



# CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 711)

(Warrant Code: 654)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

### INTERIM RESULTS

The Board of Directors (the “Board”) of Chun Wo Development Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th September, 2007, together with the relevant comparative figures, are as follows:–

#### Condensed Consolidated Income Statement for the six months ended 30th September, 2007

	Notes	Unaudited six months ended 30th September, 2007 HK\$'000	2006 HK\$'000 (restated)
Turnover	2	1,359,538	2,485,083
Cost of sales		(1,213,344)	(2,051,180)
Gross profit		146,194	433,903
Other income		9,784	5,625
Gain on change in value of leasehold interest in land and properties under development upon transfer to investment properties		–	132,485
Selling expenses		(15,611)	(22,946)
General and administrative expenses		(73,498)	(61,663)
Share of profit of jointly controlled entities		111	18,706
Finance costs	3	(28,198)	(11,272)
Profit before tax	4	38,782	494,838
Income tax expense	5	(7,496)	(88,041)
Profit for the period		<u>31,286</u>	<u>406,797</u>
Attributable to:			
Equity holders of the parent		31,278	407,383
Minority interests		8	(586)
		<u>31,286</u>	<u>406,797</u>
Declared dividends	6	<u>8,574</u>	<u>29,783</u>
Earnings per share – basic	7	<u>4.0 cents</u>	<u>54.7 cents</u>
– diluted		<u>3.8 cents</u>	<u>54.7 cents</u>

**Condensed Consolidated Balance Sheet**  
*as at 30th September, 2007 and 31st March, 2007*

	<i>Notes</i>	<b>Unaudited 30th September, 2007 HK\$'000</b>	<b>Audited 31st March, 2007 HK\$'000</b>
<b>Non-current assets</b>			
Investment properties		620,183	620,183
Property, plant and equipment		144,931	150,979
Prepaid lease payments		27,619	27,960
Interests in associates		42,783	42,783
Interests in jointly controlled entities		58,100	79,489
Amounts due from associates		93,670	128,108
		<u>987,286</u>	<u>1,049,502</u>
<b>Current assets</b>			
Amounts due from customers for contract work		827,088	698,344
Debtors, deposits and prepayments	8	725,463	570,313
Prepaid lease payments		683	683
Properties under development		671,815	548,808
Properties held for sale		88,136	181,833
Amounts due from associates		1,216	1,207
Amounts due from jointly controlled entities		37,177	33,316
Investments held for trading		21,089	15,973
Tax recoverable		1,672	6,865
Pledged bank deposit		26,480	34,667
Bank balances and cash		253,307	300,457
		<u>2,654,126</u>	<u>2,392,466</u>
<b>Current liabilities</b>			
Amounts due to customers for contract work		76,881	87,849
Creditors, deposits and accrued charges	9	428,645	491,805
Deposits received from pre-sales of properties under development		233,560	217,650
Amounts due to jointly controlled entities		56,538	70,512
Tax payable		40,208	46,731
Dividend payable		51,239	–
Obligations under finance leases – due within one year		1,283	1,566
Borrowings – due within one year		644,575	726,197
		<u>1,532,929</u>	<u>1,642,310</u>
<b>Net current assets</b>		<u>1,121,197</u>	<u>750,156</u>
<b>Total assets less current liabilities</b>		<u>2,108,483</u>	<u>1,799,658</u>

		<b>Unaudited</b>	Audited
		<b>30th September,</b>	31st March,
		<b>2007</b>	2007
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Obligations under finance leases			
– due after one year		1,071	1,640
Borrowings – due after one year		707,228	489,850
Deferred tax liabilities		<u>61,434</u>	<u>56,780</u>
		<u>769,733</u>	<u>548,270</u>
<b>Net assets</b>		<u><b>1,338,750</b></u>	<u><b>1,251,388</b></u>
<b>Capital and reserves</b>			
Share capital	<i>10</i>	85,573	74,705
Reserves		<u>1,252,826</u>	<u>1,176,340</u>
Equity attributable to equity holders of the parent		<b>1,338,399</b>	1,251,045
Minority interests		<u>351</u>	<u>343</u>
<b>Total equity</b>		<u><b>1,338,750</b></u>	<u><b>1,251,388</b></u>

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

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

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 31st March, 2007.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st April, 2007.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: disclosures <sup>1</sup>
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies <sup>2</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>4</sup>
HK(IFRIC) – INT 10	Interim financial reporting and impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006.

The adoption of these new HKFRSs had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service concession arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008.

