



CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 711

Warrant Code : 654



Interim Report 2008

商界展關懷

caringcompany

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Pang Kam Chun (*Chairman*)

Kwok Yuk Chiu, Clement
(*Managing Director*)

Li Wai Hang, Christina

Independent Non-executive Directors

Au Son Yiu

Chan Chiu Ying

Lee Shing See

Hui Chiu Chung

AUDIT COMMITTEE

Chan Chiu Ying (*Chairman*)

Au Son Yiu

Hui Chiu Chung

EXECUTIVE COMMITTEE

Kwok Yuk Chiu, Clement (*Chairman*)

Pang Yat Ting, Dominic

Pang Yat Bond, Derrick

Liu Chun Ming, Robin

MANAGEMENT COMMITTEE

Pang Kam Chun (*Chairman*)

Kwok Yuk Chiu, Clement

Li Wai Hang, Christina

NOMINATION COMMITTEE

Lee Shing See (*Chairman*)

Au Son Yiu

Kwok Yuk Chiu, Clement

REMUNERATION COMMITTEE

Au Son Yiu (*Chairman*)

Chan Chiu Ying

Kwok Yuk Chiu, Clement

SECRETARY

Chan Sau Mui, Juanna

QUALIFIED ACCOUNTANT

Liu Chun Ming, Robin

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Conyers Dill & Pearman

JSM

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai

Banking Corporation Limited

Hang Seng Bank Limited

Bank of China (Hong Kong) Limited

Fubon Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

C2, 5th Floor

Hong Kong Spinners Industrial Building

601–603 Tai Nan West Street

Cheung Sha Wan

Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRARS

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

HONG KONG BRANCH SHARE REGISTRARS

Tricor Secretaries Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

WEBSITE

<http://www.chunwo.com>

SHARE LISTING

The Stock Exchange of Hong Kong Limited

Stock Code: 711

Warrant Code: 654

HIGHLIGHT

- ▶ Group turnover down 57% to HK\$590.5 million (2007: HK\$1,359.5 million).
- ▶ Construction Work: Sales was down mainly resulting from keen competition in tender price; a few new constructions projects available for tender; and inflated material and labour costs. The Group will benefit from new economy policies of the Hong Kong SAR government to invest in the infrastructure projects and construction work in order to stimulate the economy.
- ▶ Property Development: Sales was down as the sales of major property development projects in China had not been recognized during the period under review. Property development projects were progressing well as planned. Maintained prudent and focus strategies in land acquisition and property development in order to deliver steady growth with strong performance in future. Entered into new property development projects in Abu Dhabi, United Arab Emirates.
- ▶ Property Investment: Rental income was stable and generated recurrent positive cash flow to the Group.
- ▶ Professional Services: Profit attributable to security and property management was up 22% to HK\$3.9 million (2007: HK\$3.2 million). Provided the security guard services for the 2008 Olympic Equestrian Events held in Hong Kong.
- ▶ Profit attributable to shareholder HK\$6.2 million (2007: HK\$31.3 million).
- ▶ Equity per share HK\$1.65 (31 March 2008: HK\$1.65).

INTERIM DIVIDEND

The Board of Directors (the “Board” or the “Directors”) of Chun Wo Development Holdings Limited (the “Company”) does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: HK1.0 cent per share).

BUSINESS REVIEW

Interim Results

For the six months ended 30 September 2008, the Company and its subsidiaries (collectively the “Group”) reported turnover approximately of HK\$590.5 million (2007: HK\$1,359.5 million), a decrease of 57% as compared to the corresponding period last year. Profit attributable to shareholders was approximately HK\$6.2 million (2007: HK\$31.3 million), representing a decrease of 80% year on year.

The decrease in turnover and profit was due to a reduction in work in the construction business because of market conditions and the fact that no revenue was recognized in respect of property sales. Fewer construction projects were available for tender in the period under review and tenders were highly competitive. With continued increases in material and labour costs during the period under review, the Group was selective on projects to avoid unnecessary risks due to cost escalation. Construction of pre-sold units in China has continued but the acquisition of new land has been put on hold until conditions improve and asset prices stabilize.

Construction

As at 30 September 2008, the estimated value of contracts the Group had on hand amounted to approximately HK\$5.2 billion, with about HK\$2.8 billion outstanding.

The Group’s construction strategy is to focus on higher margin projects that require advanced technical expertise and experience and to penetrate the market for renovation and maintenance of existing infrastructure. Given the limited number of infrastructure projects in Hong Kong, this has led to a decline in turnover in the short term which the Group believes will be reversed as planned projects come on stream.

