



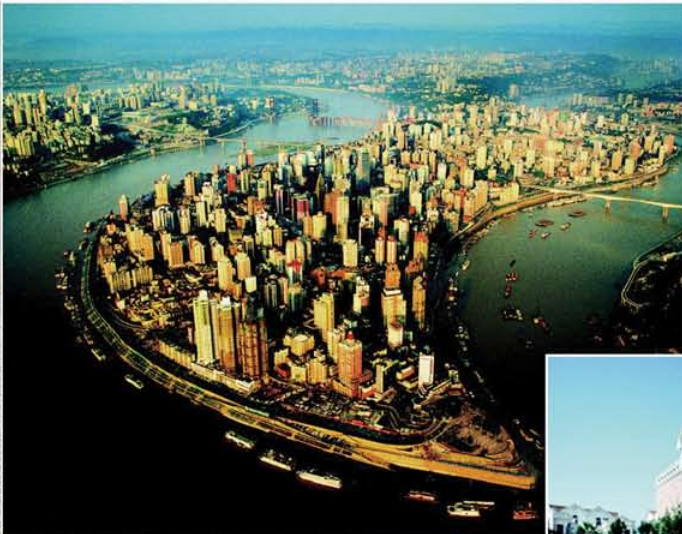
C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1224



INTERIM REPORT 2007



07

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CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter
(*Deputy Chairman & Managing Director*)
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Ms. Poon Ho Yee Agnes
Mr. Tsang Wai Choi
Mr. Wu Hong Cho

Independent non-executive directors

Mr. Lam Kin Fung Jeffrey
Mr. Wong Yat Fai

AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey (*Chairman*)
Mr. Wong Yat Fai

REMUNERATION COMMITTEE

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Wong Yat Fai

COMPANY SECRETARY

Ms. Cheung Fung Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
China United Centre
28 Marble Road
North Point
Hong Kong

LEGAL ADVISORS

Hong Kong

Cheung, Tong & Rosa
Woo Kwan Lee & Lo

Bermuda

Conyers Dill & Pearman

AUDITORS

Ernst & Young
Certified Public Accountants

QUALIFIED ACCOUNTANT

Mr. Leung Chun Cheong

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking
Corporation Limited
BNP Paribas

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE ADDRESS

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

STOCK CODE

1224

MANAGEMENT DISCUSSION & ANALYSIS

On behalf of the Board of Directors (the “Directors” or the “Board”) of C C Land Holdings Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007.

BUSINESS REVIEW

During the period under review, the principal activities of the Group are PRC property development and investment, manufacture and sale of packaging products and soft luggage, and treasury investments. Revenue and profit attributable to shareholders for the Group increased by 17.5% to HK\$460.0 million (six months ended 30 June 2006: HK\$391.6 million) and 1,428.0% to HK\$573.0 million (six months ended 30 June 2006: HK\$37.5 million). The revenue of the PRC property business, packaging business, luggage business and other businesses are HK\$10.1 million, HK\$188.3 million, HK\$254.3 million and HK\$7.3 million respectively.

The substantial increase in profit attributable to shareholders was mainly due to the contribution from the PRC property development and investment business. Other income recorded in the period included the recovery of receivables and fair value gain on investment properties to a total amount of HK\$69.3 million (six months ended 30 June 2006: HK\$1.3 million). The Corporate Income Tax Law approved by the National People’s Congress on 16 March 2007 will become effective from 1 January 2008. The corporate income tax rate applicable to the Group’s subsidiaries in China will then decrease from 33% to 25%. As a result, a tax credit of HK\$506.3 million in respect of deferred tax liabilities was recorded in the period.

The packaging business contributed HK\$16.7 million to profits (including a share of loss from an associate of HK\$0.7 million). The luggage business has turned around from a loss of HK\$0.6 million in the same period last year to produce a profit of HK\$3.6 million in the current period.

Other expenses of HK\$26.2 million (six months ended 30 June 2006: HK\$2.3 million) was recorded, in accordance with the Hong Kong Financial Reporting Standards, for an equity-settled share option expense in the amount of HK\$24.5 million (six months ended 30 June 2006: Nil) in respect of share options granted to certain directors and eligible employees of the Group. The increases in selling and distribution costs, administrative expenses, and finance costs were attributable to the inclusion of the property business acquired in late 2006.

Earnings per share for the period was 31.74 HK cents (six months ended 30 June 2006: 9.50 HK cents after adjustment to reflect the consolidation of the Company’s shares on 11 January 2007) and diluted earnings per share was 31.73 HK cents (six months ended 30 June 2006: Nil).

PRC PROPERTY AND INVESTMENT BUSINESS

According to the preliminary estimation by the National Bureau of Statistics of China, the gross domestic product (“GDP”) of China in the first half of 2007 was RMB10,677 billion, an year-on-year increase of 11.5%, which was 0.5% above the growth rate in the corresponding period last year. The total investment in real estates development in the first half of 2007 was RMB989 billion, up by 28.5% from the same period last year, in which investment in residential properties reached RMB696 billion, an increase of 30.8%. All these figures show that the growing Chinese economy has maintained a steady growth rate, especially in the real estate market.

MANAGEMENT DISCUSSION & ANALYSIS

Over the past year, the central government has adopted a series of macro-control policies to maintain China's economic growth at a steady and sustainable level. Certain policies relevant to the real estate market to address the issue of escalation of property prices included raising bank lending rates, tightening control over execution of land appreciation tax and imposing value-added tax on the gain from disposal of properties by foreign investors, were announced. The Group believes the implementation of such macro-control policies are essential to the continued development of a healthy real estate market in China in the long run.

