37,590	36,886
Tax payable		22,741	14,712
Obligations under finance leases		806	546
Borrowings	13	875,835	1,010,835
Derivative financial instruments		–	88,000
		1,777,830	1,890,369
Net current assets			
		837,111	701,310
Total assets less current liabilities			
		1,574,185	1,711,731
Non-current liabilities			
Obligations under finance leases		1,201	–
Borrowings	13	219,836	101,111
Convertible bonds		–	259,270
Deferred tax liabilities		35,586	64,445
		256,623	424,826
Net assets			
		1,317,562	1,286,905
Capital and reserves			
Share capital	14	85,884	85,884
Reserves		1,231,328	1,200,671
Equity attributable to owners of the Company		1,317,212	1,286,555
Non-controlling interests		350	350
Total equity			
		1,317,562	1,286,905

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2009

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Share options reserve	Capital reserve	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008 (audited)	85,882	337,128	(7,340)	4,483	8,531	63,685	920,242	1,412,611	350	1,412,961
Profit for the period	-	-	-	-	-	-	6,233	6,233	-	6,233
Exchange differences arising on translation of foreign operations	-	-	-	-	-	15,067	-	15,067	-	15,067
Total comprehensive income for the period	-	-	-	-	-	15,067	6,233	21,300	-	21,300
Exercise of warrants	2	13	-	-	-	-	-	15	-	15
Dividend	-	-	-	-	-	-	(15,030)	(15,030)	-	(15,030)
At 30 September 2008 (unaudited)	85,884	337,141	(7,340)	4,483	8,531	78,752	911,445	1,418,896	350	1,419,246
At 1 April 2009 (audited)	85,884	337,143	(7,340)	4,592	8,531	72,410	785,335	1,286,555	350	1,286,905
Profit for the period	-	-	-	-	-	-	30,771	30,771	-	30,771
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(114)	-	(114)	-	(114)
Total comprehensive income for the period	-	-	-	-	-	(114)	30,771	30,657	-	30,657
At 30 September 2009 (unaudited)	85,884	337,143	(7,340)	4,592	8,531	72,296	816,106	1,317,212	350	1,317,562

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2009

	Unaudited six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Net cash from (used in) operating activities	52,589	(296,161)
Investing activities		
Purchase of property, plant and equipment	(29,778)	(4,865)
Increase in pledged bank deposits	(27,459)	(31,431)
Increase in amounts due from associates	(2)	(120)
Proceeds from disposal of investment properties	303,000	–
Dividend received from a jointly controlled entity	1,125	9,000
Proceeds from disposal of property, plant and equipment	2,662	2,408
Interest received	713	1,635
Acquisition of an associate	–	(23,000)
Capital injection to a jointly controlled entity	–	(4,252)
Net cash from (used in) investing activities	250,261	(50,625)
Financing activities		
New bank loans raised	308,410	330,872
New obligations under finance leases raised	2,186	–
Repurchase of convertible bonds	(346,112)	–
Repayment of bank loans	(316,714)	(147,490)
Interest paid	(14,635)	(18,088)
Decrease in trust receipt loans	(8,083)	(26,646)
Repayment of principal portion of obligations under finance leases	(725)	(562)
Repayment of mortgage loans	–	(613)
Proceeds from issue of shares	–	15
Net cash (used in) from financing activities	(375,673)	137,488
Net decrease in cash and cash equivalents	(72,823)	(209,298)
Cash and cash equivalents at beginning of the period	435,882	611,324
Effect of foreign exchange rate changes	334	11,661
Cash and cash equivalents at end of the period, represented by bank balances and cash	363,393	413,687

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

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

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 to HKAS 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Principal Accounting Policies (Continued)

HK(IFRIC) – Int 9 & HKAS 39	Embedded Derivatives (Amendments)
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

HKAS 1 (Revised 2007) “Presentation of Financial Statements”

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the reported results or financial position of the Group.

HKFRS 8 “Operating Segments”

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 “Segment Reporting” (see note 3).

The adoption of these new HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related Party Disclosures (Revised 2009) ⁵
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ³
HKAS 39 (Amendment)	Eligible Hedged Items ¹

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Principal Accounting Policies (Continued)

HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised 2008)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 January 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. However, following the adoption of HKFRS 8, the identification of the Group's reportable segments has not changed, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Segment Information (Continued)

For management purposes, the Group is currently organised into construction work, property development, property investment, professional services (including provision of security and property management services) and other activities.

