

***Strategic Investment***  
***Prudent Management***



# CHINNEY INVESTMENTS, LIMITED

Stock Code: 216

**2008-09**

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Interim Report

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# CORPORATE INFORMATION

## DIRECTORS

James Sai-Wing Wong (*Chairman*)  
Madeline May-Lung Wong  
William Chung-Yue Fan  
Herman Man-Hei Fung (*Managing Director*)  
Clement Kwok-Hung Young\*  
Peter Man-Kong Wong\*  
James C. Chen\*

\* *Independent non-executive directors*

## AUDIT COMMITTEE

James C. Chen  
William Chung-Yue Fan  
Clement Kwok-Hung Young  
Peter Man-Kong Wong

## REMUNERATION COMMITTEE

Herman Man-Hei Fung  
Clement Kwok-Hung Young  
James C. Chen

## SECRETARY

Wendy Yuk-Ying Chan

## PRINCIPAL BANKERS

Bank of Communications Co., Ltd.  
The Bank of East Asia, Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Shanghai Commercial Bank Limited

## AUDITORS

Ernst & Young

## REGISTRARS

Tricor Tengis Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

23rd Floor  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

Tel : (852) 2877 3307

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## STOCK CODE

SEHK 216

## WEBSITE

<http://www.chinney.com.hk>

## FINANCIAL RESULTS

The Group's turnover and profit attributable to shareholders of the Company for the six months ended 30 September 2008 were HK\$305 million (2007: HK\$269 million) and HK\$30 million (2007: HK\$40 million) respectively. Basic earnings per share were 5.4 Hong Kong cents (2007: 7.2 Hong Kong cents). Net assets per share attributable to shareholders as of 30 September 2008 amounted to HK\$3.25 (2007: HK\$2.74).

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

## BUSINESS REVIEW

### 1. Property

The Group owns 53.6% shareholdings in Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160) which is mainly engaged in activities relating to property development and property investment. Hon Kwok reported a turnover of HK\$147 million (2007: HK\$86 million) and net profit of HK\$21 million (2007: HK\$57 million) respectively for the half year ended 30 September 2008.

#### (a) Property Sales and Cash Proceeds

Hong Kong

Commencing mid 2007, Hon Kwok captured the upward trend in the Hong Kong property market and started to sell its property stocks and some investment properties, realising cash proceeds of approximately HK\$900 million of which about HK\$440 million was received up to 31 March 2008.

The disposal of **Yien Yieh Commercial Building (鹽業商業大廈)** at a cash consideration of HK\$335 million was completed on 31 July 2008. The property was acquired by Hon Kwok at a tender price of HK\$68 million in December 2002. Profit on disposal for the period only amounted to HK\$21 million as revaluation gains from the property were recognized in the previous years' consolidated income statements according to Hong Kong accounting standards. During the period under review, Hon Kwok also sold some remaining units from previous development projects, including nine ground floor shops at **Kensington Plaza (金威廣場)** in Jordan District at a cash consideration of HK\$71.5 million. As of 30 September 2008, Hon Kwok repaid all its revolving bank borrowings and two property mortgage loans and hence its gearing ratio was substantially reduced to 31% from 71% as of 30 September 2007. Given a strong financial position, they are looking for good opportunities to replenish their land and investment property portfolio.

# CHAIRMAN'S STATEMENT *(Continued)*

## BUSINESS REVIEW *(Continued)*

### 1. Property *(Continued)*

#### (a) Property Sales and Cash Proceeds *(Continued)*

The PRC

##### *Guangzhou*

The Hon Kwok Group's residential property development project at Tianhe District, known as **Botanica (寶翠園)**, comprises approximately 40 medium-rise residential blocks with approximately 2,070 units. Hon Kwok acquired this development project in 2004. Presale of Phase 1, with a total of 332 residential units mainly ranging from 95 sq.m. to 165 sq.m., commenced in late November 2008.

Benefiting from the economic and property stimulus measures by Central Government, including substantial lowering deed tax to 1% from 1.5% for first time purchasers, lowering mortgage down payment to 20% from 30% and reducing mortgage interest rates to 70% of base lending rates for both first time purchasers and those upgrading their homes coupled with the Central Bank cutting benchmark lending rates by a further 1.08% on 25 November 2008, it is expected that all units at Phase 1 would gradually be sold out within months. Completion of the Phase 1 units is scheduled in mid 2009.

**Botanica (寶翠園)** is the third project Hon Kwok launched for sale in the PRC after the **Millennium Oasis (城市綠洲花園)** at Futian District in 2000 with 680 units and the **City Square (城市天地廣場)** at Luohu District in 2005 with 2,198 units, both in Shenzhen and were fully sold.

The fourth project Hon Kwok plans to launch in the PRC is **No. 5 Residence (北京路5號公館)** at 5 Beijing Road, previously known as 17-43 Beijing Nan Road, in Yuexiu District, Guangzhou. It comprises 160 residential flats and commercial podium floors with a total gross floor area of 20,300 sq.m. This project was acquired in 2004. Presale is expected to be in the first half of 2009 and project completion by the last quarter of 2009.

Detailed design and planning for other three projects in Liwan District, Dong Guan Zhuan and Nanhai are still in progress.