In June 2007, both Chongqing and Chengdu were awarded the status of "Comprehensive Reform Trial Zones District". By expediting the urban-rural integration and building of modernized rural areas, the economic growth of these two cities is expected to be more than robust. Both GDPs of Chongqing and Chengdu in the first half of 2007 increased by 14.5% and 14.4% respectively which are higher than the average GDP for the country. The directors believe that the real estates markets in Chongqing and Chengdu will see some of the most rapid growth in the mainland in the coming years. The demand for residential properties will further increase and property prices will continue to rise. The Group will expand its land banks and is targeting to become a leading property developer in Western China.

PROPERTY DEVELOPMENT AND SALES PERFORMANCE

In line with the Group's strategy to develop properties for the middle and high end markets, most of the property projects are residential properties for sale. The Group expects that a total GFA of about 5.5 million sq. m. will be completed by 2010, out of which 150,000 sq. m. are up for presale in 2007.

The sales of the California One Project, beginning in March 2007 was excellent. So far, 419 apartment units out of the 474 available have been sold. The project comprises of apartments, hotel and office with a total GFA of about 52,000 sq. m. and is expected to be completed in the first half of 2008.

The first two blocks of the first phase of the No.1 Peak Road Project (part of a mega-residential complex of 969,020 sq. m.) which includes 383 residential units with a total GFA of about 38,800 sq. m. is expected to be launched to the market for presale in September 2007. The first phase has 755 high-end residential units with a total GFA of about 77,700 sq. m. and car parking spaces of about 20,600 sq. m..

MANAGEMENT DISCUSSION & ANALYSIS

As at 7 September 2007, details of projects held under development are as follows:

Locations/ Land Lot Nos.	Expected Completion Date	GFA (sq. m.)	The Group's Interests
Chongqing, Yubei District			
— 15,16,17-1	end 2008-2009	969,020	100.0%
— 9	mid 2010	364,433	100.0%
— 10-1	mid 2009	349,962	100.0%
— 6-1	end 2008-2009	84,747	100.0%
— 19	mid 2010	382,770	100.0%
— 4	mid 2010	596,374	100.0%
— 35	mid 2010	266,686	100.0%
— 3-1	mid 2010	301,288	100.0%
— Longta No. 3 and Longta No. 4 She, Longxi Street Zone #	end 2009	338,806	100.0%
— Others	2008-2009	162,509	100.0%
Chongqing, Jiangbei District			
— Huaxin Street, Jie Dao Qiao Bei Village and No.1 Zhongxin Section	after 2010	1,029,879	25.0%
Chengdu, Wenjiang District			
— 12/1/65	mid 2008-2009	555,000	50.0%
Chengdu, Dujiangyan District			
	early 2009	61,000	100.0%
Sichuan, Pengshan County			
— Binjiang New Town	end 2009-2010	1,000,005	60.0%
Kunming, Gaoxin District			
— R-1-7	end 2009	25,864	70.0%
— R-1-10	end 2009	36,582	70.0%
Total		6,524,925	

Pending approval from the authorities for completion. <refer to 'Post Balance Sheet Events — point 5' below>

MANAGEMENT DISCUSSION & ANALYSIS

LAND DEVELOPMENT

In February 2007, the Group acquired a 60% equity interest in a project company at a consideration of HK\$171 million. The project company owns the land development rights for two land tracts in Dujiangyan, Chengdu, with a total site area of approximately 902,000 sq. m.. The land development entails layout works and tenants relocation issues for the land tracts to bring them to a condition ready for sale in land auctions. The Group will share the profit from the auctions according to pre-determined profit sharing ratios as stipulated in the contract with the local PRC authority. The Group took part in the first of a series of auctions for these land tracts, and succeeded in securing the first available lot of 61,217 sq. m. at a price of RMB106.5 million. The Group will participate in the subsequent auctions for the remaining land lots.

INVESTMENT PROPERTY

Retaining premium properties which have excellent potential for capital appreciation as long term investments and providing stable recurring income is another key to success for a property developer. The Group will maintain a balanced portfolio of properties held for sale and investments. We believe these would not only strengthen our recurring income base but also maximize returns to our shareholders.

The total book value of the Group's investment properties amounted to HK\$178.9 million as at 30 June 2007, with a corresponding attributable GFA of 74,786 sq. m.. The portfolio comprises properties of diversified usage: commercial (37.8%), residential (5.5%) and car parking spaces (56.7%). The prime locations of the Group's investment properties had resulted in the overall occupancy rate standing at a high level of 74.8% and contributed a gross rental income of HK\$7.2 million for the six months ended 30 June 2007. From an appraisal conducted by an independent valuer, the investment properties contributed a revaluation gain of HK\$16.5 million during the period under review.

A summary breakdown of the investment properties is shown below:

Property Location	Usage	Attributable GFA (sq. m.)	Occupancy Rate	The Group's Interest
California Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	22,060	52.6%	100%
	Residential	4,118	12.9%	100%
	Car parking spaces	15,646	100.0%	100%
California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	4,685	28.4%	100%
	Car parking spaces	12,094	100.0%	100%
Kechuang Building, Longxi Town, Yubei District, Chongqing, PRC	Car parking spaces	3,691	100.0%	100%
Huijingtai, Longxi Town, Yubei District, Chongqing, PRC	Commercial	1,541	6.5%	100%
	Car parking spaces	10,951	100.0%	100%
Total		74,786		

LAND BANKS

Land banks are part of the key to success for a property developer. We started off by acquiring a main land bank for our development plans in the Yubei District of Chongqing through the acquisition of Chongqing Zhongyu Property Development Co. Ltd. (“Chongqing Zhongyu”) in November 2006.