The maintenance and minor works division has maintained good progress on projects for the Water Services Department, the Architectural Services Department and a private sector developer.

BUSINESS REVIEW *(Continued)*

Construction *(Continued)*

Our capability in the area of maintenance of underground pipes has been strengthened by establishing a subsidiary for the survey, rehabilitation and replacement of underground utilities using “trenchless, no-dig” technology such as advanced multi-sensor robotics and pipe-bursting, pipe-jacking and pipe-lining equipment. The subsidiary won a project worth approximately HK\$13 million in Singapore in the period under review.

The fitting out business progressed three projects during the period: a hotel interior decoration in To Kwa Wan, the fitting out and renovation works for Windsor House in Causeway Bay and the renovation of the Lok Fu Shopping Complex (Phase 2) for The Link Management Limited.

The building division's work at Upper Wong Tai Sin Phase 3 for the Hong Kong Housing Authority and the construction of a private development above the MTR station in Huang Sha, Guangzhou have been progressing satisfactorily.

The foundation subsidiary has been working on projects at TPTL No. 188, Pak Shek Kok, Tai Po and TKOTL No. 70, Area 86, Site E, Tseung Kwan O.

The electrical and mechanical (“E&M”) subsidiary completed contracts for three hospitals and progressed contracts for work in schools, markets, shopping centres, the Eastern Harbour Tunnel and a long term maintenance contract for The Link Management Limited. The renovation at Windsor House was progressing on schedule. The energy saving business has targeted Hong Kong-owned factories in Southern China to reduce their energy consumption.

In the period under review, the Group was awarded a consultancy contract in Thailand involving track doubling, signaling installation and a telecommunication system on the line from Chachoengsao to Laem Chabang (Bangkok).

BUSINESS REVIEW *(Continued)*

Property Development and Property Investment

China

In line with the rest of the market, sales have been slow in China because of the austerity measures and the credit crisis. The Group sold approximately 6,000 square metre of residential and commercial properties at an average price of around RMB6,100 per square metre. The Group acquired a 38% stake in a residential and commercial project of about 70,000 square metres in Shanwei, Guangdong Province in May 2008 and is expecting to complete an acquisition of a distressed property in Shengyang, Liaoning Province. The Group has not made any other major acquisitions in China and has no outstanding land premium, tax or levy to pay relating to land acquisition. It will consider further development and construction of existing projects when it sees an improvement in the macroeconomics.

Hong Kong

The Group's investment properties, "Grandeur Terrace" in Tin Shui Wai and "Infinity 8" in Choi Hung, continued to generate stable income for the Group.

Overseas

The Group obtained the necessary approval in Abu Dhabi, United Arab Emirates to launch the sale of residential project in "Reem Diamond". The residential project in "Le Cube" will be ready for sale by early 2009. In the long term, the Group believes that the Abu Dhabi market will continue to attract investment as the local government, with the backing of large foreign reserves, is determined to maintain a strategy of diversification away from oil dependent revenue.

Professional Services

The Group's security subsidiary provided services for 2008 Olympic Equestrian Events held in Hong Kong and 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.

BUSINESS REVIEW *(Continued)*

Awards and Recognition

The Group continued to win environmental, quality and safety awards in the period under the review including the “Outstanding Green Project Award of HSBC Living Business Award 2008”, two awards in the Hong Kong Housing Authority’s “Quality Public Housing Construction & Maintenance Awards 2008”, eight awards from the Hong Kong Occupational Safety and Health Awards 2008 and nine awards from the Construction Safety Forum.

Corporate Social Responsibility

The Group has a strong belief in caring for the community and has put its resources, experience and expertise to good use in helping the needy as way of taking up its corporate social responsibilities. The Hong Kong Council of Social Service has awarded the Group status as a Caring Company for three consecutive years. Our volunteer team has developed a partnership with the Tung Wah Group of Hospitals to care for the elderly and undertake voluntary maintenance works.

OUTLOOK AND PROSPECTS

The Group has not been unduly affected by the difficult credit markets given the long term construction contracts it has although austerity measures in the property market in China have reduced property sales in the short term.

Given the financial turmoil in the last quarter of 2008, the Group believes that there will be a reduction in growth in Hong Kong and China which will have a negative impact on property development in general. However, the efforts by governments to stimulate their economies, in particular investments in infrastructure and the acceleration of minor works in Hong Kong will lead to an increase in construction opportunities which we expect will provide the Group with a stable pipeline of future business.

