

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00711)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

FINANCIAL HIGHLIGHTS		
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Total revenue	4,068,502	3,967,564
Profit attributable to shareholders of the Company	218,281	20,485
Earnings per share	HK15.52 cents	HK1.89 cents
	30 September 2015	31 March 2015
Equity per share*	HK\$1.28	HK\$1.20
* Equity per share refers to equity attributable to shareholders of the Company divided by the total number of issued ordinary share capital as at 30 September 2015 and 31 March 2015 respectively.		

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, “Chun Wo” or the “Group”) for the six months ended 30 September 2015, together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015 (Unaudited)

		Six months ended 30 September 2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	4,068,502	3,967,564
Cost of sales		<u>(3,867,298)</u>	<u>(3,753,988)</u>
Gross profit		201,204	213,576
Other income and gains, net		222,570	17,170
Selling expenses		(1,193)	(6,930)
Administrative expenses		(171,950)	(156,236)
Other expenses, net		(49)	(541)
Finance costs	4	(20,493)	(18,696)
Share of profits and losses of associates		<u>4,895</u>	<u>1,900</u>
PROFIT BEFORE TAX	5	234,984	50,243
Income tax	6	<u>(16,247)</u>	<u>(24,342)</u>
PROFIT FOR THE PERIOD		218,737	25,901
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences:			
Translation of foreign operations		(25,530)	(424)
Share of movements in exchange fluctuation reserves of associates		<u>(44)</u>	<u>135</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX OF NIL		<u>(25,574)</u>	<u>(289)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>193,163</u>	<u>25,612</u>

		Six months ended 30 September 2015 HK\$'000	2014 HK\$'000
	<i>Note</i>		
PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Shareholders of the Company		218,281	20,485
Non-controlling interests		456	5,416
		<u>218,737</u>	<u>25,901</u>
TOTAL COMPREHENSIVE INCOME FOR			
THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the Company		192,707	20,196
Non-controlling interests		456	5,416
		<u>193,163</u>	<u>25,612</u>
EARNINGS PER SHARE ATTRIBUTABLE TO			
SHAREHOLDERS OF THE COMPANY	8		
Basic		<u>HK15.52 cents</u>	<u>HK1.89 cents</u>
Diluted		<u>HK14.20 cents</u>	<u>HK1.89 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2015 (Unaudited)

		30 September 2015	31 March 2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	323,122	320,289
Investment properties		190,111	250,276
Investments in associates		271,529	267,055
Amount due from an investee company		–	158,200
Deferred tax assets		747	617
Total non-current assets		785,509	996,437
CURRENT ASSETS			
Costs and deposits paid for acquisition of a land use right for property development		224,592	224,805
Land held for property development		349,793	362,705
Properties under development		254,293	250,924
Properties held for sale		19,272	22,032
Amounts due from contract customers		2,180,452	1,730,396
Trade receivables	10	1,480,550	1,457,137
Prepayments, deposits and other receivables		550,657	523,802
Income tax recoverable		4,954	6,690
Equity investments at fair value through profit or loss		180	165
Restricted cash and pledged deposits		416,361	590,426
Cash and cash equivalents		1,021,556	702,661
		6,502,660	5,871,743
Assets of a disposal group classified as held for sale	11	165,200	27,530
Total current assets		6,667,860	5,899,273

		30 September 2015	31 March 2015
	<i>Note</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Amounts due to contract customers		679,183	816,172
Trade payables	12	1,397,334	1,216,490
Deposits received from sales of properties		22,535	4,539
Other payables and accruals		547,735	540,394
Income tax payables		49,270	38,618
Bank borrowings		2,444,266	2,140,392
Unsecured bond payable to a related company		150,000	150,000
Hire purchase contract and finance lease payables		29,345	29,672
Total current liabilities		5,319,668	4,936,277
NET CURRENT ASSETS		1,348,192	962,996
TOTAL ASSETS LESS CURRENT LIABILITIES		2,133,701	1,959,433
NON-CURRENT LIABILITIES			
Other payable		41,627	41,627
Bank borrowings		95,000	115,000
Convertible bonds		115,680	146,458
Hire purchase contract and finance lease payables		46,440	51,470
Deferred tax liabilities		21,814	19,771
Total non-current liabilities		320,561	374,326
Net assets		1,813,140	1,585,107
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		141,462	132,362
Reserves		1,669,805	1,451,328
		1,811,267	1,583,690
Non-controlling interests		1,873	1,417
Total equity		1,813,140	1,585,107