In January 2007, the Group acquired a 50% equity interest in a property company in Wenjiang, Chengdu, at a consideration of HK\$96 million (HK\$346 per sq. m. GFA). The land held under the property company has a total site area of approximately 369,960 sq. m. with a plot ratio of 1.5 and is earmarked for an upmarket residential development project with a total GFA of approximately 555,000 sq. m., in which the Group’s attributable interest is 277,500 sq. m.. Wenjiang is located in the suburban western side of Chengdu, about 16 km. from the city center.

In May 2007, the Group expanded its land bank portfolio to Yunnan, another important city in Western China, by successfully acquiring, through auction, a 70% interest in a land lot in the Gaoxin District, Kunming, with a site area of approximately 18,660 sq. m. at a price of RMB86 million. The development of this project is now in progress. Presales will start in the first half of 2008.

On 15 July 2007, the Group acquired a 60% equity interest in a company for a consideration of RMB45 million. The company owns a land bank in the Pengshan County, south of Chengdu, which is zoned for residential development with a total site area of approximately 333,335 sq. m. and a total GFA of approximately 1,000,005 sq. m..

On 17 August 2007, the Group entered into a memorandum of agreement in relation to a joint venture with two other Hong Kong property developers, for the development of a piece of land in Chongqing. The land was acquired at a land auction at a land premium of RMB4.18 billion, of which the Group has 25% interest. The land is located along the north bank of the Jialing River, and 2 km. away from the Jiangbei Central Business District. The land has an area of approximately 205,086 sq. m. with a GFA 1,029,879 sq. m. and is zoned for the development of residential/commercial projects.

On 3 September 2007, the Group successfully acquired through auction a site in Dujiangyan, Chengdu, at a consideration of RMB106.5 million. This site is from the one of the land tracts over which the Group has land development right. The newly acquired land is a residential site occupying a site area of 61,217 sq. m. and has a plot ratio of 1. The land will be developed into a low-density townhouse project, targeting the mid to high-end market and is expected to be launched for presale in late 2008.

On 5 September 2007, the Group entered into an agreement to acquire the entire equity interest in a property company in Chongqing at a consideration of RMB660 million. The acquisition is subject to the granting of a new business licence to the Group by the government authorities. The company owns a piece of land in the Yubei District of Chongqing with a net area of 146,825 sq. m. for building purposes, yielding a buildable GFA of approximately 338,806 sq. m..

The Group will continue its efforts to expand its land banks with good development potentials by merger, and acquisition through private treaties, tenders, and auctions.

MANAGEMENT DISCUSSION & ANALYSIS

As of 7 September 2007, the Group's total land bank stood at 6,624,992 sq. m.. The Group's land bank comprises a well-diversified portfolio of properties. The breakdown by usage is as follows:

Usage	Completed Properties held for Investment GFA (sq. m.)	Properties held for Own Use GFA (sq. m.)	Completed Properties held for Sales GFA (sq. m.)	Land held for Future Development GFA (sq. m.)		Total GFA (sq. m.)
				Total	Attributable	
Commercial	28,286	9,128		572,229	564,469	609,643
Residential	4,118		2,311	4,984,706	3,523,821	4,991,135
Office				339,131	339,131	339,131
Hotel & serviced apartment				63,753	63,753	63,753
Townhouse & villa				22,630	22,630	22,630
Others (Car parking spaces & other auxiliary facilities)	42,382	13,842		542,476	542,476	598,700
Total	74,786	22,970	2,311	6,524,925	5,056,280	6,624,992

The breakdown of the land bank for development by location is as follows:

Location	Total GFA (sq. m.)	Attributable GFA (sq. m.)	Percentage
Chongqing	4,846,474	4,074,065	74.3
Sichuan			
— Chengdu	616,000	338,500	9.4
— Pengshan	1,000,005	600,003	15.3
Yunnan			
— Kunming	62,446	43,712	1.0
Total	6,524,925	5,056,280	100.0

MANAGEMENT DISCUSSION & ANALYSIS

MANUFACTURING BUSINESS

PACKAGING BUSINESS

The packaging business continued to report robust performance for the first half of 2007. Sales revenue and gross profit in the packaging business increased by 24.0% and 15.6% to HK\$188.3 million and HK\$37.1 million respectively (six months ended 30 June 2006: HK\$151.9 million and HK\$32.1 million respectively). This was primarily attributable to the growth in economy in the Group's major markets, and to contributions delivered by vertical expansion into acrylic display items and point of sales display products.

The vertical integration was the result of acquisition of a 51% equity interest in a company in April 2007. This expansion is able to complement the existing product lines, providing opportunities for further growth.

Whilst the result of the packaging business showed satisfactorily growth for the period, it appears that fluctuations in raw material prices, and increases in labour and operating costs as a result of the appreciation of the RMB will continue. In order to counter the increases in operating costs and to improve profit margins, the packaging business will focus on enhancing productivity and efficiency in its manufacturing processes.

LUGGAGE BUSINESS

There was strong growth for the luggage business during the first six months of 2007 despite fierce competition. Revenue grew by 14.7% to HK\$254.3 million (six months ended 30 June 2006: HK\$221.7 million) and recorded a net profit of HK\$5.9 million (six months ended 30 June 2006: net loss of HK\$1.3 million).

The Group expects stiff market competition to continue in the second half of 2007. The management will streamline productivity and seek to diversify its customers base, including exposure to the PRC market.

OTHER BUSINESSES

Turnover of the treasury investment for the period amounted to HK\$7.3 million (six months ended 30 June 2006: HK\$18.0 million), and recorded a profit of HK\$19.2 million (six months ended 30 June 2006: HK\$20.1 million). A substantial portion of the reported profits represented unrealized holding gain of securities of HK\$11.4 million (six months ended 30 June 2006: HK\$5.2 million), and gain on disposal of securities of HK\$4.1 million (six months ended 30 June 2006: HK\$17.2 million).