## **BUSINESS REVIEW** *(Continued)*

### **1. Property** *(Continued)*

#### **(a) Property Sales and Cash Proceeds** *(Continued)*

##### *Chongqing*

Construction works for the 108,000 sq.m. twin-tower **Cha's Centre (查氏中心)** in Beibuxinqu District are scheduled for completion by end of March 2009. Taking into account the growth potential of property market in the district, Hon Kwok considers its medium to long term returns from rental yield and capital gain on the project far outweigh the current sales profits upon realization of its retail podium spaces, office and residential units. Hon Kwok intends to hold the property for long term investment purpose.

##### *Shenzhen*

The detailed construction plans of the 128,000 sq.m. super high rise commercial/residential development project "**Hon Kwok City Commercial Centre 漢國城市商業中心**" on Shennanzhong Road, Futian District, are in good progress.

#### **(b) Property Investment, Serviced Apartments, Hotel Operations and Management**

Hon Kwok noted the increasing demand of mid-price hotel/guest rooms for short stay visitors and business executives working in Central and Tsimshatsui Districts. As the serviced apartments at **The Bauhinia (寶軒)** only cater to visitors who stay for more than a month, Hon Kwok is in the process to convert the office floors to a 42 room hotel on first to fourth floors at **The Bauhinia/Honwell Commercial Centre (寶軒及漢貿商業中心)**, leaving the ground floor for commercial purpose. Building plans for hotel have been approved by the Buildings Department and other relevant government departments concerned. Alteration and renovation works for this hotel as well as its 44 room hotel on the upper floors at **Hon Kwok TST Centre (漢國尖沙咀中心)** in Tsimshatsui District are expected to complete by end of 2009 and mid 2009 respectively.

# CHAIRMAN'S STATEMENT *(Continued)*

## BUSINESS REVIEW *(Continued)*

### 1. Property *(Continued)*

#### (b) Property Investment, Serviced Apartments, Hotel Operations and Management *(Continued)*

Parallel to the accommodation solution catering for long and short term stay guests at **The Bauhinia/Honwell Commercial Centre** (寶軒及漢貿商業中心) in Hong Kong, Hon Kwok is also in the process to convert the commercial podium at **City Square** (城市天地廣場), in Shenzhen, to an approximate 180 room hotel, to be named as **City Square Hotel** (寶軒酒店), pending approval by the relevant government authorities. Once approved, alteration and renovation works are scheduled for completion within 12 months. Hon Kwok intends to hold the 64 serviced apartments (“**City Suites** 寶軒公寓”) which is already in operation, and the planned **City Square Hotel** (寶軒酒店) as long term investment properties for recurrent rental income.

In addition, Hon Kwok has also acquired management rights to manage a 170 room hotel in Yuexiu District, Guangzhou. An upgrade and refurbishment program is in progress. Upon completion, it will be renamed “**Bauhinia Guangzhou** 寶軒廣州”, subject to local government’s approval.

With two hotels and one serviced apartment operation in Hong Kong, one hotel and one serviced apartment operation in Shenzhen plus a hotel in Guangzhou, operating costs tend to be relatively competitive due to economy of scale. Hon Kwok will be in a better position to enhance its rental income and capital value of the existing properties with limited disruption to their cashflow.

### 2. Garment

Our wholly-owned JL Group, which produces fashionable garment in Mainland China for exports to customers mainly in Europe, recorded turnover of HK\$158 million (2007: HK\$183 million) and a net profit of HK\$9 million (2007: HK\$20 million). The weakness of US dollars, appreciation of Renminbi, high crude oil prices in early part of the financial year and the increasing wages marked up the operating costs of JL Group. As a result, the margin contribution was moderately decreased. Under the present economic conditions, JL Group will continue to review the manpower and working capacities for cost controls and to maintain its market competitiveness.

During the period under review, the customer order flow was stable. It managed to further enhance the relationship with their existing customers who can offer better profit margin. JL Group will continue to dedicate their efforts to strengthen the customer mix.

## **BUSINESS REVIEW** *(Continued)*

### **3. Construction and Trading**

Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), a 29.1% owned associate of the Group, is engaged in building related contracting services and the trading of plastics, chemicals, industrial products and equipment. Chinney Alliance reported turnover of HK\$1,036 million (2007: 762 million) and a net profit of HK\$24 million (2007: HK\$16 million) for the six months ended 30 June 2008.

The increases in turnover and profit were mainly attributable to the contribution from Chinney Construction Company Limited and Kin Wing Engineering Company Limited which were engaged in the building construction and foundation/piling works. The operating results for these two divisions were satisfactory, with more projects awarded at better profit margins. They will continue to explore new business opportunities in Hong Kong and Macau.

The trading of plastics and chemicals remained profitable but showed a slightly drop in both profit and turnover. This was due largely to market conditions, high oil prices in previous three quarters of the year and increases in administrative expenses. The customers were also cautious at placing purchase orders under the current business environment. In the years ahead, the plastics trading division will continue to develop more business in engineering plastics products which has a higher gross margin.

### **4. General Investment**

As a general investment holding company, we shall continue to selectively look for stable and asset-backed listed shares, including Hon Kwok shares whose market prices compared favourably to their underlying assets. We did not, and will not, invest in any financial instruments of speculative nature.