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

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, assets classified as held for sale and certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

3 SEGMENT INFORMATION

For management purposes, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

The chief operating decision maker of the Group has been identified as the executive directors of the Company 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 three reportable operating segments:

- | | |
|---------------------------------------|--|
| • Construction work | — provision of services in areas of civil engineering, electrical and mechanical engineering, foundation and building construction |
| • Property development and investment | — sale and leasing of properties |
| • Professional services | — provision of security, cleaning and other property management related services |

Segment revenues and results

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

For the six months ended 30 September 2015

	Construction work <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Sales to external customers	<u>3,854,623</u>	<u>12,626</u>	<u>201,253</u>	<u>4,068,502</u>
Segment results	42,417	202,872	7,720	253,009
Bank interest income				11,119
Corporate and other unallocated expenses				(8,651)
Finance costs				(20,493)
Income tax				<u>(16,247)</u>
Profit for the period				<u><u>218,737</u></u>

For the six months ended 30 September 2014

	Construction work <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Sales to external customers	<u>3,736,197</u>	<u>57,430</u>	<u>173,937</u>	<u>3,967,564</u>
Segment results	59,860	4,038	8,106	72,004
Bank interest income				8,205
Corporate and other unallocated expenses				(11,270)
Finance costs				(18,696)
Income tax				<u>(24,342)</u>
Profit for the period				<u><u>25,901</u></u>

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies.

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

Segment assets and liabilities

Total segment assets and liabilities are not disclosed as they are not regularly reviewed by the CODM.

4 FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Interests on:		
Trust receipt loans and other bank loans	26,815	33,204
Unsecured bond payable to a related company	5,438	5,438
Hire purchase contract and finance lease payables	1,075	672
Amounts due to other partners of a joint operation	–	683
	<u>33,328</u>	<u>39,997</u>
Imputed interest on convertible bonds	4,093	–
	<u>37,421</u>	<u>39,997</u>
Total finance costs	37,421	39,997
Less: Amount included in cost of construction work	(15,717)	(14,624)
Amount capitalised in properties under development	<u>(1,211)</u>	<u>(6,677)</u>
	<u>20,493</u>	<u>18,696</u>

5 PROFIT BEFORE TAX

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
The Group's profit before tax is arrived at after charging/(crediting):		
Cost of construction work	3,679,328	3,567,867
Cost of properties sold	5,136	32,703
Cost of services provided	182,834	153,418
Depreciation	27,300	24,394
Less: Amount included in cost of construction work	<u>(24,219)</u>	<u>(21,237)</u>
	<u>3,081</u>	<u>3,157</u>
Loss/(gain) on disposal of items of property, plant and equipment, net	<u>271</u>	<u>(3,689)</u>

6 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Current tax		
Hong Kong	11,412	12,179
People's Republic of China ("PRC")	1,993	6,856
Elsewhere	1,778	1,217
Land appreciation tax ("LAT")	–	2,409
Deferred	1,064	1,681
Total tax charge for the period	16,247	24,342

7 DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2015 (2014: Nil).

8 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	218,281	20,485
Imputed interest on convertible bonds	4,093	–
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	222,374	20,485

	Six months ended 30 September 2015	2014
Number of shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,406,163,424	1,085,674,275
Effect of dilution — weighted average number of ordinary shares:		
— Convertible bonds	159,456,284	—
— Share options	—	4,848
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>1,565,619,708</u>	<u>1,085,679,123</u>

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$41.6 million (six months ended 30 September 2014: HK\$43.2 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$11.4 million (six months ended 30 September 2014: HK\$2.9 million).

10 TRADE RECEIVABLES

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Trade receivables other than retention receivables	947,550	929,005
Impairment	(534)	(534)
	947,016	928,471
Retention receivables	533,534	528,666
	<u>1,480,550</u>	<u>1,457,137</u>

Except for the rental income from lease of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers. Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are normally settled within one month.

