CHUN WO DEVELOPMENT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 711)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2013	2012 (restated^)
Total revenue	**HK$3,106.7 million**	HK$2,309.6 million
Profit attributable to owners of the Company	**HK$53.4 million**	HK$37.2 million
Earnings per share	**HK5.35 cents**	HK3.80 cents

	30 September 2013	31 March 2013 (restated^)
Equity per share*	**HK$1.49**	HK$1.55

* *Equity per share refers to equity attributable to owners of the Company divided by the total number of issued ordinary share capital as at 30 September 2013 and 31 March 2013 respectively.*

^ *Upon the application of HKFRS 11, all of the Group's joint arrangements that were previously classified as jointly controlled entities under HKAS 31 should be classified as joint operations under HKFRS 11.*

INTERIM RESULTS

The Board of Directors (the "Board" or the "Directors") of Chun Wo Development Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2013, together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013 (Unaudited)

		Six months ended 30 September	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
			(restated)
Revenue	*3*	**3,106,654**	2,309,626
Cost of sales		**(2,887,190)**	(2,101,050)
Gross profit		**219,464**	208,576
Other income		**9,741**	4,415
Other gains and losses		**22,345**	(521)
Fair value changes on investment properties		**–**	(2,199)
Selling expenses		**(4,540)**	(3,580)
General and administrative expenses		**(145,136)**	(114,952)
Share of results of associates		**9,035**	2,975
Finance costs	*4*	**(21,123)**	(21,481)
Profit before tax		**89,786**	73,233
Income tax expense	*5*	**(36,416)**	(36,065)
Profit for the period	*6*	**53,370**	37,168
Other comprehensive income (expense)			
Exchange differences arising on translation		**12,166**	(5,846)
Release of translation reserve upon deregistration of a subsidiary		**(22,313)**	–
Other comprehensive expense for the period		**(10,147)**	(5,846)
Total comprehensive income for the period		**43,223**	31,322

	Notes	Six months ended 30 September **2013** ***HK$'000***	 2012 *HK$'000* (restated)
Profit for the period attributable to:			
Owners of the Company		**53,370**	37,168
Non-controlling interests		**–**	–
		53,370	37,168
Total comprehensive income attributable to:			
Owners of the Company		**43,223**	31,322
Non-controlling interests		**–**	–
		43,223	31,322
Earnings per share	*8*		
– Basic		**5.35 cents**	3.80 cents
– Diluted		**5.29 cents**	3.80 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013 (Unaudited)

	Notes	**30 September 2013** **HK$'000**	31 March 2013 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	*9*	**260,527**	231,225
Investment properties		**380,027**	386,595
Interests in associates		**61,827**	62,088
Other investment		**151,000**	–
Deferred tax assets		**5,266**	6,586
Amounts due from associates		**103,457**	103,345
		962,104	789,839
Current assets			
Amounts due from customers for contract work		**1,426,228**	1,276,578
Debtors, deposits and prepayments	*10*	**1,372,762**	914,016
Other investment		**120,000**	–
Properties under development for sale		**906,391**	847,287
Deposits paid for properties under development for sale		**212,872**	212,080
Properties held for sale		**133,847**	319,791
Deposits paid for properties held for sale		**17,462**	21,324
Investments held for trading		**283**	341
Amounts due from associates		**705**	705
Amounts due from joint operations / other partners of joint operations		**176,464**	125,047
Tax recoverable		**2,799**	1,842
Pledged bank deposits		**481,526**	295,015
Bank balances and cash		**606,824**	607,615
		5,458,163	4,621,641
Assets classified as held for sale		**–**	6,321
		5,458,163	4,627,962

	Notes	30 September 2013 HK$'000	31 March 2013 HK$'000 (restated)
Current liabilities			
Amounts due to customers for contract work		**817,994**	466,649
Creditors, deposits and accrued charges	*11*	**1,150,911**	1,029,049
Deposits received from sales of properties		**42,830**	95,964
Amounts due to associates		**15,972**	15,902
Amounts due to joint operations / other partners of joint operations		**139,588**	74,190
Amount due to a non-controlling shareholder		**921**	4,026
Tax payable		**106,030**	83,111
Dividend payable		**13,878**	–
Obligations under finance leases		**18,218**	16,531
Borrowings		**2,122,384**	1,730,488
		4,428,726	3,515,910
Net current assets		**1,029,437**	1,112,052
Total assets less current liabilities		**1,991,541**	1,901,891
Non-current liabilities			
Unsecured bonds		**150,000**	150,000
Obligations under finance leases		**22,414**	16,802
Borrowings		**201,284**	191,784
Deferred tax liabilities		**12,395**	12,340
		386,093	370,926
Net assets		**1,605,448**	1,530,965
Capital and reserves			
Share capital		**107,760**	98,777
Reserves		**1,497,338**	1,431,838
Equity attributable to owners of the Company		**1,605,098**	1,530,615
Non-controlling interests		**350**	350
Total equity		**1,605,448**	1,530,965