Segment information about these businesses is presented below:

For the six months ended 30 September 2009

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Segment Information (Continued)

For the six months ended 30 September 2008

	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	497,262	23,628	14,107	55,495	–	590,492
RESULT						
Segment result	(24,033)	916	13,751	3,909	(3,441)	(8,898)
Unallocated corporate expenses						(6,211)
Interest income						1,635
Fair value changes on embedded derivatives of convertible bonds						52,000
Share of results of jointly controlled entities	2,081	–	–	–	–	2,081
Finance costs						(34,878)
Profit before tax						5,729
Income tax credit						504
Profit for the period						6,233

Segment profit represents the profit earned by each segment without allocation of corporate administrative costs, gain on repurchase of convertible bonds or fair value changes on embedded derivatives of convertible bonds, interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Finance Costs

	Six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Interest on:		
Bank loans and finance leases	14,635	18,088
Effective interest expense on convertible bonds	–	22,000
Total borrowing costs	14,635	40,088
Less: Amount attributable to contract work	(1,615)	(529)
Amount attributable to properties under development	(1,790)	(4,681)
	11,230	34,878

5. Income Tax Credit

	Six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
Current tax		
– Hong Kong Profits Tax	10,931	839
– Other jurisdictions	814	1,998
– Enterprise Income Tax in the People's Republic of China (the "PRC")	2,552	48
	14,297	2,885
Deferred tax liabilities		
– Current	(28,859)	406
– Attributable to a change in tax rate	–	(3,795)
	(28,859)	(3,389)
	(14,562)	(504)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Profit for the Period

	Six months ended 30 September	
	2009	2008
	HK\$'000	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	11,217	10,242
Less: Amount attributable to contract work	(9,154)	(8,548)
	2,063	1,694
Gain on disposal of property, plant and equipment	(989)	(169)

7. Dividends

	Six months ended 30 September	
	2009	2008
	HK\$'000	<i>HK\$'000</i>
Final dividend paid		
Final dividend in respect of 2008 of HK1.75 cents per share	–	15,030
	–	15,030

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Earnings (Loss) per Share

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

	Six months ended 30 September	
	2009	2008
	HK\$'000	<i>HK\$'000</i>
Earnings for the purposes of basic earnings per share		
– Profit attributable to owners of the Company	30,771	6,233
Effect of dilutive potential ordinary shares from convertible bonds:		
– Effective interest expense	–	22,000
– Fair value changes on embedded derivatives	–	(52,000)
Earnings (loss) for the purposes of diluted earnings (loss) per share	30,771	(23,767)

	Number of shares	
Weighted average number of shares for the purpose of basic earnings per share	858,840,328	858,838,328
Effect of dilutive potential shares in respect of:		
– Convertible bonds	–	170,779,817
– Share options	175,923	–
Weighted average number of shares for the purpose of diluted earnings (loss) per share	859,016,251	1,029,618,145

9. Property, Plant and Equipment

During the period, the Group spent approximately HK\$29.8 million (six months ended 30 September 2008: HK\$4.9 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$1.6 million (six months ended 30 September 2008: HK\$2.4 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Investment Properties

	At 30 September 2009 HK\$'000
FAIR VALUE	
At 1 April 2009	617,051
Disposal	(303,000)
Net increase in fair value recognised in the condensed consolidated statement of comprehensive income	10,285
At 30 September 2009	324,336

Investment property relating to the commercial shops of Grandeur Terrace at Tin Shui Wai, Yuen Long was disposed of at a consideration of HK\$303 million. Details of the disposal are set out in the Company's circular dated 12 August 2009.

The fair value of the Group's investment properties at 30 September 2009 has been arrived at on the basis of valuations carried out on that date by Centaline Surveyors Limited and Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group. All of these valuers are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets or, by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. 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\$232,012,000 (at 31 March 2009: HK\$189,221,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Not yet due	214,159	168,969
0 to 30 days	14,565	10,496
31 to 90 days	1,986	2,115
91 to 180 days	570	2,707
Over 180 days	732	4,934
	232,012	189,221

12. Creditors, Deposits and Accrued Charges

The ageing analysis of trade payables of HK\$302,438,000 (at 31 March 2009: HK\$176,866,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Not yet due	194,834	118,160
0 to 30 days	60,584	35,242
31 to 90 days	31,325	11,799
91 to 180 days	5,749	1,689
Over 180 days	9,946	9,976
	302,438	176,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Borrowings

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Borrowings comprise:		
Trust receipt loans	116,334	124,417
Bank loans	979,336	987,529
	1,095,670	1,111,946
Analysed as:		
Secured	389,636	446,828
Unsecured	706,034	665,118
	1,095,670	1,111,946
The borrowings are repayable as follows:		
On demand or within one year	875,835	1,010,835
More than one year, but not exceeding two years	69,743	8,667
More than two years, but not exceeding five years	150,093	26,000
Over five years	–	66,444
	1,095,671	1,111,946
Less: Amount due within one year shown under current liabilities	(875,835)	(1,010,835)
Amount due after one year	219,836	101,111