OUTLOOK AND PROSPECTS *(Continued)*

Construction

The Group is well positioned to win major projects given its track record and technical expertise in Hong Kong. Designs for the majority of the 10 “mega” infrastructure projects announced in the Chief Executive’s Policy Address have commenced. Over the next decade 100 kilometers of railway will be built, including the Express Rail Link to Shenzhen and Guangzhou, the West Island Line, the South Island Line, the Kwun Tong Line extension and the Sha Tin Central Link. Major road infrastructure projects include the Hong Kong-Zhuhai-Macau Bridge and improvements to Tuen Mun Road and Tolo Highway, Tuen Mun to Chek Lap Kok and Wan Chai Bypass. Social infrastructure projects include the West Kowloon Cultural District project, the redevelopment of Kai Tak and plans to create promenades on each side of Victoria Harbour.

In addition to the capital works program, the Hong Kong SAR government has announced more than 160 projects such as building maintenance and slope repairs to start within the current legislative year, providing over 52,000 jobs. In addition to speeding up minor works, the Hong Kong SAR government is also devoting more attention to “green” buildings in Hong Kong, all of which will create demand at a time when material and labour costs have begun to decline and resources, particularly skilled people, are more available following the reduction in activity in Macau.

In overseas markets, the Group submitted a tender to the State Railway of Thailand as part of a joint venture for “The Red Line” which was awarded in December 2008. The foundation subsidiary will be capitalizing on the ongoing investment in infrastructure and construction in Abu Dhabi, United Arab Emirates as the local government creates long term non-oil revenue.

OUTLOOK AND PROSPECTS *(Continued)*

Property Development

Until the macroeconomics becomes clearer, the Group has taken a cautious approach to further land acquisitions. The Group has sufficient land bank for property development for the next few years and will seek higher returns and lower risk before committing to additional land purchases. The Group is confident that the fundamentals are sound in China and will generate revenue in the long term.

The China property market is unstable at the moment due to the interaction of a number of conflicting forces. On the one hand, there is negative sentiment due to the austerity measures and the financial turmoil. However, underlying demand from the emerging middle class and institutional investors, and the recent stimulus package introduced by the Chinese government exert upward pressure on the market. While the short term outlook is difficult, these conditions in fact offer several prospects for the Group to acquire assets and make investments at significantly lower costs.

It is likely that projects in the Middle East will also be affected as the number of investors either willing to or able to invest in developments “off the plan” reduces. However, there is a clear, long term plan in Abu Dhabi which is backed by considerable capital assets indicating the market will remain reasonably buoyant.

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 2008, the total net debts of the Group amounted to approximately HK\$830.0 million, representing total debts of approximately HK\$1,285.5 million less bank balances and cash of approximately HK\$455.5 million. The debt maturity profile of the Group at 30 September 2008 is analysed as follows:

	As at 30 September 2008 HK\$ million	As at 31 March 2008 HK\$ million
Borrowings repayable:		
Within one year or on demand	762.2	420.7
After one year, but within two years	191.7	368.5
After two years, but within five years	26.0	26.0
Over five years	70.8	75.1
	1,050.7	890.3
Convertible bonds due 2012	234.8	212.8
Total borrowings	1,285.5	1,103.1

At 30 September 2008, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 0.58 (at 31 March 2008: 0.34).

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange rate fluctuations. Furthermore, the Group's borrowings have not been hedged by any interest rate financial instruments.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

The Group's financial position is sound and strong. With available bank balances and cash at 30 September 2008 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 1,950 employees at 30 September 2008. Total remuneration of employees for the six months ended 30 September 2008 amounted to approximately HK\$214.4 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective companies and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2008

		Unaudited six months ended 30 September	
		2008	2007
		HK\$'000	HK\$'000
	<i>Notes</i>		
Turnover	2	590,492	1,359,538
Cost of sales		(523,450)	(1,213,344)
Gross profit		67,042	146,194
Other income		737	9,784
Selling expenses		(1,483)	(15,611)
General and administrative expenses		(79,770)	(73,498)
Fair value changes on embedded derivatives of convertible bonds		52,000	–
Share of profit of jointly controlled entities		2,081	111
Finance costs	3	(34,878)	(28,198)
Profit before tax	4	5,729	38,782
Income tax expense	5	504	(7,496)
Profit for the period		6,233	31,286
Attributable to:			
Equity holders of the parent		6,233	31,278
Minority interests		–	8
		6,233	31,286
Declared dividend	6	–	8,574
Earnings (loss) per share – <i>basic</i>	7	0.7 cents	4.0 cents
– <i>diluted</i>	7	(2.3 cents)	3.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 September 2008 and 31 March 2008