## CHAIRMAN'S STATEMENT *(Continued)*

### OUTLOOK

As a consequence to the financial crisis of the sub-prime property market in the USA and the subsequent credit crunch and going concern problems of leading investment banks and international corporations, the global economy is facing a severe economic recession with negative growth, high unemployment rates, tumbling retail and property indices in the coming year. Under tight monetary and regulatory controls together with self-contained internal market, the economic growth in the Mainland China is likely to be less adversely affected despite unavoidable decrease of exports and foreign investment funds. With backed up from China, Hong Kong remains as one of the international financial centres with an open and free trade economy. In the next year or so, Hong Kong will inevitably suffer economic slow-down to an extent perhaps worse than the 1997 Asian financial turmoil and 2003 SARS episode. To survive under this financial tsunami, the Group will focus strategically and invest prudently on the business segments where we see competitive advantages.

Given a strong financial position and leveraging on the low interest cost environment, Hon Kwok intends to replenish its development land bank and projects when opportunities arise. It also plans to expand the investment property portfolio in order to strengthen future recurring income base.

For our garment business, volume of export orders to Europe for the second half of the financial year is expected to decrease under the global economic slow-down. Even with the recent relaxation of labour laws in the PRC, factory running costs remain high resulting in lower gross profit margins. Though 2009 will be a lack-lustre year for garment manufacturers, with tight cost control measures and productivity improvement plans, we are confident that our business will remain profitable for the fiscal year ending 31 March 2009.

As part of the economic stimulus programmes, Hong Kong government recently reiterated that a series of infrastructure, housing and other public works will be implemented. We anticipate that these government works will provide more business opportunities to our construction division for their continued growth in the coming years.

Taking this opportunity, I would like to thank all our staff and fellow directors for their devoted efforts and contributions to the Group during this period.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 18 December 2008

## GENERAL INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, the interests and short positions of the directors 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 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 Issuers (the "Model Code"), were as follows:

#### (a) Directors' interests in the ordinary shares of the Company

Name of director	Notes	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1 & 2	Corporate	309,067,324	56.05
Madeline May-Lung Wong	1 & 2	Corporate	309,067,324	56.05
William Chung-Yue Fan	1	Personal	1,882,285	0.34

#### (b) Directors' interests in the ordinary shares of associated corporations

Name of director	Notes	Name of associated corporation	Nature of interest	Number of ordinary shares/ amount of paid up registered capital held	Percentage of the associated corporation's issued share capital/paid up registered capital
James Sai-Wing Wong	1 & 3	Hon Kwok	Corporate	257,476,553	53.61
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Corporate	RMB185,000,000	100.00
	1, 5 & 6	Chinney Alliance	Corporate	231,200,283	58.30
	1 & 7	Chinney Holdings Limited ("Chinney Holdings")	Corporate	9,900,000	99.00
	1	Chinney Holdings	Personal	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Personal	10,000	50.00
Madeline May-Lung Wong	1 & 3	Hon Kwok	Corporate	257,476,553	53.61
	1, 3 & 6	Chinney Alliance	Corporate	115,395,797	29.10
	1 & 7	Chinney Holdings	Corporate	9,900,000	99.00
	1	Lucky Year	Personal	10,000	50.00
Herman Man-Hei Fung	1	Hon Kwok	Personal	300,000	0.06

## GENERAL INFORMATION *(Continued)*

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

#### (c) Directors' interests in the underlying shares of associated corporation

Pursuant to the share option scheme of Chinney Alliance, Mr. Herman Man-Hei Fung has options to subscribe for 800,000 shares in Chinney Alliance at an exercise price of HK\$0.70 per share, subject to adjustment. The options were granted on 13 July 1999 and can be exercised up to 12 July 2009. During the period, no share options were exercised.

Notes:

1. *All the interests stated above represent long positions.*
2. *These shares are beneficially held by Chinney Holdings which is a subsidiary of Lucky Year. Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are directors of Lucky Year and beneficially own more than one-third of the equity capital of Lucky Year.*
3. *These shares are beneficially held by the Company or its wholly-owned subsidiary. By virtue of note 2, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.*
4. *Out of the RMB185,000,000 paid up registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is held by a company controlled by Mr. James Sai-Wing Wong. By virtue of note 3, Mr. James Sai-Wing Wong is deemed to be interested in this company.*
5. *Out of the 231,200,283 shares, 115,395,797 shares are held by a wholly-owned subsidiary of the Company and the remaining 115,804,486 shares are held by companies controlled by Mr. James Sai-Wing Wong. By virtue of note 2, Mr. James Sai-Wing Wong is deemed to be interested in these shares.*
6. *Chinney Alliance had announced an open offer of new shares on 21 August 2008 (the "Open Offer"), (a) the companies controlled by Mr. James Sai-Wing Wong had (i) undertaken to subscribe for 51,371,243 new offer shares, and (ii) agreed to underwrite not less than 89,230,607 but not more than 91,030,607 new offer shares pursuant to an underwriting agreement; and (b) a wholly-owned subsidiary of the Company had undertaken to subscribe for 57,697,898 new offer shares. Upon completion of the Open Offer, (a) 140,502,035 new offer shares had been allotted to companies controlled by Mr. James Sai-Wing Wong; and (b) 57,697,898 new offer shares had been allotted to a wholly-owned subsidiary of the Company on 8 October 2008.*  
  
*Moreover, 40,000 shares of Chinney Alliance were bought on 8 October 2008 and thus Mr. James Sai-Wing Wong is deemed to be interested in a total of 429,440,216 shares of Chinney Alliance on 8 October 2008. The deemed interest of Mr. James Sai-Wing Wong in Chinney Alliance has been further increased after 8 October 2008 through several purchases of shares.*
7. *These shares are beneficially held by Lucky Year. By virtue of note 2, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.*

Save as disclosed herein, as at 30 September 2008, none of the directors 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) which are required to be recorded in the register kept by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Holdings	Directly beneficially owned	309,067,324	56.05
Lucky Year	Through a controlled corporation	309,067,324	56.05

All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of section 316 of the SFO.