The aged analysis of trade receivables (other than retention receivables) as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within 1 month	891,478	830,547
1 to 2 months	42,630	92,919
2 to 3 months	10,271	1,589
Over 3 months	2,637	3,416
	<u>947,016</u>	<u>928,471</u>

11 ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

		30 September 2015	31 March 2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets of a disposal group classified as held for sale	<i>(a), (b)</i>	165,200	27,530

Notes:

- (a) On 14 August 2015, Chun Wo (BVI) Limited, as vendor, a direct wholly-owned subsidiary of the Company, and Clover Peak Limited (“Clover Peak”), as purchaser, a company in which Mr. Pang Yat Ting, Dominic, a non-executive Director and co-chairman of the Company, is a director of Clover Peak and entitled to control the exercise of more than 30% of the voting power, entered into a sale and purchase agreement pursuant to which Clover Peak agreed to acquire the entire issued share capital of Wealth Anchor Investments Limited, an indirect wholly-owned subsidiary of the Company, and the total indebtedness due and owing to the Group (the “Wealth Anchor Disposal”) for a total consideration of HK\$195,000,000. The major assets of Wealth Anchor Investments Limited is 10% of the issued share capital of Golden Concept, which in turn holds the development site at Area 56A Kau To Shan.

On 25 September 2015, the shareholders had approved the Wealth Anchor Disposal. Deposits of HK\$19,500,000 in total have been paid by the purchaser in accordance with the terms of the disposal agreement and the transaction was completed on 6 October 2015.

Further details of the disposal transaction are set out in the Company’s announcements dated 14 August 2015, 25 September 2015 and 6 October 2015.

After taking into account the consideration for the Wealth Anchor Disposal, net carrying amount of the assets and liabilities of Wealth Anchor Investments Limited of approximately HK\$165,200,000 as at the date of the agreement, and the related transaction costs of approximately HK\$500,000, it is estimated that a gain of approximately HK\$29,300,000 will be resulted.

- (b) On 13 January 2015, Wisdom Year Investments Limited, as vendor, a direct wholly-owned subsidiary of the Company and two individuals independent to the Company, as purchaser had entered into a disposal agreement (the “Disposal Agreement”), to conditionally (i) dispose of all its equity interest in Profit City International Limited (“Profit City”), an indirect wholly-owned subsidiary of the Company; and (ii) assign the Group’s interest in loans of HK\$27,635,000 in total owed by Profit City, to the two individuals for a total consideration of HK\$230,000,000. The major assets of Profit City are 20% equity interests in two associates which individually holds a piece of land in Macau. All of the conditions have been fulfilled and completion took place on 31 July 2015 in accordance with the terms and conditions of the disposal agreement.

Further details of the disposal transaction are set out in the Company’s announcements dated 15 January 2015, 22 May 2015 and 31 July 2015.

12 TRADE PAYABLES

	30 September 2015	31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables other than retention payables	879,203	827,214
Retention payables	518,131	389,276
	<u>1,397,334</u>	<u>1,216,490</u>

The Group's trade payables (other than retention payables) are non-interest bearing and are normally settled on 30-day terms.

An aged analysis of the Group's trade payables (other than retention payables) as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within 1 month	538,205	398,888
1 to 2 months	188,316	327,290
2 to 3 months	79,589	68,392
Over 3 months	73,093	32,644
	879,203	827,214

13 CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) Corporate guarantees and performance bonds given

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
— subsidiaries	896,607	461,710
— joint operations	467,515	410,521
	1,364,122	872,231
Extent of guarantee issued to financial institutions to secure credit facilities granted to:		
— associates	301,300	306,100
Guarantees for property development projects given to banks which granted facilities to purchasers of the Group's properties held for sale	195,811	203,762
	1,861,233	1,382,093

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote. Accordingly, no value has been recognized in the condensed consolidated statement of financial position in respect of these financial guarantee contracts.

As at 30 September 2015, the banking facilities guaranteed by the Group to associates were utilised to the extent of HK\$118,750,000 (31 March 2015: HK\$122,200,000).