		Unaudited	Audited
		30 September	31 March
		2008	2008
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Investment properties		618,480	618,480
Property, plant and equipment	<i>8</i>	125,141	132,879
Prepaid lease payments		26,936	27,277
Interests in associates	<i>14(iii)</i>	65,783	42,783
Interests in jointly controlled entities		46,225	48,892
Amounts due from associates		103,352	103,232
		985,917	973,543
Current assets			
Amounts due from customers for contract work		545,781	506,762
Debtors, deposits and prepayments	<i>9</i>	393,182	396,450
Prepaid lease payments		683	683
Properties under development		1,153,817	890,456
Deposits paid for properties under development		83,653	78,678
Properties held for sale		53,219	23,861
Investments held for trading		14,943	16,488
Amounts due from associates		1,232	1,222
Amounts due from jointly controlled entities		26,769	37,482
Tax recoverable		46,194	30,630
Pledged bank deposits		41,818	10,171
Bank balances and cash		413,687	611,324
		2,774,978	2,604,207

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

as at 30 September 2008 and 31 March 2008

	Notes	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Current liabilities			
Amounts due to customers for contract work		61,500	36,999
Creditors, deposits and accrued charges	10	271,069	334,803
Deposits received from pre-sales of properties under development		523,760	437,522
Amounts due to jointly controlled entities		37,405	48,864
Amount due to an associate		9,338	9,338
Tax payable		17,029	17,757
Dividend payable		15,030	–
Obligations under finance leases – due within one year		991	1,073
Borrowings – due within one year		761,164	419,639
Derivative financial instruments		58,000	110,000
		1,755,286	1,415,995
Net current assets		1,019,692	1,188,212
Total assets less current liabilities		2,005,609	2,161,755
Non-current liabilities			
Obligations under finance leases – due after one year		75	555
Borrowings – due after one year		288,444	469,006
Convertible bonds		234,820	212,820
Deferred tax liabilities		63,024	66,413
		586,363	748,794
Net assets		1,419,246	1,412,961
Capital and reserves			
Share capital	11	85,884	85,882
Reserves		1,333,012	1,326,729
Equity attributable to equity holders of the parent		1,418,896	1,412,611
Minority interests		350	350
Total equity		1,419,246	1,412,961

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2008 – unaudited

	Attributable to equity holders of the parent									
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Share options reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2008	85,882	337,128	(7,340)	4,483	8,531	63,685	920,242	1,412,611	350	1,412,961
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	15,067	-	15,067	-	15,067
Profit for the period	-	-	-	-	-	-	6,233	6,233	-	6,233
Total recognised income and expense for the period	-	-	-	-	-	15,067	6,233	21,300	-	21,300
Exercise of warrants	2	13	-	-	-	-	-	15	-	15
2007/2008 final dividend	-	-	-	-	-	-	(15,030)	(15,030)	-	(15,030)
At 30 September 2008	85,884	337,141	(7,340)	4,483	8,531	78,752	911,445	1,418,896	350	1,419,246
At 1 April 2007	74,705	252,056	(7,340)	-	8,531	23,572	899,521	1,251,045	343	1,251,388
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	9,362	-	9,362	-	9,362
Profit for the period	-	-	-	-	-	-	31,278	31,278	8	31,286
Total recognised income and expense for the period	-	-	-	-	-	9,362	31,278	40,640	8	40,648
Exercise of warrants	9,715	72,861	-	-	-	-	-	82,576	-	82,576
Exercise of share options	1,153	9,741	-	-	-	-	-	10,894	-	10,894
Recognition of equity-settled share-based payments	-	-	-	4,483	-	-	-	4,483	-	4,483
2006/2007 final dividend	-	-	-	-	-	-	(51,239)	(51,239)	-	(51,239)
At 30 September 2007	85,573	334,658	(7,340)	4,483	8,531	32,934	879,560	1,338,399	351	1,338,750

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2008

	Unaudited six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Net cash used in operating activities	(296,161)	(159,155)
Net cash used in investing activities	(50,625)	(81,240)
Net cash from financing activities	137,488	190,742
Net decrease in cash and cash equivalents	(209,298)	(49,653)
Cash and cash equivalents at beginning of the period	611,324	300,457
Effect of foreign exchange rate changes	11,661	2,503
Cash and cash equivalents at end of the period	413,687	253,307