## 2 SEGMENT INFORMATION

### Business segments

For management purposes, the Group is currently organised into four operating divisions – construction work, property development, property investment and professional services. 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 30th September, 2007

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

**For the six months ended 30th September, 2006**

	Construction work <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>						
External sales	<u>1,439,698</u>	<u>983,580</u>	<u>13,569</u>	<u>48,211</u>	<u>25</u>	<u>2,485,083</u>
<b>RESULT</b>						
Segment result	<u>5,794</u>	<u>347,013</u>	<u>139,320</u>	<u>2,684</u>	<u>(396)</u>	<u>494,415</u>
Interest income						847
Unallocated corporate expenses						(7,858)
Share of profit of jointly controlled entities	18,706	-	-	-	-	18,706
Finance costs						<u>(11,272)</u>
Profit before tax						494,838
Income tax expense						<u>(88,041)</u>
Profit for the period						<u><u>406,797</u></u>

**3 FINANCE COSTS**

	<b>Six months ended 30th September,</b>	
	<b>2007</b>	<b>2006</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Interest payable	<b>35,576</b>	29,767
Less: Amount attributable to contract work	<b>(4,272)</b>	(8,000)
Amount attributable to properties under development	<b>(3,106)</b>	(10,495)
	<b><u>28,198</u></b>	<u>11,272</u>

**4 PROFIT BEFORE TAX**

	<b>Six months ended 30th September,</b>	
	<b>2007</b>	<b>2006</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Profit before tax has been arrived at after charging:		
Depreciation and amortisation	<b>11,900</b>	14,300
Less: Amount attributable to contract work	<b>(10,081)</b>	(12,471)
	<b><u>1,819</u></b>	<u>1,829</u>

## 5 INCOME TAX EXPENSE

	<b>Six months ended 30th September,</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Current taxation		
– Hong Kong Profits Tax	<b>2,790</b>	46,268
– Enterprise Income Tax in the People's Republic of China (the "PRC")	<b>52</b>	80
	<b>2,842</b>	46,348
Deferred tax	<b>4,654</b>	41,693
	<b>7,496</b>	88,041

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods.

Enterprise Income Tax in the PRC is calculated at the rates prevailing in the PRC.

## 6 DECLARED DIVIDENDS

	<b>Six months ended 30th September,</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend		
Final dividend in respect of 2007 of HK2.75 cents (2006: HK1.75 cents) per share	<b>23,485</b>	13,030
Special final dividend in respect of 2007 of HK3.25 cents (2006: Nil) per share	<b>27,754</b>	–
	<b>51,239</b>	13,030
Dividend declared		
Interim dividend declared after the balance sheet date of HK1.00 cent (2006: HK1.25 cents) per share	<b>8,574</b>	9,307
Special interim dividend declared after the balance sheet date of nil (2006: HK2.75 cents) per share	–	20,476
	<b>8,574</b>	29,783

## 7 EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share		
– Profit attributable to equity holders of the parent	<b>31,278</b>	<b>407,383</b>
	<hr/> <hr/>	<hr/> <hr/>
	<b>Number of shares</b>	
Weighted average number of shares for the purpose of basic earnings per share	<b>782,680,971</b>	744,565,896
Effect of dilutive potential shares in respect of:–		
– Share options ( <i>Note</i> )	<b>7,940,551</b>	–
– Warrants	<b>43,436,953</b>	–
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of shares for the purpose of diluted earnings per share	<b>834,058,475</b>	<b>744,565,896</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note:* The computation of diluted earnings per share for 2006 does not assume the exercise of the outstanding share options 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 30th September, 2006.

## 8 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 HK\$301,813,000 (at 31st March, 2007: HK\$270,807,000), which are included in the Group's debtors, deposits and prepayments, are as follows:

	<b>At</b>	<b>At</b>
	<b>30th September,</b>	<b>31st March,</b>
	<b>2007</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	<b>283,652</b>	258,707
0 to 30 days	<b>11,237</b>	7,204
31 to 90 days	<b>2,603</b>	1,680
91 to 180 days	<b>566</b>	146
Over 180 days	<b>3,755</b>	3,070
	<hr/> <hr/>	<hr/> <hr/>
	<b>301,813</b>	<b>270,807</b>
	<hr/> <hr/>	<hr/> <hr/>



## 9 CREDITORS, DEPOSITS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$319,807,000 (at 31st March, 2007: HK\$342,443,000), which are included in the Group's creditors, deposits and accrued charges, are as follows:

	At 30th September, 2007 <i>HK\$'000</i>	At 31st March, 2007 <i>HK\$'000</i>
Not yet due	238,203	245,441
0 to 30 days	45,236	53,837
31 to 90 days	16,162	25,511
91 to 180 days	2,060	7,390
Over 180 days	18,146	10,264
	<u>319,807</u>	<u>342,443</u>

## 10 SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Shares of HK\$0.1 each		
Authorised:		
At 1st April, 2007 and 30th September, 2007	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 1st April, 2007	747,052,546	74,705
Exercise of warrants	97,147,556	9,715
Exercise of share options	<u>11,532,000</u>	<u>1,153</u>
At 30th September, 2007	<u>855,732,102</u>	<u>85,573</u>

## 11 CONTINGENT LIABILITIES AND PERFORMANCE GUARANTEE

	At 30th September, 2007 <i>HK\$'000</i>	At 31st March, 2007 <i>HK\$'000</i>
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
– subsidiaries	435,049	385,600
– an associate	4,400	4,400
– jointly controlled entities	14,175	14,175
	<u>453,624</u>	<u>404,175</u>
Extent of guarantee issued to a financial institution to secure a credit facility granted to an associate	<u>48,000</u>	<u>48,000</u>
Extent of guarantee issued to a customer to indemnify contract work of a subsidiary	<u>115,900</u>	<u>115,900</u>
Extent of guarantee provided for a property development project to banks which granted facilities to purchasers of the Group's pre-sale properties	<u>77,615</u>	<u>81,315</u>

## 12 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 30th September, 2007 <i>HK\$'000</i>	At 31st March, 2007 <i>HK\$'000</i>
Investment properties	555,000	555,000
Leasehold buildings and related prepaid lease payments	13,684	13,968
Properties under development	303,018	295,035
Properties held for sale	88,136	181,833
Bank deposit	26,480	34,667
	<u>986,318</u>	<u>1,080,503</u>

## 13 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the presentation of current period.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK1.00 cent (2006: HK1.25 cents and a special dividend of HK2.75 cents) per share for the six months ended 30th September, 2007, which is payable to shareholders of the Company (the “Shareholder”) whose names appear on the Register of Members of the Company on 31st January, 2008. Dividend warrants will be despatched to Shareholders on or about 13th March, 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 25th January, 2008 to 31st January, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrar of the Company, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 24th January, 2008.

Registered holders of the Company’s 2009 warrants who wish to exercise their subscription rights attaching to their warrants so as to participate in the interim dividend should complete and sign the subscription forms and lodge the same together with the relevant warrant certificates and the appropriate subscription money with Tricor Secretaries Limited at the above address not later than 4:00 p.m. on 24th January, 2008.

## **BUSINESS REVIEW**

For the six months ended 30th September, 2007, the Group reported turnover of HK\$1,359.5 million (2006: HK\$2,485.1 million), a decrease of 45.3% as compared with the corresponding period last year. Profit attributable to shareholders was approximately HK\$31.3 million (2006: HK\$407.4 million), representing a decrease of 92.3% year on year. The considerable decrease in turnover and profit was partly attributable to the reduction in revenue from Hong Kong property sale as well as the amount of work undertaken by the construction segment. Substantial revenue was derived from the sale of residential units at “No.8 Clear Water Bay Road” during the corresponding period last year. Due to the limited number of units still available for sale during the review period, revenue derived from Hong Kong property sale was substantially lower than that of last year. On the construction front, given the limited number of public sector infrastructure projects available during the review period, together with the Group’s current focus on technically-advanced projects with higher margins, the Group’s construction revenue and profit decreased accordingly. Moreover, the absence of the increase in fair value of investment property in the review period also resulted in substantially lower profit than that of the corresponding period last year.

As at 30th September, 2007, the estimated value of contracts the Group had on hand amounted to approximately HK\$4.4 billion, with around HK\$2.0 billion outstanding.

## **Construction**

With the Hong Kong Government earmarking HK\$250 billion over the next 5 to 10 years for infrastructure projects as highlighted in the 2007-08 Policy Address of the Chief Executive of the Hong Kong Special Administrative Region, the Group will continue to focus on higher margin and prestigious projects that require advanced technical expertise and experience.

For the building division, the Group was able to complete several prestigious projects in the review period such as the Congress Centre and the Event Center for “The Venetian” in Macau as well as the detached houses on Shouson Hill Road. Construction of Upper Wong Tai Sin Phase 3, a Housing Authority project is progressing well while a building demolition project for the government quarters is underway. Moreover, the Group is currently undertaking a private development project at the Huangsha MTR station in Guangzhou with steady progress.