Save as disclosed herein, as at 30 September 2008, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2008.

### DISCLOSURE PURSUANT TO RULE 13.18 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

On 22 November 2007, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower entered into the facilities agreement (the "Facilities Agreement") relating to a HK\$280 million transferable term and revolving loan facilities (the "Loan Facilities") with a syndicate of banks. The Loan Facilities have a term of 36 months commencing from the date of the Facilities Agreement and will be used as general working capital of Hon Kwok and its subsidiaries.

Pursuant to the Facilities Agreement, it shall be an event of default if (i) the Company ceases to remain as the single largest shareholder of Hon Kwok or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in Hon Kwok; or (ii) Mr. James Sai-Wing Wong, the Chairman of both the Company and Hon Kwok, ceases to hold a controlling shareholding interest in the Company.

## GENERAL INFORMATION *(Continued)*

### DISCLOSURE PURSUANT TO RULE 13.18 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE “LISTING RULES”) *(Continued)*

If an event of default under the Facilities Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the Loan Facilities to be immediately due and payable.

### CORPORATE GOVERNANCE

#### Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2008.

#### Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2008, except for the following deviations:

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the “Articles of Association”). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

### **CORPORATE GOVERNANCE** *(Continued)*

#### **Compliance with the Code on Corporate Governance Practices** *(Continued)*

The Chairman and Managing Director will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considered that the continuity of office of the Chairman and Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

2. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the remuneration committee on 16 December 2005 with certain deviations from the CG Code provisions. Pursuant to the terms of reference, the remuneration committee should review (as opposed to determine) and make recommendations to the Board on the remuneration of directors (as opposed to directors and senior management).
3. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

#### **Audit committee**

The Company has established an audit committee comprising Mr. James C. Chen, Mr. William Chung-Yue Fan, Dr. Clement Kwok-Hung Young and Mr. Peter Man-Kong Wong.

Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2008 has not been audited, but has been reviewed by the audit committee.

## GENERAL INFORMATION *(Continued)*

### FINANCIAL REVIEW

#### Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$1,429 million as at 30 September 2008 (as at 31 March 2008: HK\$1,911 million), of which approximately 39% of the debts were due and repayable within one year. Total cash and bank balances including time deposits were approximately HK\$308 million (as at 31 March 2008: HK\$579 million).

Total shareholders' funds as at 30 September 2008 was approximately HK\$1,792 million (as at 31 March 2008: HK\$1,758 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK\$1,121 million (as at 31 March 2008: HK\$1,332 million) over the total shareholders' funds plus minority interests totalling HK\$3,421 million (as at 31 March 2008: HK\$3,365 million), was 33% at 30 September 2008 (as at 31 March 2008: 40%). The Group's apparent high gearing ratio is primarily due to consolidating all debts of Hon Kwok, a 53.6% owned but separately listed subsidiary of the Group. Hon Kwok obtains financing on its own without financial assistance from the Company. Had Hon Kwok been equity accounted for as an associate in previous years, the pro forma gearing of the Group at period end would have been 8% (as at 31 March 2008: 8%).

The Group had a total of HK\$605 million (as at 31 March 2008: HK\$989 million) committed but undrawn banking facilities at period end available for its working capital purpose.

#### Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2008, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

#### Pledge of assets

Certain properties, investments and shares of an associate with an aggregate book value of HK\$2,980 million as at 30 September 2008 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

#### Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 1,200 people as at 30 September 2008. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2008	2007
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>			
Revenue	2	305,300	269,169
Cost of sales		<u>(236,752)</u>	<u>(185,371)</u>
Gross profit		68,548	83,798
Other income and gains	3	24,137	9,919
Fair value gains/(losses) on investment properties, net		(56,395)	115,576
Change in fair value of properties held for sale transferred to investment properties		38,188	–
Loss on disposal of a subsidiary		(974)	–
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries		13,663	–
Selling and distribution costs		(16,815)	(19,667)
Administrative and other operating expenses		(31,418)	(42,256)
Finance costs	4	(13,570)	(48,057)
Share of profits and losses of:			
Associates		6,876	4,784
Jointly-controlled entities		<u>285</u>	<u>283</u>
Profit before tax	5	32,525	104,380
Tax	6	<u>8,191</u>	<u>(32,510)</u>
Profit for the period from continuing operations		40,716	71,870
<b>DISCONTINUED OPERATION</b>			
Loss for the period from a discontinued operation	7	<u>–</u>	<u>(6,095)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>40,716</b></u>	<u><b>65,775</b></u>

## CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2008</b>	<b>2007</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<hr/>			
Attributable to:			
Equity holders of the Company		<b>29,917</b>	39,689
Minority interests		<b>10,799</b>	26,086
		<hr/>	<hr/>
		<b>40,716</b>	65,775
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share attributable to ordinary equity holders of the Company	8		
Basic			
– For profit for the period		<b>5.43 cents</b>	7.20 cents
– For profit from continuing operations		<b>5.43 cents</b>	8.15 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted			
– For profit for the period		<b>5.17 cents</b>	N/A
– For profit from continuing operations		<b>5.17 cents</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	<b>As at 31 March 2008 (Audited) HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		97,511	99,005
Properties under development		1,820,082	1,699,408
Prepaid land lease payments		16,456	16,319
Investment properties		2,089,023	2,378,828
Interests in associates		125,786	106,132
Interests in jointly-controlled entities		72,864	70,455
Deferred tax assets		165	159
Loan receivables		4,111	3,014
		<u>4,225,998</u>	<u>4,373,320</u>
<b>TOTAL non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories		21,155	17,815
Properties held for sale		456,093	526,103
Prepaid land lease payments		472	436
Equity investments at fair value through profit or loss		32,528	41,539
Trade and bills receivables	9	23,276	35,805
Prepayments, deposits and other receivables		40,287	44,853
Amounts due from related companies		3,078	1,407
Amounts due from jointly-controlled entities		172,815	159,417
Amounts due from associates		–	13,106
Tax recoverable		678	464
Cash and cash equivalents		308,213	579,487
		<u>1,058,595</u>	<u>1,420,432</u>
<b>TOTAL current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	10	163,665	204,498
Customer deposits		4,085	38,528
Amount due to a related company		679	44
Amount due to a minority shareholder		–	17,155
Tax payable		59,166	63,599
Dividend payable		22,055	–
Interest-bearing bank borrowings		561,500	780,199
		<u>811,150</u>	<u>1,104,023</u>
<b>TOTAL current liabilities</b>			

## CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	<b>As at 31 March 2008 (Audited) HK\$'000</b>
NET CURRENT ASSETS	<b>247,445</b>	316,409
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>4,473,443</b>	4,689,729
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	<b>577,682</b>	851,267
Convertible bonds	<b>289,481</b>	279,980
Deferred tax liabilities	<b>185,247</b>	193,062
Total non-current liabilities	<b>1,052,410</b>	1,324,309
Net assets	<b>3,421,033</b>	3,365,420
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	<b>137,842</b>	137,842
Reserves	<b>1,654,440</b>	1,598,110
Proposed final dividend	<b>–</b>	22,055
	<b>1,792,282</b>	1,758,007
Minority interests	<b>1,628,751</b>	1,607,413
Total equity	<b>3,421,033</b>	3,365,420

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Equity component		Proposed final dividend (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				convertible	of						
				bonds							
At 1 April 2007	137,842	267,569	67,684	14,600	22,055	156	945,850	1,455,756	1,358,125	2,813,881	
Exchange realignment	-	-	37,826	-	-	-	-	37,826	37,268	75,094	
Share of reserves of associates	-	-	(107)	-	-	-	-	(107)	-	(107)	
Total income and expense for the period recognised directly in equity	-	-	37,719	-	-	-	-	37,719	37,268	74,987	
Profit for the period	-	-	-	-	-	-	39,689	39,689	26,086	65,775	
Total income and expense for the period	-	-	37,719	-	-	-	39,689	77,408	63,354	140,762	
Final dividend in respect of previous financial year	-	-	-	-	(22,055)	-	-	(22,055)	-	(22,055)	
At 30 September 2007	<u>137,842</u>	<u>267,569</u>	<u>105,403</u>	<u>14,600</u>	<u>-</u>	<u>156</u>	<u>985,539</u>	<u>1,511,109</u>	<u>1,421,479</u>	<u>2,932,588</u>	
At 1 April 2008	137,842	267,569	157,841	14,600	22,055	-	1,158,100	1,758,007	1,607,413	3,365,420	
Exchange realignment	-	-	26,394	-	-	-	-	26,394	25,125	51,519	
Share of reserves of associates	-	-	19	-	-	-	-	19	-	19	
Total income and expense for the period recognised directly in equity	-	-	26,413	-	-	-	-	26,413	25,125	51,538	
Profit for the period	-	-	-	-	-	-	29,917	29,917	10,799	40,716	
Total income and expense for the period	-	-	26,413	-	-	-	29,917	56,330	35,924	92,254	
Disposal of a subsidiary	-	-	-	-	-	-	-	-	8,719	8,719	
Acquisition of minority interests	-	-	-	-	-	-	-	-	(20,497)	(20,497)	
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(2,808)	(2,808)	
Final dividend in respect of previous financial year	-	-	-	-	(22,055)	-	-	(22,055)	-	(22,055)	
At 30 September 2008	<u>137,842</u>	<u>267,569</u>	<u>184,254</u>	<u>14,600</u>	<u>-</u>	<u>-</u>	<u>1,188,017</u>	<u>1,792,282</u>	<u>1,628,751</u>	<u>3,421,033</u>	

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash outflow from operating activities	<b>(35,327)</b>	(36,952)
Net cash inflow/(outflow) from investing activities	<b>309,082</b>	(107,220)
Net cash outflow from financing activities	<b>(545,029)</b>	(45,461)
Net decrease in cash and cash equivalents	<b>(271,274)</b>	(189,633)
Cash and cash equivalents at beginning of the period	<b>579,487</b>	455,284
Cash and cash equivalents at end of the period	<b>308,213</b>	265,651
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>308,213</b>	326,455
Cash and bank balances included in assets of a disposal group classified as held for sale	–	4,382
Bank overdrafts included in liabilities associated with assets classified as held for sale	–	(45,145)
Bank overdrafts	–	(20,041)
	<b>308,213</b>	265,651

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2008.