Notes:

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 2008. In the current interim period, the Group has applied, for the first time, a number of new interpretations issued by the HKICPA, which are effective for the Group's financial period beginning 1 April 2008. The application of these new interpretations has had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Directors are in the process of assessing the potential impact and so far concluded that the application of these application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible Hedged Items ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 13	Customer Loyalty Programmes ³
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation ⁴
HKFRSs (Amendments)	Improvements to HKFRSs ⁵

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

- ¹ Effective for annual periods beginning on or after 1 January 2009
- ² Effective for annual periods beginning on or after 1 July 2009
- ³ Effective for annual periods beginning on or after 1 July 2008
- ⁴ Effective for annual periods beginning on or after 1 October 2008
- ⁵ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 SEGMENT INFORMATION

Business segments

For management purposes, the Group's operation is organised into construction work, property development, property investment, professional services (including of security and property management services) and other activities. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the six months ended 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
TURNOVER						
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)
Interest income						1,635
Unallocated corporate expenses						(6,211)
Fair value changes on embedded derivatives of convertible bonds						52,000
Share of profit of jointly controlled entities	2,081	–	–	–	–	2,081
Finance costs						(34,878)
Profit before tax						5,729
Income tax expense						504
Profit for the period						6,233

2 SEGMENT INFORMATION (Continued)

Business segments (Continued)

For the six months ended 30 September 2007

	Construction work HK\$'000	Property development HK\$'000	Property investment HK\$'000	Professional services HK\$'000	Other activities HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	1,126,714	160,854	14,696	57,274	–	1,359,538
RESULT						
Segment result	10,829	42,046	14,323	3,157	5,302	75,657
Interest income						1,375
Unallocated corporate expenses						(10,163)
Share of profit of jointly controlled entities	111	–	–	–	–	111
Finance costs						(28,198)
Profit before tax						38,782
Income tax expense						(7,496)
Profit for the period						31,286

3 FINANCE COSTS

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Interest payable on:		
Bank borrowings and finance leases	18,088	35,576
Imputed interest expense on convertible bonds	22,000	–
	40,088	35,576
Less: Amount attributable to contract work	(529)	(4,272)
Amount attributable to properties under development	(4,681)	(3,106)
	34,878	28,198

4 PROFIT BEFORE TAX

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting):		
Depreciation and amortisation	10,242	11,900
Less: Amount attributable to contract work	(8,548)	(10,081)
	1,694	1,819
Fair value changes on embedded derivatives of convertible bonds (<i>Note</i>)	(52,000)	–

Note: The Group engaged an independent valuer to assess the fair value of the embedded derivatives of convertible bonds, which were calculated using the Binomial Model. Details of the convertibles bonds are set out in the Group's annual financial statements for the year ended 31 March 2008.

5 INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax	839	2,790
– Other jurisdictions	1,998	–
– Enterprise Income Tax in the People's Republic of China (the "PRC")	48	52
	2,885	2,842
Deferred tax		
– Current	406	4,654
– Attributable to change in tax rate	(3,795)	–
	(3,389)	4,654
	(504)	7,496

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 September 2008. Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

6 DIVIDENDS

	Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Final dividend		
Final dividend in respect of 2008 of HK1.75 cents (2007: HK2.75 cents) per share	15,030	23,485
Special final dividend in respect of 2007 of HK3.25 cents per share	—	27,754
	15,030	51,239

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008.

7 EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share:		
– Profit attributable to the equity holders of the parent	6,233	31,278
Effect of dilutive potential ordinary shares from convertible bonds:		
– Imputed interest expense	22,000	–
– Fair value changes on embedded derivatives	(52,000)	–
	<hr/>	
(Loss) earnings for the purposes of diluted (loss) earnings per share	(23,767)	31,278
	<hr/> <hr/>	

	Number of shares	
Weighted average number of shares for the purpose of basic earnings per share	858,838,328	782,680,971
Effect of dilutive potential shares in respect of:		
– Convertible bonds	170,779,817	–
– Share options	–	7,940,551
– Warrants	–	43,436,953
	<hr/>	
Weighted average number of shares for the purpose of diluted (loss) earnings per share	1,029,618,145	834,058,475
	<hr/> <hr/>	

Note: The computation of diluted earnings per share for 2008 does not assume the exercise of the outstanding share options and warrants as the exercise prices of the Company's outstanding share options were higher than the average market price for the shares for the six months period ended 30 September 2008.