(b) Litigations

- (i) During the year ended 31 March 2014, a subsidiary of the Group commenced legal proceedings to seek payment for an outstanding amount of approximately HK\$335 million against the contract customer of a construction contract (the “Tsz Shan Monastery Project”) undertaken by the Group in prior years, and a writ of summons was issued at the High Court of the Hong Kong Special Administrative Region against the contract customer for additional works performed and costs incurred by the subsidiary of the Group for superstructure works in relation to the main buildings and associated facilities at the Tsz Shan Monastery complex on 8 August 2013. Subsequently, the subsidiary of the Group received a defence and counterclaim from the contract customer on 22 November 2013, in which the contract customer accepted that it was liable to pay only a certain amount of the subsidiary of the Group’s claims and, in addition, is alleging countercharges against the subsidiary of the Group in respect of rectification of alleged non-compliance works and sectional liquidated damages.

The Group has recognised contract revenue and cost in profit or loss up to 30 September 2015, by reference to the stage of completion of the contract activity at the end of the reporting period, which is measured by reference to the value of work carried out to date as certified by the architect. Variations in contract work and claims are included in revenue to the extent that the amount has been certified by the architect and its receipt is considered probable.

The ultimate outcome of the case will depend on the evidence adduced before the court at trial in late March 2016.

However, after having performed management’s internal critical assessment of the aforesaid case and seeking advice from independent quantum assessor and legal advisor, the directors of the Company are of the opinion that the defence and counterclaim by the contract customer has no merit and would be successfully defended, therefore no material adverse financial impact to the Group is expected.

- (ii) During the year ended 31 March 2014, a plaintiff commenced legal proceedings against a subsidiary of the Group alleging that the termination of a proposed transaction in relation to the sale of commercial development and 49% interest in the car park development at No. 8 Clear Water Bay Road (collectively the “Properties”) was wrongful and claimed for the loss of capital appreciation of the Properties for the breach of a memorandum entered into between the plaintiff and a subsidiary of the Group in September 2013.

The plaintiff and the subsidiary of the Group have completed the pleadings stage and have exchanged their witness statements on 9 January 2015. Subsequently, they are in the course of preparing their respective provisional quantum expert reports on a without prejudice basis and are due for exchange in early December 2015.

Further directions of the case will depend on the evidence adduced before the case management conference for the proceedings which is not expected at least until late 2015.

Besides, during the year ended 31 March 2014, another plaintiff commenced legal proceedings against the same subsidiary of the Group that the termination of a proposed transaction in relation to the sale of commercial development at No. 8 Clear Water Bay Road was wrongful and seeks damages to the subsidiary of the Group.

The parties have completed the discovery stage. The proceedings are now stayed until early January 2016 pending mediation. Given the early stages of the legal proceedings, it is difficult to assess the ultimate outcome of the case.

However, based on the existing legal documents after having performed management’s internal critical assessment of the aforesaid case and seeking advice from independent legal advisor, the directors of the Group are of the opinion that the Group has a reasonable ground of defence on the merits and would be successfully defended, therefore no material adverse financial impact to the Group is expected.

14 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 2015 HK\$'000	31 March 2015 HK\$'000
Property, plant and equipment	30,849	39,821
Properties under development	254,293	250,924
Bank deposits	409,584	583,391
	<u>694,726</u>	<u>874,136</u>

In addition, the Group has pledged the equity interest in a non-wholly owned subsidiary to secure a banking facility granted to the Group as at the end of the reporting period.

15 EVENTS AFTER THE REPORTING PERIOD

- (a) Wealth Anchor Disposal was completed on 6 October 2015 and the details are disclosed in note 11 to the condensed consolidated financial statements.
- (b) On 2 October 2015, Champ Prestige International Limited, as purchaser, an indirect wholly-owned subsidiary of the Company, has entered into an agreement with China City Construction (International) Co., Limited (“CCCC (International)”), as vendor, to acquire 45% equity interest in a target company which is wholly-owned by CCCC (International) (the Target Company”) at a consideration of approximately USD40 million (the “Acquisition”) which will be financed by the internal resources. The indirect only asset of the Target Company is a parcel of land in Miami, the U.S.A. Further details regarding the Acquisition are set out in the announcement of the Company dated 2 October 2015.
- (c) On 14 October 2015, the Company redeemed a bond with a principal amount of HK\$150 million issued to Talent Effort Limited (“Talent Effort”), which is 45% indirectly owned by Mr. Pang Yat Ting, Dominic, a non-executive Director and co-chairman of the Company.
- (d) On 4 November 2015, Leading Top Investments Limited, a direct wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with China Chengjian Investment Limited (“China Chengjian”), to conditionally purchase of entire issued share capital of it wholly owned subsidiary, CCCC Development Limited, a company incorporated in BVI with limited liability for a total consideration of HK\$660,000,000. Further details regarding the transaction are set out in the announcement of the Company dated 4 November 2015.
- (e) On 12 November 2015, Vast Honest Corporation Limited, an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a termination agreement with 中國城建開發有限公司 (transliterated as China Construction Development Limited), as vendor, to terminate the proposed acquisition of 90% equity interest in 中國城市建設控股集團(珠海)置業有限公司 (transliterated as China City Construction Holding Group (Zhuhai) Property Co., Ltd.) pursuant to the terms and conditions of the share transfer agreement dated 13 March 2015. Further details of the termination are set out in the Company’s announcement dated 12 November 2015.