### Accounting policies

The accounting policies and methods of computation used in the preparation of this unaudited condensed interim consolidated financial statements are consistent with those adopted in the annual consolidated financial statements for the year ended 31 March 2008, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations) that are adopted for the first time for the current period’s unaudited condensed interim consolidated financial statements.

HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed interim consolidated financial statements.

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

**Accounting policies** *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective, in the unaudited condensed interim consolidated financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 Amendment	Eligible Hedge Items <sup>3</sup>
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>2</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2009*

<sup>2</sup> *Effective for annual periods beginning on or after 1 July 2008*

<sup>3</sup> *Effective for annual periods beginning on or after 1 July 2009*

<sup>4</sup> *Effective for annual periods beginning on or after 1 October 2008*

The Group expects that while the adoption of the HKAS 1 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs will not have any material impact on the Group's financial statements in the period of initial applications.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 2. SEGMENT INFORMATION

The Group is principally engaged in garment manufacturing and trading, property development and property investment activities. An analysis of the Group's revenue and contribution to profit from operation by business segments and revenue by geographical segments is as follows:

#### (a) Business segments

	Six months ended 30 September 2008 (Unaudited)					Discontinued operation	Consolidated HK\$'000
	Continuing operations				Total HK\$'000		
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000			
Segment revenue:							
Sale to external customers	<u>157,908</u>	<u>100,061</u>	<u>27,512</u>	<u>19,819</u>	<u>305,300</u>	-	<u>305,300</u>
Segment results	<u>10,020</u>	<u>46,405</u>	<u>(29,481)</u>	<u>6,495</u>	<u>33,439</u>	-	<u>33,439</u>
Net income from investments					4,390	-	4,390
Unallocated expenses					(2,573)	-	(2,573)
Fair value gains/(losses) on equity investments at fair value through profit or loss					(9,011)	-	(9,011)
Finance costs					(13,570)	-	(13,570)
Share of profits and losses of associates	-	-	-	6,876	6,876	-	6,876
Share of profits and losses of jointly-controlled entities	-	285	-	-	285	-	285
Loss on disposal of a subsidiary					(974)	-	(974)
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries					<u>13,663</u>	-	<u>13,663</u>
Profit before tax					<u>32,525</u>	-	<u>32,525</u>
Tax					<u>8,191</u>	-	<u>8,191</u>
Profit for the period					<u>40,716</u>	-	<u>40,716</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 2. SEGMENT INFORMATION *(Continued)*

#### (a) Business segments *(Continued)*

	Six months ended 30 September 2007 (Unaudited)					Discontinued operation	Consolidated HK\$'000
	Continuing operations				Total HK\$'000		
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000			
Segment revenue:							
Sale to external customers	182,847	38,466	30,508	17,348	269,169	280,955	550,124
Segment results	21,441	(1,091)	123,282	4,933	148,565	(2,039)	146,526
Net income from investments					2,217	586	2,803
Unallocated expenses					(3,853)	–	(3,853)
Fair value gains/(losses) on equity investments at fair value through profit or loss					441	–	441
Finance costs					(48,057)	(3,678)	(51,735)
Share of profits and losses of associates	–	–	–	4,784	4,784	–	4,784
Share of profits and losses of jointly-controlled entities	–	283	–	–	283	–	283
Gain on disposal of a subsidiary					–	116	116
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries					–	–	–
Profit before tax					104,380	(5,015)	99,365
Tax					(32,510)	(1,080)	(33,590)
Profit for the period					71,870	(6,095)	65,775

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 2. SEGMENT INFORMATION *(Continued)*

#### (b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market:

	Six months ended 30 September (Unaudited)					
	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong	141,406	85,522	-	199,842	141,406	285,364
Mainland China	2,832	2,422	-	-	2,832	2,422
Macau	-	-	-	81,113	-	81,113
Europe	116,760	142,091	-	-	116,760	142,091
North America	35,385	36,158	-	-	35,385	36,158
Others	8,917	2,976	-	-	8,917	2,976
	<b>305,300</b>	<b>269,169</b>	<b>-</b>	<b>280,955</b>	<b>305,300</b>	<b>550,124</b>