8 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$4.9 million (six months ended 30 September 2007: HK\$5.6 million) on property, plant and equipment. In addition, the Group has disposed of property, plant and equipment with carrying amount of approximately HK\$2.4 million (six months ended 30 September 2007: HK\$0.4 million).

9 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 trade debtors of approximately HK\$144,723,000 (at 31 March 2008: HK\$127,351,000), which are included in the Group's debtors, deposits and prepayments, is as follows:

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Not yet due	121,754	114,198
0 to 30 days	13,660	8,940
31 to 90 days	3,717	597
91 to 180 days	1,895	172
Over 180 days	3,697	3,444
	144,723	127,351

10 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade creditors of approximately HK\$107,251,000 (at 31 March 2008: HK\$99,343,000), which are included in the Group's creditors, deposits and accrued charges, is as follows:

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Not yet due	64,450	58,715
0 to 30 days	16,536	16,240
31 to 90 days	6,087	10,657
91 to 180 days	18,461	4,587
Over 180 days	1,717	9,144
	107,251	99,343

11 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.1 each		
Authorised:		
At 1 April 2008 and 30 September 2008	1,500,000,000	150,000
Issued and fully paid:		
At 1 April 2008	858,821,018	85,882
Exercise of warrants	17,310	2
At 30 September 2008	858,838,328	85,884

12 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	223,383	221,639
– an associate	4,400	4,400
– a jointly controlled entity	5,850	5,850
	233,633	231,889
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 a property development project to banks which granted facilities to purchasers of the Group's pre-sale properties	156,811	129,013

13 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 2008 HK\$'000	At 31 March 2008 HK\$'000
Investment properties	568,000	568,000
Leasehold buildings and related prepaid lease payments	–	9,547
Properties under development	357,158	371,565
Properties held for sale	9,198	16,723
Bank deposits	41,818	10,171
	976,174	976,006

14 RELATED PARTY TRANSACTIONS

	Associates		Jointly controlled entities	
	Six months ended 30 September		Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
(i) Transactions during the period:				
Contract revenue recognised	–	–	3,104	29,059
Project management fee received	–	–	116	358
Security guard services income received	–	–	536	457

14 RELATED PARTY TRANSACTIONS (Continued)

	Associates		Jointly controlled entities	
	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
(ii) Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by related parties	4,400	4,400	5,850	5,850
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	48,000	48,000	-	-

- (iii) On 20 May 2008, the Group and the Group's director, Mr. Pang Kam Chun (the "Vendor"), had entered into an agreement, pursuant to which the Vendor agreed to sell and the Group agreed to acquire (i) 38% of the total issued share capital of the Mandarin Group Limited ("MGL"); and (ii) 38% of the shareholder's loans due and owing by MGL to the Vendor as at completion at a consideration of HK\$23 million. MGL is principally engaged in investment holding and the principal asset of which is the 100% equity interest in 汕尾市紅海大酒店 Shanwei City Hong Hai Hotel Limited ("Shanwei City Hong Hai"). Shanwei City Hong Hai is a property development company and the principal asset of which is a property development site located in Shanwei, Guangdong Province, the PRC.

15 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the conversion price of the zero coupon convertible bonds due 2012 (shown in the balance sheet) has been adjusted from HK\$2.18 to HK\$1.74 with effect from 6 December 2008 pursuant to the subscription agreement dated 26 November 2007. Details of the adjustment of the conversion price are set out in an announcement of the Company dated 5 December 2008.

SHARE OPTION SCHEMES

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

Details of the movements in share options granted during the period under review are as follows:

Eligible participants	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options				
				Outstanding at 1/4/2008	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding at 30/9/2008
Directors								
Mr. Pang Kam Chun	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	-	732,000
	2/4/2007	1.010	10/4/2007 to 1/4/2017	747,000	-	-	-	747,000
Mr. Kwok Yuk Chiu, Clement	13/8/2004	0.904	21/8/2004 to 12/8/2014	3,326,000	-	-	-	3,326,000
Madam Li Wai Hang	2/4/2007	1.010	10/4/2007 to 1/4/2017	747,000	-	-	-	747,000
Employees								
	13/8/2004	0.904	21/8/2004 to 12/8/2014	6,326,000	-	-	-	6,326,000
	3/9/2004	0.950	4/10/2004 to 30/9/2009	1,298,000	-	-	-	1,298,000
	2/5/2007	1.010	2/5/2007 to 1/5/2010	5,104,000	-	-	-	5,104,000
	9/8/2007	1.950	9/8/2007 to 8/8/2010	800,000	-	-	-	800,000