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 2015, the total net debts of the Group amounted to approximately HK\$1,442.8 million, representing total debts of approximately HK\$2,880.7 million less total of pledged bank deposits and bank balances and cash of approximately HK\$1,437.9 million. The debt maturity profile based on scheduled repayment dates set out in loan agreements of the Group at 30 September 2015 is analysed as follows:

	As at 30 September 2015 <i>HK\$ million</i>	As at 31 March 2015 <i>HK\$ million</i>
Borrowings and obligations under hire purchase contract and finance leases repayable:		
Within one year or on demand	1,870.3	1,932.1
After one year, but within two years		
— On demand shown under current liabilities	201.3	37.6
— Remaining balances	23.0	24.7
After two years, but within five years		
— On demand shown under current liabilities	401.9	200.4
— Remaining balances	118.5	141.7
	<u>2,615.0</u>	<u>2,336.5</u>
Unsecured bond payable to a related company		
— Repayable within one year	150.0	150.0
Convertible bonds		
— Repayable after two years but within five years	115.7	146.5
	<u>115.7</u>	<u>146.5</u>
Total debts	<u><u>2,880.7</u></u>	<u><u>2,633.0</u></u>

At 30 September 2015, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to shareholders of the Company was 0.80 (31 March 2015: 0.85).

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 2015, the Group pledged bank deposits, properties under development, properties, plant and equipment of approximately HK\$694.7 million to financial institutions in order to secure the general banking facilities granted to the Group.

In addition, the Group has pledged its equity interest in a non-wholly owned subsidiary to secure the banking facilities granted to the Group.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 13 to the condensed consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 4,700 employees at 30 September 2015. Total remuneration of employees for the six months ended 30 September 2015 amounted to approximately HK\$644.7 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 subsidiaries and the employees concerned. Moreover, 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 2015 (2014: Nil).

BUSINESS REVIEW

China New Way Investment Limited ("China New Way") is the controlling shareholder of the Company since early 2015, while China New Way utilized its shareholder platform to successfully bring in 中國城市建設控股集團有限公司 (transliterated as China City Construction Holding Group Company) ("CCCC") and conducted a substantial restructuring of the Company's shareholding structure. China New Way and its shareholders possess ample capital investment experience and vast networks in China and overseas, while CCCC is a company engaging in urban development and construction in China and overseas, this is beneficial for Chun Wo's active exploration of different forms of collaboration opportunities in China and overseas to further enhance profitability. During the review period, strategic cooperation between the Group, China New Way and CCCC began to take shape, with synergies becoming more evident. Not only does the introduction of CCCC facilitate the steady development of Chun Wo's business in Hong Kong, it also presents good potential development opportunities for the Group in China and overseas to further increase its business scope. In particular, progress has been made on the residential project in Ma On Shan, New Territories, Hong Kong, which both parties have been closely collaborating on, and the

Group's purchase of certain ownership rights for a parcel of land in Miami, the U.S.A. for property development projects on 2 October 2015, which was done after the review period. Infrastructure investment and cooperation in China and overseas have also achieved expected results in this regard.

The overall performance of the Group for the six months ended 30 September 2015 was solid, and the total revenue was approximately HK\$4.07 billion, representing a year-on-year rise of 2.5%. Net profit grew by 744.5% to approximately HK\$218.7 million, while net profit margin increased to approximately 5.4%. Earnings per share was approximately HK15.52cents, representing a year-on-year rise of 721.2%.