For the civil division, projects such as construction of viaducts at the San Tin Interchange and improvement works on Castle Peak Road were completed during the review period, while the South Cargo Apron Extension Work is scheduled for completion by February 2008.

The maintenance division achieved good progress with existing projects and has been awarded three new contracts by the Water Supplies Department (“WSD”) and Architectural Services Department (“ASD”).

As for the track work division, it has scheduled to commence site work of the Kowloon Southern Link in the second half of the financial year.

During the review period, the Group’s foundation subsidiary was engaged in four key projects which were progressing on schedule, namely No. 55 Conduit Road on the Mid-Levels in Hong Kong, the “Macau Studio City”, the “City of Dreams” and the “Nam Van Lake” in Macau.

The Group’s electrical and mechanical (“E&M”) subsidiary completed works on the “SkyPlaza” and Sea Water Pump House Enhancement for the Hong Kong Airport Authority during the review period. As for the South Cargo Apron Extension Work and the minor works term contract with ASD, they are due to be completed by February 2008 and the second quarter of 2008 respectively. The E&M subsidiary is planning to extend its business coverage to include Macau.

## **Property Development and Property Investment**

The Group was able to derive a good income from the sale of the residential units at “No. 8 Clear Water Bay Road”. As at 30th September, 2007, over 92% of the residential units were sold and only a few remaining units were available on the upper floors.

In Mainland China, construction of the “Arc De Royal” in Shijiazhuang, Hebei Province progressed as planned, with the topping-out of phase 1A completed. We are confident that over 300 pre-sold units will be delivered to customers on schedule in the first half of 2008.

Regarding performance of investment properties, “Grandeur Terrace” at Tin Shui Wai and “Infinity 8” at Choi Hung, Hong Kong and “Elite Plaza” in Zhongshan, Guangdong Province continued to generate stable income for the Group.

### **Professional Services**

The security services and property management subsidiaries of the Group are complementary businesses in the Group’s diverse business portfolio. During the period under review, they continued to provide guarding services to prestigious properties for numerous clients such as MTR Corporation, Swire Properties Ltd, Sun Hung Kai Properties Limited and HKR International Limited, and to provide property management services for properties in Hong Kong and Mainland China. Enjoying synergies, the two subsidiaries have been able to offer unparalleled service packages, an ability that can enable them to seize business opportunities in new sectors.

### **Termination of Acquisition**

In April 2007, Chun Wo Bioscience (Beijing) Company Limited (“Chun Wo Bioscience”), an indirect wholly-owned subsidiary of the Company, entered into a letter of intent with the shareholders of Chengdu Friendship Hospital and Chengdu Friendship Hospital Company Limited (collectively the “Hospital”), to acquire equity interest in the Hospital. Initially, the Group believed that substantial value can be realized through reconstruction, modification or redevelopment of the plot of land on which the Hospital stands. Subsequent to certain independent asset appraisal and negotiation between Chun Wo Bioscience and the Hospital on the various terms related to the redevelopment plans, the Group decided not to proceed with the acquisition.

## **OUTLOOK AND PROSPECTS**

As the Mainland economy continues to flourish, the management is confident that the local economy is going to see steady growth in the years to come.

The Hong Kong Government has also sought to spur economic development and increase employment opportunities through targeted efforts by stating its intention to embark on 10 major infrastructure projects including construction of railways, highways, the Hong Kong-Zhuhai-Macao Bridge, development of the West Kowloon Cultural District and the Kai Tak area comprising a new cruise terminal. Riding on the Group’s solid track record and experience, Chun Wo will endeavor to capture these prestigious construction projects in the upcoming construction market expansion.

In Macau, also with an economic boom, opportunities are sprouting in its pillar construction industry. The Group will continue to source projects in the city riding on its successful involvement in various prominent developments such as “The Venetian” and the “City of Dreams”. As for the bored pile foundation project at the “Nam Van Lake”, it is progressing well. Beyond Hong Kong and Macau, the Group will continue to secure construction projects in countries such as Thailand, India and the Middle East.

As for the local property market, sales of residential properties has been picking up as induced by increasing favourable economic sentiments, increases in household income and favorable lending rates. The Group's "No. 8 Clear Water Bay Road" flagship residential project is almost all sold out with less than 2% of the units still available.