The share of loss from the 30% owned associated company, Technical International Holdings Limited, amounted to HK\$0.7 million (six months ended 30 June 2006: HK\$1.8 million). This is in line with the seasonal trade nature of its business, which historically attains higher turnovers and profits in the second half year.

MANAGEMENT DISCUSSION & ANALYSIS

PROSPECTS

PRC PROPERTY DEVELOPMENT AND INVESTMENT BUSINESS

Upon the acquisition of Chongqing Zhongyu in November 2006, the Company extended its business into the China property markets. This opens an advantageous business channel and sets up a broader platform for the Group to capitalise on the booming China economy. The outlook for China's real estate market is promising, resting on the continued robust growth in economy, the accelerating rate of urbanization, and the increasing income per capita of the Chinese population. The Group will look to expand its land banks through auctions, tenders, mergers, and acquisitions.

MANUFACTURING BUSINESS

The outlook for this year is favorable notwithstanding the adverse effects of increasing operating costs and appreciation of the Renminbi. The Group is optimistic that the business opportunities in the packaging business, the core manufacturing business of the Group, will remain buoyant given the steady economic growth overseas.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group's bank and cash balances amounted to HK\$591.4 million (31 December 2006: HK\$1,312.5 million) and had bank borrowings of about HK\$685.0 million (31 December 2006: HK\$718.0 million), of which HK\$452.3 million (31 December 2006: HK\$591.7 million) are due within one year. The respective bank borrowings for the manufacturing and property arms amounted to HK\$46.9 million and HK\$638.1 million respectively. The total equity at that date stood at HK\$6,124.7 million (31 December 2006: HK\$5,433.4 million). The gearing ratio, calculated as total borrowings over total equity, was 11.2% (31 December 2006: 13.2%).

Taking into account the financial resources available to the Group, the Group has sufficient working capital to finance its operation. The rise in finance costs for the period to HK\$8.3 million (six months ended 30 June 2006: HK\$1.2 million as restated) was attributable to borrowings financing the subsidiary's property development projects.

WORKING CAPITAL

The Group had current assets amounting to HK\$1,698.2 million (31 December 2006: HK\$1,778.6 million) while current liabilities stood at HK\$1,040.3 million (31 December 2006: HK\$1,181.4 million). The Group's liquidity is in a healthy position with a current ratio of 1.6 (31 December 2006: 1.5).

MANAGEMENT DISCUSSION & ANALYSIS

INVESTMENTS

At 30 June 2007, the Group held a portfolio of listed securities with a market value of HK\$95.7 million (31 December 2006: HK\$40.6 million) and a convertible note of HK\$35.5 million (31 December 2006: HK\$32.7 million) issued by a company listed on The Stock Exchange of Hong Kong Limited. The amount of dividend, interest and other income from investments for the period was HK\$5.8 million (six months ended 30 June 2006: HK\$0.7 million). The unrealized holding gain on listed securities reflected in the current period amounted to HK\$11.4 million (six months ended 30 June 2006: HK\$5.2 million). The Group's PRC subsidiary has investments in equity securities amounting to HK\$48.0 million (31 December 2006: HK\$46.6 million) held for long term purposes.

CAPITAL EXPENDITURE

Since diversification into the PRC property business, the Group had executed land and land development right acquisitions for the six months ended 30 June 2007 amounting to HK\$355 million. These acquisitions were entirely financed by internal resources.

CONTINGENT LIABILITIES

At 30 June 2007, the Group had the following contingent liabilities:

- a. Guarantees given to banks in connection with facilities granted to an associated company to the amount of HK\$13.5 million (31 December 2006: HK\$12.0 million).
- b. Guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties to the amount of HK\$30.6 million (31 December 2006: HK\$29.7 million).

PLEDGE OF ASSETS

At 30 June 2007, the Group has pledged the followings:

- | | | |
|----|---|--------------------|
| a. | Leasehold properties as security for general banking facilities granted to the Group | HK\$6.1 million |
| b. | Fixed deposits as security for general banking facilities granted to a subsidiary | HK\$3.1 million |
| c. | A piece of land and the building erected thereon where a subsidiary's production facility is located as security for revolving credit bank facilities granted to the subsidiary | HK\$25.6 million |
| d. | Properties under development and investment properties pledged to secure banking facilities granted to a PRC subsidiary | RMB3,111.9 million |
| e. | Time deposits as security for short term bank borrowings granted to a PRC subsidiary (for its property business) | USD5.6 million |

MANAGEMENT DISCUSSION & ANALYSIS

EXCHANGE RISKS

Sales and purchase transactions of the Group's manufacturing business are primarily conducted in US dollars, Hong Kong dollars and/or Renminbi, while transactions for the property business are denominated in Renminbi. The exposure to foreign exchange risk is thus minimal.

EMPLOYEES

At 30 June 2007, the Group had approximately 6,701 employees. The Group remunerates its staff based on their merit, qualification and competence. The Group has also established an incentive bonus scheme, in which the benefits are determined based on the performance of the individual employees. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. Other benefits include contribution to a provident fund scheme or mandatory provident fund, and medical insurance.

During the period, options to subscribe for 15 million shares in total at exercise prices of HK\$4.81, HK\$5.26 and HK\$5.37 per share were granted on even dates under the share option scheme to certain directors and eligible employees of the Group. Total fair value of these share options granted was approximately HK\$33.5 million. An amount of HK\$24.5 million was charged as equity-settled share option expense to the income statement for the period ended 30 June 2007.