Construction

Over the past six months, the performance of Chun Wo's core construction business was stable. Construction contracts continued to progress as scheduled, while a number of major projects were completed during the period. During the review period, the business segment recorded revenue of approximately HK\$3.85 billion, representing a year-on-year rise of 3.2%. Segmental profit was approximately HK\$42.4 million, representing a modest year-on-year decrease of 29.1%. The reduced rate of increase was mainly attributable to the slowdown in the tendering of numerous major government projects.

As at 30 September 2015, the total value of contracts in hand for the Group was approximately HK\$30.78 billion, of which the value of unfinished contracts was approximately HK\$13.87billion, which was up by 14.6% and 3.9% respectively over the comparable figure as at 31 March 2015.

Despite the delays in awarding of tenders for numerous major government infrastructure construction projects due to various external factors during the review period, the Group was still able to secure the tenders for seven new projects by leveraging its outstanding past performance and superb service quality. The total value of the new contracts, covering a diverse range of responsibilities, was approximately HK\$2.93 billion. Comparing with the total values approximately HK\$2.22 billion for the same period last year, it rose by 32%. The contracts with the greatest value include the term contract for minor works 2015 for Hong Kong East and Hong Kong West Clusters with a contract value of approximately HK\$837 million, which is expected to be completed in the third quarter of 2018; and the design and construction of New Territories West Regional Office of Water Supplies Department and Water Resources Education Center located at the intersection of Tin Cheung Road and Tin Pak Road in Tin Shui Wai, New Territories with a contract value of approximately HK\$630 million, which is expected to be completed around the third quarter of 2017. In addition, the Group also secured the contract for the renovation works of Hong Kong Buddhist Hospital. Securing tenders for new projects during the period demonstrates the market recognition for the outstanding project execution capabilities of Chun Wo. However, due to the current political environment, tender issuances of civil infrastructure projects have been delayed. There were almost none of new civil projects have been awarded in the market during the review period.

During the review period, the various construction projects made ideal progress, which included connection work at the Central-Wan Chai Bypass North Point section tunnel and Island Eastern Corridor Link; the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities; the MTR Shatin to Central Link and platform modification and associated works at East Rail Line; and the Happy Valley Underground Stormwater Storage Scheme.

The construction segment of the Group completed and delivered five projects during the review period, which included the construction works of Tuen Mun Western trunk sewerage; the urban renewal project at Castle Peak Road/Cheung Wah Street, Sham Shui Po; and Stage 2 of the replacement and rehabilitation of water mains in Northern and Southwestern Hong Kong Island.

Property Development and Investment

During the review period, the Property Development and Investment segment recorded revenue of approximately HK\$12.6 million, compared to approximately HK\$57.4 million for the corresponding period of 2014. Segmental profit approximately HK\$202.9 million, compared to approximately HK\$4.0 million last year, representing a year-on-year increase of 4,924.1%.

Following an evaluation of the Group's circumstances, and after meticulously analyzing market trends, the Group sold three assets at favorable prices during the period. The transactions led to an increase in the segmental profit for the period. Specifically, the Group sold 100% interest in Profit City International Limited, a wholly-owned subsidiary. The Company holds interest in two parcels of land in Macau, and the estimated profit to be recorded is HK\$200 million calculated based on a selling price of HK\$230 million. The sale was completed on 31 July 2015. Besides, the 49% interest in the carpark development of No.8 Clear Water Bay Road was sold and completed on 1 September 2015. Further, the Group also sold 10% interest in the Kau To Shan project for HK\$195 million during the period, and profit from the sale is estimated to be approximately HK\$29.3 million. The sale was completed on 6 October 2015.

The Group's residential development project located at Tseng Choi Street, Tuen Mun is making a smooth progress. The gross floor area of approximately 148,000 sq. ft. and is expected to provide 360 residential units, and a commercial floor area of approximately 38,000 sq. ft. The project is expected to commence pre-sale by mid 2016 and to be completed by the end of 2017.

In addition, the Group intended to develop the residential property at Yiu Sha Road, Whitehead, Ma On Shan into a quality low-density residential project with spectacular views across Tolo Harbour and Starfish Bay. The gross floor area of approximately 387,500 sq. ft. and is expected to provide approximately 500 residential units. The project is still at the stage of planning applications. Site formation is planned to commence in the first quarter of 2016, and is expected to be completed by the end of 2018 at the earliest. Pre-sale of the project is expected to begin in mid-2017.