SHARE OPTION SCHEMES (Continued)

Eligible participants	Date of grant	Exercise price per option HK\$	Exercise period	Number of share options				
				Outstanding at 1/4/2008	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding at 30/9/2008
Consultants	3/9/2004	0.950	4/10/2004 to 30/9/2009	400,000	-	-	-	400,000
	2/5/2007	1.010	2/5/2007 to 1/5/2010	1,868,000	-	-	-	1,868,000
	25/5/2007	1.420	25/5/2007 to 24/5/2010	3,737,000	-	-	-	3,737,000
	31/7/2007	2.396	31/1/2008 to 30/7/2008	62,604	-	-	-	62,604
	8/8/2007	2.010	25/9/2007 to 24/5/2010	3,737,000	-	-	-	3,737,000
	31/1/2008	0.968	31/7/2008 to 30/1/2011	154,956	-	-	-	154,956
	31/7/2008	0.684	31/1/2009 to 30/7/2011	-	219,294	-	-	219,294
Others (Note 1)	13/8/2004	0.904	21/8/2004 to 12/8/2014	732,000	-	-	-	732,000
				<u>29,771,560</u>	<u>219,294</u>	<u>-</u>	<u>-</u>	<u>29,990,854</u>

SHARE OPTION SCHEMES *(Continued)*

Notes:

1. These outstanding share options were held by a former Independent Non-executive Director. The Board has approved that these outstanding share options can be exercised on or before 12 August 2014.
 2. All options referred to the above table are not subject to any vesting period save as the options granted on 31 July 2007, 8 August 2007, 31 January 2008 and 31 July 2008, the vesting dates are 31 January 2008, 25 September 2007, 31 July 2008 and 31 January 2009 respectively.
 3. The closing price of the shares of the Company immediately before the options granted on 31 July 2008 was HK\$0.66.
 4. No share options were exercised, cancelled or lapsed under the Scheme during the period under review.
- (b) Pursuant to the share option scheme of Chun Wo Foundations Limited (“CWFL”), an indirect wholly-owned subsidiary of the Company, approved by the Company on 28 August 2002, the board of directors of CWFL may, at their discretion, grant options to eligible participants of CWFL, the Company or any of their subsidiaries to subscribe for shares in CWFL.

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2008, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of Director	Personal interest	Family interest	Corporate interest	Total interests	Total interests as % of the Company's issued share capital
Mr. Pang Kam Chun ("Mr. Pang")	290,508,340	10,148,875 (Note 1)	129,348,294 (Note 2)	430,005,509	50.07%
Madam Li Wai Hang, Christina	10,148,875	419,856,634 (Note 1)	-	430,005,509	50.07%
Mr. Kwok Yuk Chiu, Clement	1,000,000	-	-	1,000,000	0.12%
Mr. Au Son Yiu	301,816	-	-	301,816	0.04%

Notes:

- Madam Li Wai Hang, Christina is the spouse of Mr. Pang and is deemed to have interest in those shares of the Company held by Mr. Pang. Similarly, Mr. Pang is also deemed to have interest in those shares of the Company held by Madam Li Wai Hang, Christina.
- GT Winners Limited is wholly owned by Mr. Pang. Under Part XV of the SFO, Mr. Pang is deemed to have interest in the shares of the Company held by GT Winners Limited.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

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

Name of Director	Personal interest	Family interest	Corporate interest	Total interests	Total interests as % of the Company's issued share capital
Mr. Pang	1,479,000 <i>(Note 1)</i>	2,776,775 <i>(Note 2)</i>	16,269,658 <i>(Note 3)</i>	20,525,433	2.39%
Madam Li Wai Hang, Christina	2,776,775 <i>(Note 4)</i>	17,748,658 <i>(Note 2)</i>	–	20,525,433	2.39%
Mr. Kwok Yuk Chiu, Clement	3,326,000 <i>(Note 5)</i>	–	–	3,326,000	0.39%
Mr. Au Son Yiu	360,000 <i>(Note 6)</i>	–	–	360,000	0.04%

Notes:

- These represent the interest in the underlying shares of the Company in respect of 1,479,000 units of share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above.
- Madam Li Wai Hang, Christina is deemed to have interest in the underlying shares of the Company held by Mr. Pang. Similarly, Mr. Pang is also deemed to have interest in the underlying shares of the Company held by Madam Li Wai Hang, Christina.
- GT Winners Limited is wholly owned by Mr. Pang. Under Part XV of the SFO, Mr. Pang is deemed to have interest in the warrants of the Company held by GT Winners Limited.
- These represent the interest in the underlying shares of the Company in respect of (i) 747,000 units of share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above and (ii) 2,029,775 units of warrants of the Company.
- These represent the interest in the underlying shares of the Company in respect of 3,326,000 units of share options granted by the Company, details of which are stated under the heading "Share Option Schemes" above.
- These represent the interest in the underlying shares of the Company in respect of 360,000 units of warrants of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