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Share Capital

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2009 and 30 September 2009	1,500,000,000	150,000
Issued and fully paid:		
At 1 April 2009 and 30 September 2009	858,840,328	85,884

15. Capital Commitments

	At 30 September 2009 HK\$'000	At 31 March 2009 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	3,812	7,986

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Contingent Liabilities and Performance Guarantee

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	328,821	224,248
– an associate	4,400	4,400
– jointly controlled entities	5,850	5,850
	339,071	234,498
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	48,000	48,000
Extent of guarantee issued to a customer to indemnify contract work of a subsidiary	115,900	115,900
Extent of guarantee provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale and pre-sale properties	230,265	221,530

17. Pledge of Assets

At the balance sheet date, the following assets were pledged by the Group to secure banking facilities granted to the Group:

	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
Investment properties	315,000	608,000
Properties under development	386,327	416,420
Properties held for sale	81,240	172,888
Bank deposits	49,926	22,454
	832,493	1,219,762

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Related Party Transactions

	Associates		Jointly controlled entities	
	Six months ended 30 September		Six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(i) Transactions during the period:				
Contract revenue recognised	-	-	30,115	3,104
Project management fee received	-	-	5	116
Security guard services income received	-	-	763	536
	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000	At 30 September 2009 HK\$'000	At 31 March 2009 HK\$'000
(ii) Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	4,400	4,400	5,850	5,850
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	48,000	48,000	-	-

The emoluments of directors, the Group's key management personnel during the period were HK\$4,104,000 (six months ended 30 September 2008: HK\$4,146,000).

OTHER INFORMATION

Interim Dividend

The board of directors of the Company (the “Board” or the “Directors”) did not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

Share Option Schemes

- (a) The Company had adopted a new share option scheme (the “Scheme”) on 28 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 during the period under review are as follows:

Eligible participants	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options					Outstanding at 30/9/2009
				Outstanding at 1/4/2009	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors									
Mr. Pang Kam Chun	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	-	-	732,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	747,000	-	-	-	-	747,000
Madam Li Wai Hang, Christina	2/4/2007	1.010	10/4/2007 to 1/4/2017	747,000	-	-	-	-	747,000
Mr. Kwok Yuk Chiu, Clement	13/8/2004	0.904	21/8/2004 to 12/8/2014	3,326,000	-	-	-	-	3,326,000
Employees									
	13/8/2004	0.904	21/8/2004 to 12/8/2014	6,326,000	-	-	-	-	6,326,000
	3/9/2004	0.950	4/10/2004 to 30/9/2009	698,000	-	-	-	(698,000)	0
	2/5/2007	1.010	2/5/2007 to 1/5/2010	5,104,000	-	-	-	-	5,104,000

OTHER INFORMATION (Continued)

Share Option Schemes (Continued)

Eligible participants	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options					Outstanding at 30/9/2009
				Outstanding at 1/4/2009	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Consultants	3/9/2004	0.950	4/10/2004 to 30/9/2009	400,000	-	-	-	(400,000)	0
	2/5/2007	1.010	2/5/2007 to 1/5/2010	1,868,000	-	-	-	-	1,868,000
	25/5/2007	1.420	25/5/2007 to 24/5/2010	3,737,000	-	-	-	-	3,737,000
	31/7/2007	2.396	31/1/2008 to 30/7/2010	62,604	-	-	-	-	62,604
	8/8/2007	2.010	25/9/2007 to 24/5/2010	3,737,000	-	-	-	-	3,737,000
	31/1/2008	0.968	31/7/2008 to 30/1/2011	154,956	-	-	-	-	154,956
	31/7/2008	0.684	31/1/2009 to 30/7/2011	219,294	-	-	-	-	219,294
	2/2/2009	0.318	2/8/2009 to 1/2/2012	471,696	-	-	-	-	471,696
	31/7/2009	0.550	31/1/2010 to 30/7/2012	-	272,724	-	-	-	272,724
Others (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	-	-	732,000
				29,062,550	272,724	-	-	(1,098,000)	28,237,274

OTHER INFORMATION *(Continued)*

Share Option Schemes *(Continued)*

Notes:

1. These outstanding share options were held by a former Independent Non-executive Director. The Board has approved that these outstanding share options can be exercised on or before 12 August 2014.
 2. All options referred to the above table are not subject to any vesting period save as the options granted on 31 July 2007, 8 August 2007, 31 January 2008, 31 July 2008, 2 February 2009 and 31 July 2009, the vesting dates are 31 January 2008, 25 September 2007, 31 July 2008, 31 January 2009, 2 August 2009 and 31 January 2010 respectively.
 3. The closing price of the shares of the Company immediately before the options granted on 31 July 2009 was HK\$0.55.
 4. No share options were exercised or cancelled under the Scheme during the period under review.
- (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 28 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 under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the period under review.