Chun Wo will continue to review and adjust its property portfolio, and focus property development in Hong Kong and developed countries such as the U.S.A.. It will release its assets at the most attractive prices and at the appropriate time in order to more flexibly allocate financial resources. The Group will strive to deliver the highest returns to shareholders and realize the greatest investment value.

Professional Services

The Group's security and property management service continued to provide efficient, quality one-stop facility solutions as usual, and has received widespread recognition from the market for providing reliable services to its customers in the past. Aside from continuing to provide security and property management services for large enterprises such as MTR, the Group also gained several major customers during the review period, including One Island South, a prestigious commercial building in Wong Chuk Hang, Hong Kong Sports Institute and Solar Tower in Ma Wan, among others. In addition, the area of service provided by the Group to the properties managed by MTR has surpassed 15 million sq. ft. in aggregate. Chun Wo will continue to develop the security and property management markets and grasp potential opportunities to expand its market share.

OUTLOOK AND PROSPECTS

Construction

The Group expects the long-term development of the construction industry to remain stable, but will continue to face various challenges in the short term. As the Hong Kong government has continued to be affected by delays pertaining to the allocation of public funds, expected construction funds are still unable to be allocated, as a result of the tendering plans of many government construction projects to be abandoned, one of the example is the tender of the Central Kowloon Route project has been delayed. Due to the delay of a number of civil project tenders, the Group will experience slowdown in its civil construction business. While the development of the entire construction industry could be greatly affected, Chun Wo is confident in its ability to rise above the competition in the bidding of new projects. Moreover, with the Hong Kong market is expected to continue experiencing pressure for greater housing supply, Chun Wo remains optimistic about the potential amount of construction projects in the next few years. It will therefore strive to compete and secure tenders for various projects up for bidding in relevant construction fields. At the same time, faced with continuously rising industry costs and expenses, the Group will focus on exploring measures to control costs and improve efficiency, and actively to develop a wide range of projects to achieve sustainable development.

The Strategic collaboration with new shareholders will continuously create a new driving force for the Group's construction business. By utilizing the new shareholders platform in China, further cooperation can be promoted with major construction enterprises in China. This will create greater opportunities for the Group to align itself with national policies that lead to potential commercial opportunities, especially public and private joint-venture projects and various major development projects related to the "One Belt One Road" economic collaboration strategy and will also expedite the Group's development pace in overseas markets.

Property Development and Investment

The property development and investment segment will become one of the main driving forces for the future development of the Group. Within this business segment, the strategic partnership with China New Way and CCCC will be beneficial for the Group in developing new business. The Group will actively explore high-potential property development opportunities, mainly through joint ventures that help to mitigate risk as well as secure the operating capital required for each project.

Currently, the strategic investment between Chun Wo and CCCC has begun to bear fruit, as both parties are working closely together and are jointly involved in a comprehensive development project located in downtown Miami, the U.S.A. – taking the first step in the joint development of overseas markets. Chun Wo and CCCC will hold 45% and 55% interest respectively in the project, which has a floor area of approximately 3,200,000 sq. ft. and will be held for development purposes.

Looking ahead, Chun Wo will continue to use the joint development project in Whitehead, Ma On Shan as a model for developing and investing in similar projects through partnerships. While the Group reinforces its market presence in Hong Kong, it will also continue to pay close attention to China and overseas markets, especially in countries such as the U.S.A. and the U.K. for potential development and acquisition opportunities and to optimize its overall investment portfolio to bring the most ideal returns to shareholders.

The professional services (security and property management) business segment will have vast room for growth in the next few years, and is expected to continue performing strongly.

Overview

In conclusion, Chun Wo will continue to reinforce its core construction business and expand the property development and investment, security and property management business, and has devised business plans for the next few years. The Group will continue to utilize its outstanding construction capabilities to further contribute to the urban development of Hong Kong. The resources and investment experience of new shareholders from China and overseas will aid the Group in further expanding its construction, property development and investment, security and property management businesses in different regions, allowing Chun Wo to establish a global presence and become a leading multinational commercial enterprise group. In addition, as part of its strategic development plan, the Group will continue to actively explore high-potential property development and investment opportunities in China and overseas that are collaborative in nature.

