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CHUN WO DEVELOPMENT HOLDINGS LIMITED

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2009

		Unaudited six months ended 30 September	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
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

	Notes	Unaudited six months ended 30 September **2009** *HK$'000*	2008 *HK$'000*
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

	Notes	**Unaudited 30 September 2009 HK$'000**	Audited 31 March 2009 HK$'000
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

	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		**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		**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		**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

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
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
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]
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.

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	Property development	Property investment	Professional services	Other activities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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**

For the six months ended 30 September 2008

	Construction work	Property development	Property investment	Professional services	Other activities	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	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.

4. FINANCE COSTS

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank loans and finance leases	**14,635**	18,088
Effective interest expense on convertible bonds	**–**	22,000
The 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	2008
	HK$'000	*HK$'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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
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$'000	*HK$'000*
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.

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$'000	*HK$'000*
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).

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.

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	At 31 March 2009
	HK\$'000	*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	At 31 March 2009
	HK\$'000	*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

13. 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

14. 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

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

BUSINESS REVIEW

Interim Results

For the six months ended 30 September 2009, 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 last 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 announcement, 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.

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.

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 the Mass Transit Railway Corporation 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 the future.

Security and Property Management Services

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

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 last 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).

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.

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.

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 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.

By Order of the Board
Clement Y. C. Kwok
Managing Director

Hong Kong, 17 December 2009

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