OTHER INFORMATION *(Continued)*

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2009, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Interests of the Directors in the ordinary shares of the Company (Long Positions)

Name of Director	Personal interest	Family interest	Corporate interest	Total interests	Total interests as % of the Company's issued share capital
Mr. Pang Kam Chun	291,788,340	10,148,875 <i>(Note 1)</i>	129,348,294 <i>(Note 2)</i>	431,285,509	50.22%
Madam Li Wai Hang, Christina	10,148,875	421,136,634 <i>(Note 1)</i>	-	431,285,509	50.22%
Mr. Kwok Yuk Chiu, Clement	1,000,000	600,000 <i>(Note 3)</i>	-	1,600,000	0.19%
Mr. Au Son Yiu	301,816	-	-	301,816	0.04%

OTHER INFORMATION (Continued)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

(a) Interests of the Directors in the ordinary shares of the Company (Long Positions) (Continued)

Notes:

1. Madam Li Wai Hang, Christina is the spouse of Mr. Pang Kam Chun and is deemed to have interest in the shares of the Company held by Mr. Pang Kam Chun. Similarly, Mr. Pang Kam Chun is also deemed to have interest in the shares of the Company held by Madam Li Wai Hang, Christina.
2. GT Winners Limited is wholly owned by Mr. Pang Kam Chun who is deemed to have interest in the shares of the Company held by GT Winners Limited.
3. These shares are beneficially owned by the spouse of Mr. Kwok Yuk Chiu, Clement.

(b) Interests of the Directors in the underlying shares of the Company (Long Positions)

Name of Director	Personal interest	Family interest	Total interests	Total interests as % of the Company's issued share capital
Mr. Pang Kam Chun	1,479,000 (Note 1)	747,000 (Note 2)	2,226,000	0.26%
Madam Li Wai Hang, Christina	747,000 (Note 1)	1,479,000 (Note 2)	2,226,000	0.26%
Mr. Kwok Yuk Chiu, Clement	3,326,000 (Note 1)	–	3,326,000	0.39%

OTHER INFORMATION *(Continued)*

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

(b) Interests of the Directors in the underlying shares of the Company (Long Positions) (Continued)

Notes:

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

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, as at 30 September 2009, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

OTHER INFORMATION *(Continued)*

Interests and Short Positions of Substantial Shareholders Discloseable under the SFO

So far as are known to the Directors, as at 30 September 2009, the following party (other than Directors' and chief executive of the Company) was recorded in the register kept by the Company under Section 336 of the SFO ("Register of Substantial Shareholders") as being interested in or deemed to be interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Capacity	Interest in shares (Long Positions)	Total interests as % of the Company's issued share capital
GT Winners Limited <i>(Note)</i>	Beneficial Owner	129,348,294	15.06%

Note:

GT Winners Limited is wholly owned by Mr. Pang Kam Chun who is deemed to have interest in the shares of the Company held by GT Winners Limited.

Save as disclosed above, as at 30 September 2009, the Register of Substantial Shareholders disclosed no other party (other than Directors or chief executive of the Company) as being interested or deemed to be interested in 5% or more of the issued share capital of the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

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

OTHER INFORMATION *(Continued)*

Corporate Governance Practices

The Company has complied with the code provisions in effect and certain recommended best practices set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules throughout the period under review except for the deviations from the provision A.4.2 of the Code.

Pursuant to provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. The Board considers that the Chairman and the Managing Director of the Company shall not be subject to retirement by rotation in order to maintain the stability and continuity.

Compliance with the Model Code

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

Audit Committee Review

The Audit Committee of the Company (the “Audit Committee”) comprises three members, namely Mr. Au Son Yiu, Mr. Chan Chiu Ying and Mr. Hui Chiu Chung, all are Independent Non-executive Directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 September 2009.

APPRECIATION

On behalf of the Board, I thank all our customers, suppliers and contractors for working with us and our shareholders for their continued confidence in Chun Wo. I would also like to express my appreciation to our staff and our Board of Directors for their effort and dedication to the Group.

By Order of the Board
Pang Kam Chun
Chairman

Hong Kong, 17 December 2009