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

Save as disclosed above and other than certain nominee shares in the subsidiaries held by Directors in trust for the Group, as at 30 September 2008, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as are known to the Directors, as at 30 September 2008, the following parties (other than Directors' and chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO ("Register of Substantial Shareholders") as being interested in or deemed to be interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Capacity	Interest in shares	Interest in underlying shares of equity derivatives of the Company pursuant to the warrants	Interest in underlying shares of equity derivatives of the Company pursuant to the convertible bonds	Total interests as % of the Company's issued share capital
GT Winners Limited	Beneficial Owner	129,348,294	16,269,658	–	16.96% (Note 1)
Stark Investments (Hong Kong) Limited	Beneficial Owner	91,743,119	–	–	10.68%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

Name of Shareholder	Capacity	Interest in shares	Interest in underlying shares of equity derivatives of the Company pursuant to the warrants	Interest in underlying shares of equity derivatives of the Company pursuant to the convertible bonds	Total interests as % of the Company's issued share capital
DKR SoundShore Oasis Holding Fund Limited	Beneficial Owner	–	–	81,330,275	9.47% <i>(Note 2)</i>
DKR Oasis Management Co. LP	Interest of a controlled corporation	–	–	81,330,275	9.47% <i>(Note 2)</i>
DKR Capital Partners LP	Interest of a controlled corporation	–	–	81,330,275	9.47% <i>(Note 2)</i>
Oasis Management Holdings LLC	Interest of a controlled corporation	–	–	81,330,275	9.47% <i>(Note 2)</i>
DKR Management Co. Inc.	Interest of a controlled corporation	–	–	81,330,275	9.47% <i>(Note 2)</i>
DKR Capital Inc.	Interest of a controlled corporation	–	–	81,330,275	9.47% <i>(Note 2)</i>
HSBC Bank plc	Beneficial Owner	–	–	64,220,183	7.48% <i>(Note 3)</i>
HSBC Holdings plc	Interest of a controlled corporation	–	–	64,220,183	7.48% <i>(Note 3)</i>
Stark Master Fund, Ltd	Beneficial Owner	46,854,521	–	–	5.46%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

Notes:

1. GT Winners Limited is wholly owned by Mr. Pang under Part XV of the SFO, Mr Pang is deemed to have interest in the shares of the Company held by GT Winners Limited.
2. The interest in the convertible bonds in the aggregate principal sum of HK\$177.3 million being convertible into shares at the conversion price of HK\$2.18 per share which is in turn held by DKR SoundShore Oasis Holdings LLC (“DKR SoundShore”) as beneficial owner. DKR SoundShore is wholly owned by DKR Oasis Management Co. LP, which in turn 51% owned by DKR Capital Partners LP and 49% owned by Oasis Management Holdings LLC respectively. DKR Capital Partners LP is 50% owned by DKR Management Co. Inc., a wholly-owned subsidiary of DKR Capital Inc. which also holds 50% of DKR Capital Partners LP. These companies are deemed to have interest in the shares of the Company held by DKR SoundShore.
3. The interest in the convertible bonds in the aggregate principal sum of HK\$140 million being convertible into shares at the conversion price of HK\$2.18 per share which is in turn held by HSBC Bank plc as beneficial owner. HSBC Bank plc is wholly owned by HSBC Holdings plc which is deemed to have interest in the shares of the Company.

Save as disclosed above, as at 30 September 2008, the Register of Substantial Shareholders discloses no other party (other than Directors or chief executive of the Company) as being interested or deemed to be interested in 5% or more of the issued share capital of the Company.

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

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

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.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Pursuant to provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. Relevant amendment to the Bye-laws of the Company had been proposed and was approved by shareholders of the Company at the annual general meeting of the Company held on 21 September 2006 in order to comply with provision A.4.2 of the Code, save as the Chairman and the Managing Director shall not be subject to retirement by rotation. The Board considers that the Chairman and the Managing Director 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 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 2008.

APPRECIATION

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

By Order of the Board
Pang Kam Chun
Chairman

Hong Kong, 18 December 2008