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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

2 PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

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

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In accordance with the new definition of control and the related guidance set out in HKFRS 10, the directors concluded that the application of HKFRS 10 has had no material impact on the condensed consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements taking into account the structure, the legal form of the joint arrangements, the contractual terms agreed by the parties to the joint arrangements, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets.

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

Upon the application of HKFRS 11, the directors concluded that all of the Group's joint arrangements that were previously classified as jointly controlled entities under HKAS 31 and accounted for using the equity method, should be classified as joint operations under HKFRS 11 taking into account the relevant joint arrangement agreements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements. The comparative figures have been restated to reflect the change (see below for details).

Summary of the effect of changes in accounting policy

The effect of the application of HKFRS 11 on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income is as follows:

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Increase in revenue	**768,638**	546,470
Increase in cost of sales	**(720,283)**	(499,260)
Decrease in other income	**(35,622)**	(23,801)
Increase in general and administrative expenses	**(207)**	(261)
Decrease in share of results of joint operations	**(12,279)**	(19,311)
Increase in income tax expense	**(247)**	(3,837)
Net increase in profit for the interim period	**–**	–

The effect of the application of HKFRS 11 on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 March 2013, is as follows:

	31 March 2013 HK$'000 (originally stated)	**Adjustments**	**31 March 2013 HK$'000 (restated)**
Non-current assets			
Property, plant and equipment	228,853	2,372	231,225
Investment properties	386,595	–	386,595
Interests in associates	62,088	–	62,088
Interests in joint ventures	67,444	(67,444)	–
Deferred tax assets	6,586	–	6,586
Amounts due from associates	103,345	–	103,345
	854,911	(65,072)	789,839
Current assets			
Amounts due from customers for contract work	743,609	532,969	1,276,578
Debtors, deposits and prepayments	710,261	203,755	914,016
Properties under development for sale	847,287	–	847,287
Deposits paid for properties under development for sale	212,080	–	212,080
Properties held for sale	319,791	–	319,791
Deposits paid for properties held for sale	21,324	–	21,324
Investments held for trading	341	–	341
Amounts due from associates	705	–	705
Amounts due from joint operations / other partners of joint operations	187,334	(62,287)	125,047
Tax recoverable	639	1,203	1,842
Pledged bank deposits	237,670	57,345	295,015
Bank balances and cash	405,547	202,068	607,615
	3,686,588	935,053	4,621,641
Assets classified as held for sale	6,321	–	6,321
	3,692,909	935,053	4,627,962

Summary of the effect of changes in accounting policy (Continued)

	31 March 2013 HK$'000 (originally stated)	Adjustments	31 March 2013 HK$'000 (restated)
Current liabilities			
Amounts due to customers for contract work	205,025	261,624	466,649
Creditors, deposits and accrued charges	825,960	203,089	1,029,049
Deposits received from sales of properties	95,964	–	95,964
Amounts due to associates	15,902	–	15,902
Amounts due to joint operations / other partners of joint operations	45,094	29,096	74,190
Amount due to a non-controlling shareholder	4,026	–	4,026
Tax payable	76,839	6,272	83,111
Obligations under finance leases	16,531	–	16,531
Borrowings	1,360,588	369,900	1,730,488
	2,645,929	869,981	3,515,910
Net current assets	1,046,980	65,072	1,112,052
Total assets less current liabilities	1,901,891	–	1,901,891
Non-current liabilities			
Unsecured bonds	150,000	–	150,000
Obligations under finance leases	16,802	–	16,802
Borrowings	191,784	–	191,784
Deferred tax liabilities	12,340	–	12,340
	370,926	–	370,926
Net assets	1,530,965	–	1,530,965
Capital and reserves			
Share capital	98,777	–	98,777
Reserves	1,431,838	–	1,431,838
Equity attributable to owners of the Company	1,530,615	–	1,530,615
Non-controlling interests	350	–	350
Total equity	1,530,965	–	1,530,965