POST BALANCE SHEET EVENTS

The following events took place subsequent to 30 June 2007:

1. On 15 July 2007, the Group acquired a 60% equity interest in a company for a consideration of RMB45 million. The company owns a land bank for residential development with a total site area of approximately 333,335 sq. m. and a total GFA of approximately 1,000,005 sq. m. in Pengshan County, Sichuan Province.
2. On 24 July 2007, the Group placed 360 million new shares to independent investors at a price of HK\$8.10 per share, raising approximately HK\$2,862 million to finance the property business expansion, acquisition of land bank, and for general working capital.
3. On 8 August 2007, options were granted to certain directors and eligible employees of the Group to subscribe for a total of 12.9 million shares at an exercise price of HK\$8.73 per share.
4. On 17 August 2007, the Group entered into a memorandum of agreement in relation to a joint venture with two Hong Kong property developers for the development of a piece of land in Chongqing, the PRC. The land was acquired at auction at a land premium of RMB4.18 billion, of which the Group has a 25% interest. The land site is approximately 205,086 sq. m. with a GFA of 1,029,879 sq. m. and is zoned for development of residential/commercial projects.
5. On 5 September 2007, the Group entered into an agreement to acquire the entire equity interest in a property company in Chongqing at a consideration of RMB660 million. The acquisition is subject to the granting of a new business licence to the Group by government authorities. The company owns a piece of land in the Yubei District of Chongqing with a net area of 146,825 sq. m. for building purposes, yielding a buildable GFA of approximately 338,806 sq. m..

DISCLOSURE OF INTERESTS

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

As at 30 June 2007, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) INTERESTS IN SHARES OF THE COMPANY (LONG POSITIONS)

Name of director	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Cheung Chung Kiu	Corporate (Notes 1 & 2)	1,285,668,207	71.21%
Dr. Lam How Mun Peter	Personal	11,000	0.00%
Mr. Leung Chun Cheong	Personal	34,000	0.00%
Ms. Poon Ho Yee Agnes	Personal	104,000	0.01%

(b) INTERESTS IN SHARE OPTIONS OF THE COMPANY (LONG POSITIONS)

Name of director	Nature of interest	Number of share options granted and not yet exercised	Approximate percentage of issued share capital
Dr. Lam How Mun Peter	Personal	17,939,000	0.99%
Mr. Leung Chun Cheong	Personal	1,000,000	0.06%
Mr. Leung Wai Fai	Personal	2,000,000	0.11%
Ms. Poon Ho Yee Agnes	Personal	1,000,000	0.06%
Mr. Wu Hong Cho	Personal	800,000	0.04%

Details of the directors' interest in the share options of the Company are set out in section headed "Share Options" below.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(c) INTERESTS IN CONVERTIBLE NOTE OF THE COMPANY (LONG POSITIONS)

A convertible note in the principal sum of HK\$2,552,000,000 was issued on 7 November 2006 to Thrivetrade Limited ("Thrivetrade") in which Mr. Cheung Chung Kiu had 100% beneficial interest. As at 30 June 2007, Thrivetrade had exercised the conversion right attached to the convertible note in an amount of HK\$2,551,999,998.80 and accordingly a total number of 911,428,571 shares were issued by the Company to Thrivetrade. Such shares were part of the shares interested by Mr. Cheung Chung Kiu as disclosed under paragraph (a) "Interests in shares of the Company (long positions)" above. The HK\$1.20 principal amount outstanding on the convertible notes will be repaid in accordance with the terms of the convertible notes.

Notes:

1. 254,239,636 of such shares were held through Regulator Holdings Limited ("Regulator"), an indirect wholly-owned subsidiary of Yugang International Limited ("Yugang", which was owned by Chongqing Industrial Limited ("Chongqing"), Timmex Investment Limited ("Timmex") and Mr. Cheung Chung Kiu in aggregate as to 42.25%). Mr. Cheung Chung Kiu was deemed to be interested in the same number of shares held by Regulator by virtue of his indirect shareholding interests in Chongqing. As Mr. Cheung Chung Kiu had 100% beneficial interest in Timmex, he was also deemed to be interested in the same number of shares held by Timmex through Regulator.

1,031,428,571 of such shares were held through Thrivetrade, a company wholly-owned by Mr. Cheung Chung Kiu. Accordingly, he was also deemed to be interested in the same number of shares in which Thrivetrade was interested.

2. Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited had 35%, 30%, 5% and 30% equity interest in Chongqing respectively. Peking Palace Limited and Miraculous Services Limited were beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung Chung Kiu and his family. Prize Winner Limited was beneficially owned by Mr. Cheung Chung Kiu and his associates. Mr. Cheung Chung Kiu had 100% beneficially interest in Timmex.

Save as disclosed above, as at 30 June 2007, the Company had not been notified of any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

DISCLOSURE OF INTERESTS

SHARE OPTIONS

The Company operates a share option scheme (the “Scheme”) which was adopted on 29 April 2005, details of the Scheme were disclosed in the Company’s circular dated 13 April 2005.