Chun Wo will also continue to improve internal control measures, reduce costs and risks while striving to enhance overall operating efficiency. The Group is confident that it can achieve the goal of maintaining a 10% year-on-year annual net profit growth in the current financial year.

EVENTS AFTER THE REPORTING PERIOD

1. On 14 August 2015, Chun Wo (BVI) Limited, as vendor, a direct wholly-owned subsidiary of the Company, and Clover Peak Limited (“Clover Peak”), as purchaser, a company in which Mr. Pang Yat Ting, Dominic, a non-executive Director and co-chairman of the Company, is a director of Clover Peak and entitled to control the exercise of more than 30% of the voting power, entered into a sale and purchase agreement pursuant to which Clover Peak agreed to acquire the entire issued share capital of Wealth Anchor Investments Limited and the total indebtedness due and owing to the Group (the “Wealth Anchor Disposal”).

On 25 September 2015, the Shareholders had approved the Wealth Anchor Disposal and the transactions contemplated thereunder, and it was completed on 6 October 2015. For details, please refer to the announcements of the Company dated 14 August 2015, 25 September 2015 and 6 October 2015.

2. On 2 October 2015, Champ Prestige International Limited, as purchaser, an indirect wholly-owned subsidiary of the Company, entered into an agreement with China City Construction (International) Co., Limited (“CCCC International”), as vendor, to acquire 45% equity interest in a target company which is wholly-owned by CCCC International at a consideration of approximately USD40 million. The indirect only asset of the target company is a parcel of land in Miami, the U.S.A. (the “Land”). The Land will be held for development for sale with a floor area of approximately 3.2 million sq. ft.. For details, please refer to the announcement of the Company dated 2 October 2015.
3. On 14 October 2015, the Company redeemed a bond with a principal amount of HK\$150 million issued to Talent Effort Limited, which is 45% indirectly owned by Mr. Pang Yat Ting, Dominic, a non-executive Director and co-chairman of the Company. The bond is unsecured, bears interest at 7.25% per annum payable semi-annually in arrear and is wholly repayable on 23 November 2015.
4. On 4 November 2015, Leading Top Investments Limited, a direct wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement with China Chengjian Investment Limited, as vendor, pursuant to which the purchaser has conditionally agreed to acquire and the vendor has conditionally agreed to sell the entire issued share capital of CCCC Development Limited at a consideration of HK\$660 million. For details, please refer to the announcements of the Company dated 3 June 2015 and 4 November 2015.
5. On 12 November 2015, Vast Honest Corporation Limited, an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a termination agreement with 中國城建開發有限公司 (transliterated as China Construction Development Limited), as vendor, to terminate the proposed acquisition of 90% equity interest in 中國城市建設控股集團(珠海)置業有限公司 (transliterated as China City Construction Holding Group (Zhuhai) Property Co., Ltd.) pursuant to the terms and conditions of the share transfer agreement dated 13 March 2015. For details, please refer to the announcements of the Company dated 13 March 2015, 13 July 2015 and 12 November 2015.

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 of 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 provisions A.4.1 and A.4.2 of the Code. Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election while one of our Chairmen who is also the non-executive director of the Company, was appointed with no specific term and not subject to re-election. Moreover, 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 Chairmen and the Managing Director of the Company are not subject to retirement by rotation in order to maintain the stability and continuity. However, the Board may consider to amend the Bye-laws of the Company when appropriate in order to enhance the corporate governance.

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, after a specific enquiry made 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. Chan Stephen Yin Wai (Chairman of the Audit Committee), Mr. Kwan Ringo Cheukkai and Mr. Wu William Wai Leung, 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 2015.

By Order of the Board
CHUN WO DEVELOPMENT HOLDINGS LIMITED
Xu Jianhua, Jerry **Pang Yat Ting, Dominic**
Co-Chairman Co-Chairman

Hong Kong, 23 November 2015

As at the date of this announcement, the executive directors of the Company are Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick and Mr. Kwok Yuk Chiu, Clement, the non-executive directors of the Company are Mr. Pang Yat Ting, Dominic, Mr. Zhang Xiaoliang and Mr. Chow Wing Kin, Anthony SBS, JP, and the independent non-executive directors of the Company are Mr. Chan Stephen Yin Wai, Mr. Kwan Ringo Cheukkai and Mr. Wu William Wai Leung.