3 SEGMENT INFORMATION

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

The chief operating decision-maker of the Group has been identified as the executive directors and certain senior management (collectively referred as the "CODM"). For the purpose of performance assessment and resource allocation by the CODM, the Group's business activities are categorised under the following operating and reportable segments:

1. Construction work – provision of civil engineering, electrical and mechanical engineering, foundation and building construction work
2. Property development – sale of properties
3. Property investment – leasing of properties
4. Professional services – provision of security and property management services
5. Other activities – other activities including trading of securities

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

For the six months ended 30 September 2013

	Construction work *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Professional services *HK$'000*	Other activities *HK$'000*	Consolidated *HK$'000*
REVENUE						
Segment revenue	2,702,941	262,317	6,052	135,344	–	3,106,654
RESULT						
Operating results	33,387	59,920	5,725	6,467	(199)	105,300
Share of results of associates	–	7,223	1,812	–	–	9,035
Segment profit (loss)	33,387	67,143	7,537	6,467	(199)	114,335
Unallocated corporate expenses						(8,330)
Interest income						4,904
Finance costs						(21,123)
Profit before tax						89,786
Income tax expense						(36,416)
Profit for the period						53,370

For the six months ended 30 September 2012

	Construction work *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Professional services *HK$'000*	Other activities *HK$'000*	Consolidated *HK$'000*
REVENUE						
Segment revenue	2,012,761	182,243	6,033	108,589	–	2,309,626
RESULT						
Operating results	28,793	57,610	4,112	6,109	(119)	96,505
Share of results of associates	–	2,975	–	–	–	2,975
Segment profit (loss)	28,793	60,585	4,112	6,109	(119)	99,480
Unallocated corporate expenses						(6,812)
Interest income						2,046
Finance costs						(21,481)
Profit before tax						73,233
Income tax expense						(36,065)
Profit for the period						37,168

Segment revenue represents the revenue of the Group as presented in condensed consolidated statement of profit or loss and other comprehensive income.

Segment result represents the gross profit (loss) generated from each segment, net of selling expenses and general and administration expenses directly attributable to each segment without allocation of interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4 FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000* (restated)
Interests on:		
Bank loans wholly repayable within five years	**27,704**	24,097
Bank loans not wholly repayable within five years	**–**	102
Finance leases	**579**	728
Unsecured bonds	**5,438**	5,438
Total borrowing costs	**33,721**	30,365
Less: Amount attributable to contract work	**(9,963)**	(7,327)
Amount capitalised as part of costs of properties under development for sale	**(2,635)**	(1,557)
	21,123	21,481

5 INCOME TAX EXPENSE

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

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

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

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

	Six months ended 30 September	
	2013	2012
	HK\$'000	*HK\$'000*
		(restated)
Current tax		
– Hong Kong Profits Tax	**8,583**	5,660
– PRC Enterprise Income Tax	**13,715**	13,753
– PRC LAT	**11,643**	16,404
– Other jurisdictions	**2,700**	100
	36,641	35,917
Deferred tax	**(225)**	148
	36,416	36,065

6 PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2013	2012
	HK\$'000	*HK\$'000*
		(restated)
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	**19,594**	17,986
Less: Amount attributable to contract work	**(16,562)**	(14,610)
	3,032	3,376
Gain on disposal of property, plant and equipment	**(120)**	(33)

7 DIVIDENDS

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Final dividend		
Final dividend recognised as distribution in respect of 2013 of HK 1.4 cents (2012: HK0.8 cent) per share	**13,878**	7,829

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2013.

8 EARNINGS PER SHARE

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

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**53,370**	37,168

	Six months ended 30 September	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**997,530,970**	978,638,531
Effect of dilutive potential ordinary shares in respect of:		
– Share options	**2,812,519**	91,247
– Warrants	**8,092,199**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,008,435,688**	978,729,778

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$31.6 million (six months ended 30 September 2012: HK$8.2 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK$0.2 million (six months ended 30 September 2012: HK$0.4 million).