### 3. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
	Bank interest income	2,018
Other interest income	1,264	91
Dividend income from listed investments	1,108	17
Commission income	2,585	154
Gain on disposal of investment properties	22,085	2,019
Fair value gains/(losses) on equity investments at fair value through profit or loss	(9,011)	441
Foreign exchange difference, net	1,294	3,525
Other	2,794	1,563
	<b>24,137</b>	<b>9,919</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 4. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<hr/>		
Interest on:		
Bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	<b>41,186</b>	74,052
Amounts due to related companies	–	388
Finance leases	–	140
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	<b>41,186</b>	74,580
Less: Amounts capitalised under property development projects	<b>(27,616)</b>	(22,845)
	<hr/>	<hr/>
	<b>13,570</b>	51,735
	<hr/>	<hr/>
Attributable to a discontinued operation	–	3,678
Attributable to continuing operations reported in the consolidated income statement	<b>13,570</b>	48,057
	<hr/>	<hr/>
	<b>13,570</b>	51,735
	<hr/>	<hr/>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>3,480</b>	16,271
Less: Amount capitalised in contract costs	<u>—</u>	<u>(630)</u>
	<b>3,480</b>	15,641
Amortisation of prepaid land lease payments	<b>236</b>	214
Employee benefits expense (including directors' remuneration)		
Wages, salaries, allowances and benefits in kind	<b>37,053</b>	98,636
Less: Amount capitalised in contract costs	<u>—</u>	<u>(41,906)</u>
Amounts capitalised under property development projects	<b>(2,984)</b>	<u>—</u>
	<b>34,069</b>	56,730
Fair value (gains)/losses on equity investments at fair value through profit or loss	<b>9,011</b>	(441)
Bank interest income	<b>(2,018)</b>	(2,695)
Other interest income	<b>(1,264)</b>	(91)
Gain on disposal of investment properties	<b>(22,085)</b>	(2,019)
Gain on disposal of property, plant and equipment	<u>—</u>	<u>(8,250)</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 6. TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<hr/>		
Group:		
Current – Hong Kong		
Charge for the period	2,631	2,906
Underprovision in prior periods	–	3
	<hr/>	<hr/>
	2,631	2,909
Current – Outside Hong Kong	(463)	1,244
	<hr/>	<hr/>
	2,168	4,153
Deferred	(10,359)	28,357
	<hr/>	<hr/>
Total tax charge/(credit) for the period	<b>(8,191)</b>	<b>32,510</b>
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 7. DISCONTINUED OPERATION

The Group discontinued the construction business in October 2007. The results attributable to the discontinued operation for the period were as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	–	280,955
Cost of sales	–	(240,778)
Gross profit	–	40,177
Other income	–	9,226
Administrative expenses	–	(54,156)
Fair value gains on investment property	–	3,300
Finance costs	–	(3,678)
Gain on disposal of a subsidiary	–	116
Loss before tax	–	(5,015)
Tax	–	(1,080)
Loss for the period	–	(6,095)

The net cash flows attributable to the discontinued operation were as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow from operating activities	–	26
Net cash inflow from investing activities	–	10,892
Net cash outflow from financing activities	–	(10,212)
Net cash inflow	–	706
Loss per share – Basic, from the discontinued operation	<b>N/A</b>	0.95 cent

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 7. DISCONTINUED OPERATION *(Continued)*

The calculation of basic loss per share from the discontinued operation were based on:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
Loss attributable to ordinary equity holders of the Company from the discontinued operation	<b>N/A</b>	HK\$5,245,000
Ordinary shares in issue during the period used in the basic loss per share calculation	<b>N/A</b>	551,368,153

### 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds, if any, of a subsidiary and the dilution effect on earnings assuming there is a full conversion of the convertible bonds of a subsidiary, where applicable. The number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 September	
	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	29,917	44,934
From a discontinued operation	–	(5,245)
	29,917	39,689
Interest on convertible bonds of a subsidiary, net of tax	–	11,126
Dilution of earnings arising from the full conversion of convertible bonds of a subsidiary	(1,437)	(9,828)
Profit attributable to ordinary equity holders of the Company after the full conversion of the convertible bonds of a subsidiary	28,480	40,987*
Attributable to:		
Continuing operations	28,480	46,232
Discontinued operation	–	(5,245)
	28,480	40,987

\* Last period, since the diluted earnings per share amount was increased when taking convertible bonds of a subsidiary into account, the convertible bonds of a subsidiary had an anti-dilutive effect on the basic earnings per share for that period. Therefore, no diluted earnings per share amount was disclosed.

**9. TRADE AND BILLS RECEIVABLES**

An aged analysis of the trade receivables, based on the invoice date/contract date, is as follows:

	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	<b>As at 31 March 2008 (Audited) HK\$'000</b>
Within 1 month	17,332	24,822
1 to 2 months	5,283	2,469
2 to 3 months	613	8,514
Over 3 months	48	—
Total	<u>23,276</u>	<u>35,805</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

**10. TRADE PAYABLE AND ACCRUED LIABILITIES**

Included in trade payables and accrued liabilities are trade payables of HK\$24,130,000 (as at 31 March 2008: HK\$24,179,000). An aged analysis of the trade payables, based on the invoice date, is as follows:

	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	<b>As at 31 March 2008 (Audited) HK\$'000</b>
Within 1 month	20,978	16,715
1 to 2 months	1,225	5,318
2 to 3 months	1,826	524
Over 3 months	101	1,622
Total	<u>24,130</u>	<u>24,179</u>

**11. SHARE CAPITAL**

There were no movements in the authorised, issued and fully paid share capital of the Company in both interim periods.