Details of the options to subscribe for shares of the Company granted under the Scheme and their movement during the period were as follows:

Name or category of participant	Number of share option					At 30 June 2007	Date of grant*	Exercisable period	Exercise price per share HK\$**
	At 1 January 2007	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period				
Lam How Mun Peter	2,000,000	—	—	—	—	2,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95 ¹
	1,939,000	—	—	—	—	1,939,000	11-12-2006	01-01-2009 to 31-12-2018	4.95 ¹
	—	6,000,000	—	—	—	6,000,000	16-02-2007	01-01-2008 to 31-12-2017	4.81 ²
	—	2,000,000	—	—	—	2,000,000	19-04-2007	01-01-2008 to 31-12-2017	5.26 ³
	—	2,000,000	—	—	—	2,000,000	19-04-2007	01-01-2009 to 31-12-2018	5.26 ³
	—	4,000,000	—	—	—	4,000,000	27-04-2007	01-01-2008 to 31-12-2017	5.37 ⁴
	3,939,000	14,000,000	—	—	—	17,939,000			
Leung Chun Cheong	500,000	—	—	—	—	500,000	11-12-2006	01-01-2008 to 31-12-2017	4.95 ¹
	500,000	—	—	—	—	500,000	11-12-2006	01-01-2009 to 31-12-2018	4.95 ¹
	1,000,000	—	—	—	—	1,000,000			
Leung Wai Fai	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95 ¹
	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2009 to 31-12-2018	4.95 ¹
	2,000,000	—	—	—	—	2,000,000			
Poon Ho Yee Agnes	500,000	—	—	—	—	500,000	11-12-2006	01-01-2008 to 31-12-2017	4.95 ¹
	500,000	—	—	—	—	500,000	11-12-2006	01-01-2009 to 31-12-2018	4.95 ¹
	1,000,000	—	—	—	—	1,000,000			

DISCLOSURE OF INTERESTS

SHARE OPTIONS (continued)

Name or category of participant	Number of share option					At 30 June 2007	Date of grant*	Exercisable period	Exercise price per share HK\$**
	At 1 January 2007	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period				
Wu Hong Cho	400,000	—	—	—	—	400,000	11-12-2006	01-01-2008 to 31-12-2017	4.95 ¹
	400,000	—	—	—	—	400,000	11-12-2006	01-01-2009 to 31-12-2018	4.95 ¹
	800,000	—	—	—	—	800,000			
Other employees									
In aggregate	3,700,000	—	—	—	—	3,700,000	11-12-2006	01-01-2008 to 31-12-2017	4.95 ¹
	3,700,000	—	—	—	—	3,700,000	11-12-2006	01-01-2009 to 31-12-2018	4.95 ¹
	—	500,000	—	—	—	500,000	19-04-2007	01-01-2008 to 31-12-2017	5.26 ³
	—	500,000	—	—	—	500,000	19-04-2007	01-01-2009 to 31-12-2018	5.26 ³
	7,400,000	1,000,000	—	—	—	8,400,000			
Grand Total	16,139,000	15,000,000	—	—	—	31,139,000			

Notes to the reconciliation of share options outstanding during the period:

- * The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
- ** The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.
- ¹ The closing price on the trading day immediately prior to the date of grant of the options per share is HK\$4.90. Details of the options granted before the implementation of consolidation of shares on 11 January 2007 have been adjusted accordingly.
- ² The closing price on the trading day immediately prior to the date of grant of the options per share is HK\$4.67.
- ³ The closing price on the trading day immediately prior to the date of grant of the options per share is HK\$5.40.
- ⁴ The closing price on the trading day immediately prior to the date of grant of the options per share is HK\$5.40.

DISCLOSURE OF INTERESTS

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

At 30 June 2007, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held (long positions)	Approximate percentage of issued share capital
Regulator	Beneficial interest	254,239,636 (<i>Note 1</i>)	14.08%
Yugang International (B.V.I.) Limited ("Yugang-BVI")	Interest of controlled corporations	254,239,636 (<i>Note 1</i>)	14.08%
Yugang	Interest of controlled corporations	254,239,636 (<i>Note 1</i>)	14.08%
Chongqing	Interest of controlled corporations	254,239,636 (<i>Note 1</i>)	14.08%
Palin Holdings Limited ("Palin")	Interest of controlled corporations	254,239,636 (<i>Note 1</i>)	14.08%
Thrivetrade	Beneficial interest	1,031,428,571 (<i>Note 2</i>)	57.13%
Indus Capital Partners, LLC	Corporate	99,671,000	5.52%
Sheldon Fenton Kasowitz	Interest of controlled corporations	99,671,000	5.52%
David Nathan Kowitz	Interest of controlled corporations	99,671,000	5.52%

Notes:

- The interests held by Regulator, Yugang-BVI, Yugang, Chongqing and Palin respectively as shown above refer to interests in the same block of shares. Regulator is a direct wholly-owned subsidiary of Yugang-BVI, Yugang-BVI is in turn a direct wholly-owned subsidiary of Yugang. Yugang was owned by Chongqing, Timmex and Mr. Cheung Chung Kiu in aggregate as to 42.25%. Chongqing, Timmex and Palin are controlled by Mr. Cheung Chung Kiu. The said interests were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under the paragraph (a) "Interests in shares of the Company (long positions)" above.
- These shares were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under the paragraph (a) "Interests in shares of the Company (long positions)" above.

Save as disclosed above, as at 30 June 2007, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, except for the following deviation:

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject for re-election. None of the existing non-executive directors are appointed for a specific term. However, all the non-executive directors shall be subject to retirement by rotation at the annual general meetings at least once every three years pursuant to the Company's Bye-laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

RULES 3.10 AND 3.21 OF THE LISTING RULES

Following the resignation of Mr. Wong Wai Kwong David on 26 July 2007 as independent non-executive director, audit committee member and remuneration committee member of the Company, the number and qualification of independent non-executive director of the Company fail to meet the requirements under rule 3.10 of the Listing Rules and the composition of the Company's audit committee fails to meet the requirement under rule 3.21 of the Listing Rules. Also, a majority of members of the remuneration committee has temporarily not been formed by independent non-executive directors. As such, the Board would make its best endeavors to identify an appropriate person for appointment as the independent non-executive director, audit committee member and remuneration committee member of the Company within three months from the date of his resignation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Following specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

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

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited interim financial statements for the six months ended 30 June 2007.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to the Group's management and staff for their invaluable service and contribution. We also wish to thank all of our customers, shareholders and business associates for their trust and support during the period, and sincerely look forward to your continued support in future.