10 DEBTORS, DEPOSITS AND PREPAYMENTS

Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are settled within one month. The ageing analysis of debtors of HK$840,088,000 (at 31 March 2013: HK$425,764,000), which are included in the Group's debtors, deposits and prepayments, is as follows:

	30 September 2013 *HK$'000*	31 March 2013 *HK$'000* (restated)
Not yet due	**742,314**	377,015
Amounts past due but not impaired:		
1–30 days	**78,964**	45,514
31–90 days	**11,694**	2,068
91–180 days	**4,864**	386
Over 180 days	**2,252**	781
	840,088	425,764

11 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade payables of HK$714,322,000 (at 31 March 2013: HK$581,284,000), which are included in the Group's creditors, deposits and accrued charges, is as follows:

	30 September 2013 *HK$'000*	31 March 2013 *HK$'000* (restated)
Not yet due	**431,651**	389,710
1–30 days	**170,028**	112,817
31–90 days	**75,310**	58,647
91–180 days	**24,140**	10,567
Over 180 days	**13,193**	9,543
	714,322	581,284

12 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	30 September 2013 *HK$'000*	31 March 2013 *HK$'000*
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	**284,070**	402,339
– joint operations	**82,092**	45,178
	366,162	447,517
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
– an associate	**23,200**	32,000
– joint operations	**509,000**	439,000
	532,200	471,000
Guarantee provided for property development projects to banks which granted facilities to purchasers of the Group's properties held for sale	**287,555**	294,065

13 PLEDGE OF ASSETS

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

	30 September 2013 *HK$'000*	31 March 2013 *HK$'000*
Investment properties	**370,000**	370,000
Property, plant and equipment	**42,110**	46,437
Properties under development for sale	**444,592**	421,542
Bank deposits	**481,526**	295,015
	1,338,228	1,132,994

In addition, the Group has pledged its entire equity interest in one of its wholly-owned subsidiaries to secure the banking facilities granted to the Group as at the end of the reporting period.

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 2013, the total net debts of the Group amounted to approximately HK$1,425.9 million, representing total debts of approximately HK$2,514.3 million less total of pledged bank deposits and bank balances and cash of approximately HK$1,088.4 million. The debt maturity profile based on scheduled repayment dates set out in loan agreements of the Group at 30 September 2013 is analysed as follows:

	30 September 2013 *HK$ million*	31 March 2013 *HK$ million* (restated)
Borrowings and obligations under finance leases repayable:		
Within one year or on demand	**2,100.7**	1,652.7
After one year, but within two years		
– On demand shown under current liabilities	**25.1**	61.9
– Remaining balances	**11.3**	9.0
After two years, but within five years		
– On demand shown under current liabilities	**14.8**	25.8
– Remaining balances	**212.4**	199.6
Over five years		
– On demand shown under current liabilities	**–**	6.6
	2,364.3	1,955.6
Unsecured bonds – repayable after one year, but within two years	**150.0**	150.0
Total debts	**2,514.3**	2,105.6

At 30 September 2013, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to owners of the Company was 0.89 (31 March 2013: 0.79 (restated)).

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

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

PLEDGE OF ASSETS

As at 30 September 2013, the Group pledged bank deposits, properties, plant and equipment of approximately HK$1,338.2 million to financial institutions in order to secure the general banking facilities granted to the Group.

In addition, the Group has pledged its entire equity interest in one of its wholly-owned subsidiaries to secure the banking facilities granted to the Group.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 12 to the condensed consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 3,800 employees at 30 September 2013. Total remuneration of employees for the six months ended 30 September 2013 amounted to approximately HK$491.3 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective companies and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2013 (2012: Nil).

BUSINESS REVIEW

Interim Results

For the six months ended 30 September 2013, the Group recorded revenue of approximately HK$3,106.7 million, representing an increase of 35% over HK$2,309.6 million for the corresponding period of last year. Profit attributable to owners of the Company rose to approximately HK$53.4 million from HK$37.2 million for the last corresponding period.

Construction

During the review period, the Group continued to seize on opportunities created from sustainable infrastructure and urban development in Hong Kong. With Chun Wo's depth of experience, expertise, solid reputation and competitiveness, it has been able to add to the number of contracts on hand — worth approximately HK$26.64 billion as at 30 September 2013, in which HK$14.63 billion remains outstanding. This represents an increase of 5% and 19% over the figures recorded as at 31 March 2013 respectively. The Group delivered promising results in the construction business, with revenue rising by 34% to HK$2,702.9 million. Profit from this segment grew by 16% to HK$33.4 million.