**12. OPERATING LEASE ARRANGEMENTS**

**(a) As lessor**

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 September 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	<b>As at 31 March 2008 (Audited) HK\$'000</b>
Within one year	<b>15,232</b>	13,778
In the second to fifth year, inclusive	<b>14,495</b>	7,113
	<b><u>29,727</u></b>	<b><u>20,891</u></b>

**(b) As lessee**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 September 2008 (Unaudited) HK\$'000</b>	<b>As at 31 March 2008 (Audited) HK\$'000</b>
Within one year	<b>11,411</b>	16,754
In the second to fifth year, inclusive	<b>2,816</b>	7,618
	<b><u>14,227</u></b>	<b><u>24,372</u></b>

**13. CAPITAL COMMITMENTS**

As at 30 September 2008, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to HK\$220,834,000 (as at 31 March 2008 (audited): HK\$185,198,000).

The Group's share of the jointly-controlled entities' authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties, which are not included in the above, amounted to HK\$7,519,000 (as at 31 March 2008 (audited): HK\$7,310,000).

**14. RELATED PARTY TRANSACTIONS**

**(a) Significant transactions with related parties**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Commissions paid to the ultimate holding company	–	1,313
Legal and professional fees paid to a firm to which a director of the Company is a consultant	<b>109</b>	116

Hon Kwok obtained bank loan facilities of HK\$150 million under cash collateral from Lucky Year. The financing arrangement was extended in July 2006 for a period of 30 months maturing in January 2009. Under the arrangement, Hon Kwok agreed to indemnify and pay Lucky Year a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans. In March 2008, Hon Kwok served notices to early terminate the financing arrangement and cancelled the bank loan facilities on 31 March 2008.

**(b) Outstanding balances with related parties**

	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2008</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Due from related parties:		
– Related companies	<b>3,078</b>	1,407
Due to related parties:		
– A related company	<b>679</b>	44

14. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	<u>1,360</u>	<u>1,270</u>

- (d) On 11 May 2007, a subsidiary of the Group, Cheerworld Group Limited, as purchaser, entered into a sale and purchase agreement, with Enhancement Investments Limited (“Enhancement”), Galantine Management Limited and Sharp-View Group Inc., as vendors, for the acquisition of the entire issued share capital of Unity Wise International Limited and the assignment of related shareholders' loans to the Group at an aggregate cash consideration of HK\$90 million. On the same date, Cheerworld Group Limited, as purchaser, entered into another sale and purchase agreement with Enhancement, as vendor, for the acquisition of 50% of the issued share capital of Ample Joy International Limited and the assignment of related shareholder's loans to the Group at an aggregate cash consideration of HK\$12 million. The considerations of the transactions were mutually agreed among the parties. Both acquisitions constituted discloseable and connected transactions to the Company under the Listing Rules as Enhancement is a company controlled by Mr. James Sai-Wing Wong, the chairman and substantial shareholder of the Company. These two acquisitions were completed on 4 July 2007.
- (e) On 22 May 2007, a former subsidiary of the Group, Chinney Construction Company, Limited, as vendor, entered into a sale and purchase agreement with Shun Cheong Investments Limited, as purchaser, a wholly-owned subsidiary of Chinney Alliance, for the disposal of the entire issued share capital of Apex Curtain Wall and Windows Company Limited for a cash consideration of HK\$298,000. The consideration was determined by reference to the net asset value of Apex Curtain Wall and Windows Company Limited at 31 May 2007. The transaction constituted a connected transaction to the Company under the Listing Rules and was completed on 1 June 2007.
- (f) On 4 September 2007, Chinney Contractors Company Limited, a former subsidiary of the Company, as vendor, and Chinney Alliance Trading (BVI) Limited, a wholly-owned subsidiary of Chinney Alliance, as purchaser entered into an agreement in relation to the sale and purchase of the entire issued share capital of Victory Leap Limited for a total consideration of HK\$92,865,000. The consideration was determined by reference to the fair value of the net assets of Victory Leap Limited as at 30 June 2007. The transaction constituted a major and connected transaction to the Company under the Listing Rules and was completed on 26 October 2007.

### 14. RELATED PARTY TRANSACTIONS *(Continued)*

- (g) On 17 September 2008, a subsidiary of the Group, Join Ally Limited, as purchaser, entered into a sale and purchase agreement with Enhancement, as vendor, for the acquisition of the entire issued share capital of Guru Star Investments Limited and the assignment of related shareholders' loans to the Group at an aggregate cash consideration of HK\$135,000,000 (the "Acquisition"). The Acquisition constituted a major and connected transaction to the Company and a discloseable and connected transaction to Hon Kwok under the Listing Rules as Enhancement is a company controlled by Mr. James Sai-Wing Wong, the Chairman and substantial shareholder of the Company and Hon Kwok. On 20 October 2008, the Acquisition was passed by the independent shareholders of the Company at its extraordinary general meeting but was not passed by the independent shareholders of Hon Kwok at its extraordinary general meeting. Thus, the sale and purchase agreement for the Acquisition ceased to take effect and was terminated.
- (h) The amounts due from/to associates and jointly controlled entities are unsecured, interest-free, and are repayable on demand in both periods.

### 15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation as the reclassification better reflects the financial position of the Group.

### 16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 18 December 2008.