By order of the Board

Lam How Mun Peter

Deputy Chairman & Managing Director

Hong Kong, 21 September 2007

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
REVENUE	3, 4	459,984	391,558
Cost of sales		(382,477)	(326,353)
Gross profit		77,507	65,205
Other income and gains	4	100,546	16,734
Selling and distribution costs		(11,838)	(8,585)
Administrative expenses		(47,867)	(24,312)
Other expenses		(26,170)	(2,341)
Finance costs		(8,278)	(1,230)
Share of losses of associates		(712)	(1,812)
Share of loss of a jointly-controlled entity		(2,530)	—
PROFIT BEFORE TAX	5	80,658	43,659
Tax	6	495,160	(6,811)
PROFIT FOR THE PERIOD		575,818	36,848
Attributable to:			
Equity holders of the parent		572,990	37,518
Minority interests		2,828	(670)
		575,818	36,848
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	31.74 HK cents	9.50HK cents
Diluted		31.73 HK cents	N/A

CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	<i>Notes</i>	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	274,928	267,654
Investment properties		178,851	128,262
Prepaid lease payments		25,283	25,510
Goodwill		43,521	35,139
Interests in associates		32,588	33,300
Interest in a jointly-controlled entity		93,656	—
Convertible note receivable — loan portion		31,827	30,983
Available-for-sale equity investments		48,028	46,612
Properties under development	9	6,559,353	6,424,561
Total non-current assets		7,288,035	6,992,021
CURRENT ASSETS			
Properties under development held for sale	9	353,377	82,689
Land development rights		184,707	—
Completed properties for sale		7,628	1,365
Prepaid lease payments		655	639
Inventories		83,966	90,463
Trade receivables	10	220,965	117,519
Prepayments, deposits and other receivables		152,162	79,565
Equity investments at fair value through profit or loss		95,697	40,581
Conversion option derivative		3,693	1,743
Loans to associates		3,000	8,976
Tax recoverable		315	2,486
Due from a joint venture partner		—	39,676
Deposits with brokerage companies		662	344
Pledged time deposits		55,721	160,756
Cash and cash equivalents		535,653	1,151,788
Total current assets		1,698,201	1,778,590

CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	11	207,504	133,837
Other payables and accruals		200,652	147,853
Loans from minority shareholders of subsidiaries		23,394	8,000
Interest-bearing bank borrowings	12	452,272	591,689
Tax payable		22,480	22,015
Due to a related party		19,999	20,013
Consideration payable on acquisition of associates		—	3,000
Consideration payable on acquisition of subsidiaries		114,000	255,000
Total current liabilities		1,040,301	1,181,407
NET CURRENT ASSETS		657,900	597,183
TOTAL ASSETS LESS CURRENT LIABILITIES		7,945,935	7,589,204
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	232,759	126,295
Deferred tax liabilities, net		1,588,494	2,029,474
Total non-current liabilities		1,821,253	2,155,769
Net assets		6,124,682	5,433,435
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		180,538	180,538
Reserves		5,885,339	5,155,951
Proposed dividend		—	90,269
Minority interests		6,065,877	5,426,758
		58,805	6,677
Total equity		6,124,682	5,433,435

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month ended 30 June 2007

	Attributable to equity holders of the parent									
	Issued capital	Share premium account	Surplus account	Exchange fluctuation reserve	Retained profits	Share option reserve	Proposed final dividend	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007 (audited)	180,538	4,276,770	90,554	22,994	763,661	1,972	90,269	5,426,758	6,677	5,433,435
Exchange realignment recognised directly in equity	—	—	—	131,897	—	—	—	131,897	330	132,227
Profit for the period	—	—	—	—	572,990	—	—	572,990	2,828	575,818
Total income and expense for the period	—	—	—	131,897	572,990	—	—	704,887	3,158	708,045
Acquisition of shareholding of subsidiaries	—	—	—	—	—	—	—	—	33,576	33,576
Contributions from minority shareholders	—	—	—	—	—	—	—	—	15,394	15,394
Final 2006 dividend declared and paid	—	—	—	—	—	—	(90,269)	(90,269)	—	(90,269)
Equity — settled share option arrangement	—	—	—	—	—	24,501	—	24,501	—	24,501
At 30 June 2007 (unaudited)	180,538	4,276,770	90,554	154,891	1,336,651	26,473	—	6,065,877	58,805	6,124,682

	Attributable to equity holders of the parent									
	Issued capital	Share premium account	Surplus account	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2006 (audited)	39,395	199,901	90,554	183	226,059	23,637	579,729	3,652	583,381	
Profit for the period and total income and expense for the period ended 30 June 2006	—	—	—	—	37,518	—	37,518	(670)	36,848	
Final 2005 dividend declared and paid	—	—	—	—	—	(23,637)	(23,637)	—	(23,637)	
At 30 June 2006 (unaudited)	39,395	199,901	90,554	183	263,577	—	593,610	2,982	596,592	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(163,433)	(28,589)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(319,029)	69,692
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(123,222)	(3,186)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(605,684)	37,917
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	1,151,788	160,049
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(10,451)	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	535,653	197,966
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	414,093	42,181
Non-pledged time bank deposits with original maturity of less than three months when acquired	121,560	155,785
	535,653	197,966

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2007

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2007 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 (“HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2006.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and the basis of preparation adopted in preparing these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2006, except as described below.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and Interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial periods beginning on or after 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

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

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operation Segments ¹
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January 2009

² Effective for annual periods beginning on or after 1st March 2007

³ Effective for annual periods beginning on or after 1st January 2008

The Group is in the process of assessing the potential impact of these standards or interpretations but not yet in a position to determine whether these standards or interpretations will have a significant impact on how its results of operations and financial position are prepared and presented. These standards or interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2007

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Sales of packaging products segment	—	Manufacture and trading of watch boxes, gift boxes, spectacles cases, bags and pouches, display units and acrylic products
Sales of travel bags segment	—	Manufacture and trading of soft luggages, travel bags, backpacks and brief cases
Treasury investment segment	—	Investments in securities and convertible notes, and provision of financial services
Property development and investment segment	—	Development and investment of properties located in the Mainland China

BUSINESS SEGMENTS

The following tables present revenue and profit information regarding the Group's business segments for the six months ended 30 June 2007 and 2006, respectively.