During the review period, the Group won seven major projects worth a total contract sum of approximately HK$4.68 billion. Among the number of new large-scale projects won from the MTR Corporation Limited ("MTRC") include civil engineering works for the Shatin to Central Link, Kai Tak Station and associated tunnels; and platform modification and associated works at the East Rail Line. Highly significant is the winning of a mega-scale civil engineering project at Liantang, granted by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government"), and representing a contract sum of about HK$2.55 billion. In extending its business interests to Macau, the Group has been awarded with construction works for a new hangar at the Macau International Airport. The contract was reached in August 2013 and is worth a contract sum of about HK$191.0 million.

After the review period, the Group won two contracts in Hong Kong worth about HK$423.0 million and HK$2.45 billion respectively, involving a Home Ownership Scheme project in Yuen Long and a project in handling of surplus public fill.

With a vast majority of construction and infrastructure projects involving different departments of the Hong Kong Government, Chun Wo has shown that it is extremely competitive in public sector tenders, and more importantly, that it possesses highly demanded expertise, which ranges from foundation works and civil construction to slope works, tunnelling, and electrical and mechanical fitting. Such expertise was leveraged for a number of ongoing projects, including the Central-Wan Chai Bypass; Diamond Hill to Kai Tak tunnels for the MTR Shatin to Central Link; and Happy Valley Underground Stormwater Storage Scheme with the Drainage Services Department — the largest civil project under New Engineering Contract ever awarded by the Hong Kong Government. Chun Wo has also been entrusted with several waterworks and building foundation projects in Hong Kong, all of which have achieved good progress.

Among the projects that were completed by the Group during the period under review, include infrastructure works at Town Centre South and Tiu Keng Leng in Tseung Kwan O; fitting out works for residential developments in Tseung Kwan O and Tai Po; and construction works at the Tsz Shan Monastery complex.

Separately, due to additional works performed and cost incurred by the Group for superstructure works in relation to the main buildings and associated facilities at the Tsz Shan Monastery complex, Chun Wo's subsidiary has commenced legal proceedings to seek payment for an outstanding amount of approximately HK$335.0 million. Therefore, a writ of summons was issued at the High Court of the Hong Kong Special Administrative Region against Metta Resources Limited on 8 August 2013.

Property Development

During the review period, the Group recorded revenue of approximately HK$262.3 million from the property development segment, representing a rise of 44%. This was due to increased marketing efforts that successfully attracted the attention of home purchasers to the Group's residential projects in Mainland China. Segment profit also increased by 11% to HK$67.1 million in the period under review.

Having determined the need to focus primarily on the Hong Kong and Southern China property markets, Chun Wo has begun to bolster its presence in these two regions. In September, the Group entered into a joint venture, acquiring a prime site in Kau To Shan, Sha Tin, with a winning bid of HK$2.71 billion. A total investment of approximately HK$5 billion will be made to transform the 354,132 square feet site into a luxury residential development comprising houses and apartments. Indicative of Chun Wo's flexibility to develop a variety of projects, it is also acquiring an industrial building in Cheung Sha Wan for redevelopment. As over 90% of the interests had been purchased, an application was made in June to the Lands Tribunal for a compulsory sale order. During the period under review, Chun Wo was actively involved in several land auctions as well, both solely and collaborately with joint-venture partners. Sites in Wan Chai, Lantau Island and Kai Tak were among those of interest.

In respect of the Southern China region, the Group has closely examined several potential sites in the Guangdong province but no project of interest has yet been identified.

With regards to the "Arc De Royal" and "Le Palais Royal" projects in Shijiazhuang, Hebei Province and Shanwei, Guangdong Province respectively, both were able to generate solid sales. All of the units in Tower 9 of "Arc De Royal" in Shijiazhuang have been sold while 58% of the units in Tower 8 have been sold. Regarding the vacant land in Phase 3 of this project, the management will consider possibly developing the property with a joint-venture partner, or selling the land for profit. As for "Le Palais Royal" in Shanwei, 97% of residential units and 92% of retail units have been sold as of 30 September 2013.