Since December 2006, the Group has launched a number of sale campaigns with remarkable results for the high class residential properties located in Shijiazhuang, Hebei Province and Yangzhou, Jiangsu Province in Mainland China and in Ho Chi Minh City, Vietnam.

Due to the rise of citizens' living standard and continuous increase in housing demand, the Group's average selling price of Shijiazhuang Phase 1 residential units recorded a double-digit growth. The Company briskly sold over 30,000 m<sup>2</sup> of residential units at an average selling price of 57% over the average selling price that we achieved in December 2006. The Group's average selling price of Yangzhou residential units is one of the highest amongst comparable products. Since pre-sale starting from the end of October 2007, over 70% of our available units has been sold.

The Group's project in Yixing, Jiansu Province, which is a hotel-type service apartment complex with a three-storey retail arcade, is progressing as planned with pre-sale scheduled for the first half of 2008.

In the second half of the financial year, the Group will continue to benefit from the favourable property market condition and meet the strong demand for residential properties by launching more property sale campaigns. Moreover, the Group will continue to focus on pursuing development opportunities in second and third tier cites, such as Shenyang, Chengdu, etc., in the coming years.

PRC central government has introduced a number of austerity measures aimed at regulating or restricting investments in the PRC real estate industry. We believe its impact on our projects may not be significant since the government policies and measures are targeted primarily at controlling housing price hikes in first tier cities.

While diligently seeking new property development opportunities in Mainland China and Vietnam, the Group will continue to seek other high-growth areas such as the Middle East and India for projects with strong potential.

## **CHANGE OF COMPANY NAME**

In November 2007, shareholders had approved at a Special General Meeting to change the Company's name from "Chun Wo Holdings Limited" to "Chun Wo Development Holdings Limited" to better reflect the Group's current business status and growth strategy. The Group will maintain the two-pronged strategy of cultivating construction and property development businesses to ensure its long-term growth.

## ISSUANCE OF CONVERTIBLE BONDS

In November 2007, the Group issued an aggregate principal amount of HK\$372.3 million of zero coupon convertible bonds to DKR Soundshore Oasis Holding Fund Ltd., GLG Market Neutral Fund and HSBC Bank Plc. The five-year bonds may be convertible into 170,779,816 new shares at the conversion price of HK\$2.18 per share, subject to adjustment. The new shares represent 19.92% of the issued share capital at the date of the issue of convertible bond and 16.61% of the issued share capital as enlarged by the shares to be issued upon conversion of the bonds. The Group intends to use the net proceeds from the convertible bond issue for acquiring new land for development in Mainland China and general working capital purposes. This will also improve the liquidity position of the Group as well as potentially enhance the equity base by inviting fund from the international institutional investors and promote the Company profile in the international capital market.

## 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 30th September, 2007, the total net debts of the Group amounted to approximately HK\$1,074.4 million, representing total debts of approximately HK\$1,354.2 million less bank balances and cash of approximately HK\$279.8 million. The debt maturity profile of the Group at 30th September, 2007 is analysed as follows:

	<b>As at 30th September, 2007 HK\$ million</b>	<b>As at 31st March, 2007 HK\$ million</b>
Repayable within one year or on demand	<b>645.9</b>	727.8
Repayable after 1 year, but within 2 years	<b>9.7</b>	10.3
Repayable after 2 years, but within 5 years	<b>619.2</b>	397.4
Repayable over five years	<b>79.4</b>	83.8
	<hr/>	<hr/>
Total	<b>1,354.2</b>	1,219.3
	<hr/> <hr/>	<hr/> <hr/>

At 30th September, 2007, the gearing ratio of the Group, being the proportion of net interest bearing debts to shareholders' equity was 0.80 (at 31st March, 2007: 0.71).

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.



The Group's financial position is sound and strong. With available bank balances and cash at 30th September, 2007 and available bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

## **EMPLOYEE AND REMUNERATION POLICIES**

The Group has approximately 2,110 employees at 30th September, 2007. Total remuneration of employees for the six months ended 30th September, 2007 amounted to approximately HK\$230.5 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective companies and the employees concerned. The Group also provides in-house and external training programmes which are complementary to certain job functions.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

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

Pursuant to provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. Relevant amendment to the Bye-laws of the Company had been proposed and was approved by Shareholders at the annual general meeting of the Company held on 21st 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 30th September, 2007.

By Order of the Board  
**Pang Kam Chun**  
*Chairman*

Hong Kong, 28th December, 2007

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