Overseas, the construction of "Reem Diamond" low-rise residential development project in Abu Dhabi, United Arab Emirates, has been completed. Preparations for the open sale and leasing of units at the 10-storey apartment are now underway. In addition to being a new source of income, the "Reem Diamond" brings valuable experience in developing premium residences to the Group, which will be conducive to the development of future projects.

Property Investment

The performance of the Group's property investment remained satisfactory. The "Infinity 8" shopping mall in Choi Hung, Hong Kong, representing a major property investment for Chun Wo, posted a 18% rise in rental income over the same time last year. The Group has 40% interest in "Grand View Garden" shopping mall, located at Hammer Hill Road, Kowloon, Hong Kong, which recorded an 6% year-on-year growth in rental revenue. Since the Group is now focusing squarely on construction and property development, the management is considering selling the investment properties should an appropriate opportunity emerge.

Security and Property Management Services

The Group's security and property management services subsidiaries have continued to achieve satisfactory profit growth. Most recently, these subsidiaries earned security contracts with Modern Terminals Limited and Kai Tak Cruise Terminal, and also clubhouse management contract with MTRC's Tung Chung Coastal Skyline. In addition, the security service division was chosen by CMA Exhibition Services Limited to provide security management services during the Hong Kong Brands and Products Expo, thus marking the fourth consecutive year that it has been entrusted with the responsibility. To realise further growth, the Group will seek to capitalise on ties with its clients, as well as by ongoing development of one-stop solutions.

OUTLOOK AND PROSPECTS

Construction

Looking ahead, the Hong Kong Government is expected to continue implementing its strategy of infrastructural and residential development, and in expediting such efforts, will result in more large-scale civil engineering and public housing projects. Among the high-profile developments that the Hong Kong Government will move ahead, including the West Kowloon Cultural District and Kowloon East. Still other significant projects on the horizon include the Tuen Mun-Chek Lap Kok Link, Tuen Mun Western Bypass, Central-Kowloon Route, and boundary crossing facilities for the Hong Kong-Zhuhai-Macau Bridge.

Bearing in mind the many upcoming opportunities, the management will be rigorously examining potential projects, and only engaging in those with reasonably high margin levels. The Group will also focus on short- to medium-term construction projects as this will allow it to have the flexibility to enter into more contracts and gain better cost control, benefiting from its high level of technical and management expertise. With environmental protection becoming a growing concern, Chun Wo will also look to provide relevant construction and operation management services, and thus help the Group establish a foothold in a segment that the management is highly optimistic about.

While the booming construction industry has created immense opportunities, it has also led to a rise in a variety of costs, including subcontractor fees. The management will therefore examine ways to curb expenses, optimise efficiency and enhance the overall performance of the construction business.

Property Development

As the Hong Kong Government continues its efforts to ward off speculation in the local property market, it will implement cooling measures and promote public property development, the latter of which will require expanding its land bank — the Northeast New Territories being among the potential areas studied. Despite such actions, the management will continue to look for suitable property development opportunities in Hong Kong and Southern China, as fundamental housing demand in both markets is expected to remain healthy in the long run.

The Group will particularly focus on developing smaller projects where its project management experience, expertise in building services, resources deployment and construction capabilities can be best exploited, though in the case of larger projects, joint-venture partnerships will be contemplated.

The Group will also consider increasing its involvement in industrial redevelopment projects, such as in West Kowloon, leveraging its expertise in building and project management. Chun Wo is well prepared to seize opportunities from the property markets and look forward to generating high returns from this segment.

Overview

In view of the opportunities that exist in both the construction and property development segments, and the strategies in place to seize such opportunities, the management is optimistic about Chun Wo's prospects going forward. Sustainable growth will remain the principal goal of the Group, and correspondingly, an annual net profit growth rate of 10% will continue to be among the targets set by the management.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period under review except for the deviations from the code provision A.4.2 of the Code. Pursuant to code provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. The Board considers that the Chairman and the Managing Director of the Company are not subject to retirement by rotation in order to maintain the stability and continuity.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to 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 set out in the Model Code throughout the period under review.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the "Audit Committee") comprises three members, namely Mr. Au Son Yiu, Mr. Chan Chiu Ying, Alec (Chairman of the Audit Committee) and Mr. Hui Chiu Chung, Stephen, all are independent non-executive directors of the Company. The Audit Committee has reviewed with the management and given its consent to the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2013.

By order of the Board
Pang Yat Ting, Dominic
Chairman

Hong Kong, 27 November 2013

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