For the six months ended 30 June 2007 — unaudited

	Sale of packaging products HK\$'000	Sale of travel bags HK\$'000	Treasury investment HK\$'000	Property development and investment HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers	188,345	254,258	7,258	10,123	459,984
Segment results	17,169	12,159	29,206	59,414	117,948
Unallocated corporate expenses					(35,706)
Unallocated corporate income					9,936
Share of losses of:					
Associates					(712)
A jointly-controlled entity				(2,530)	(2,530)
Finance costs					(8,278)
Profit before tax					80,658
Tax					495,160
Profit for the period					575,818

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2007

3. SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

For the six months ended 30 June 2006 — unaudited

	Sale of packaging products HK\$'000	Sale of travel bags HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	151,900	221,677	17,981	391,558
Segment results	18,893	1,113	23,856	43,862
Unallocated corporate expenses				(5,757)
Unallocated corporate income				8,692
Share of losses of associates				(1,812)
Finance costs				(1,326)
Profit before tax				43,659
Tax				(6,811)
Profit for the period				36,848

GEOGRAPHICAL SEGMENTS

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

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
North and South America	245,077	192,663
Europe	96,057	109,378
Hong Kong	67,083	64,668
PRC	24,111	—
Others	27,656	24,849
	459,984	391,558

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2007

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue		
Sale of goods	442,603	373,577
Sale of properties	1,112	—
Gross rental income	7,205	—
Realised gain on derecognition of investments held for trading	—	17,229
Gain on disposal of listed equity investments at fair value through profit or loss	5,259	—
Dividend income from listed investments	1,529	673
Dividend income from unlisted investments	680	—
Imputed interest income from convertible note receivable	1,596	79
	459,984	391,558
Other income and gains		
Interest income on bank deposits	14,232	4,280
Fair value gains on investments at fair value through profit or loss, net	11,421	5,168
Fair value gains on conversion option derivative	1,951	—
Gain arising from redemption of convertible note receivable	—	1,333
Gain on disposal of property, plant and equipment	81	—
Gain on disposal of a subsidiary	—	3,082
Write-back of impairment of trade receivables	1,858	—
Write-back of impairment of other receivables	50,866	—
Fair value gains on investment properties	16,531	1,330
Others	3,606	1,541
	100,546	16,734

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2007

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of inventories sold	292,395	265,765
Cost of properties sold	1,514	—
Depreciation	7,689	5,062
Impairment of goodwill	587	1,900
Amortisation on prepaid lease payments	235	318
Employee benefits expense (including directors' remuneration):		
— Salaries, wages and pensions	20,242	14,607
— Equity settled option expenses	24,501	—

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Group:		
Hong Kong		
— Current	6,950	6,811
— Overprovision in prior period	(1,480)	—
	5,470	6,811
Deferred	(500,630)	—
Total tax (credit)/charge for the period	(495,160)	6,811

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2007

6. TAX (continued)

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will be effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25%. Accordingly, the corporate income tax rate of the Group's subsidiaries in Mainland China will decrease from 33% to 25% on 1 January 2008 and thereafter. This reduction in the income tax rate will directly reduce the Group's effective tax rate prospectively from 2008.

According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the corporate income tax rate has increased tax credit of the current period and decreased deferred tax liabilities, both by HK\$506,271,143, for the six months ended 30 June 2007.

At the date of approval of these interim financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact of the New CIT Law on its operating results and financial positions of future periods as more detailed requirements are issued.

7. DIVIDENDS

During the six months ended 30 June 2007, a final dividend of HK\$0.05 per share for 2006, amounting to approximately HK\$90,269,000 (2006: HK\$0.06 per share for 2005, amounting to approximately HK\$23,637,000) was declared and paid to the shareholders. The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

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

The calculation of the basic earnings per share for the six months ended 30 June 2007 is based on the unaudited consolidated net profit from ordinary activities attributable to equity holders of the parent of HK\$572,990,000 (2006: HK\$37,518,000) and the weighted average of 1,805,382,258 (2006: 393,953,687) ordinary shares in issue during the periods.

The comparative amounts have been restated to reflect the consolidation of the Company's shares on 11 January 2007, where every ten shares of the Company of HK\$0.01 each were consolidated into one share of HK\$0.10 each.

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8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculation of diluted earnings per share amounts is based on the profit for the six months ended 30 June 2007 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the total of the number of ordinary shares in issue during the period of 1,805,382,258, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration of 729,145 on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

A diluted earning per share amount for the six months ended 30 June 2006 has not been disclosed as no diluting events existed during that period.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT/PROPERTIES UNDER DEVELOPMENT

During the six months ended 30 June 2007, the Group incurred approximately HK\$12,263,000 (2006: HK\$3,385,000) on the acquisition of property, plant and equipment.

During the six months ended 30 June 2007, the Group incurred approximately HK\$209,708,000 (2006: Nil) on the purchase of properties under development.

10. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within 1 month	115,558	68,531
1 to 2 months	47,513	26,528
2 to 3 months	31,047	15,327
Over 3 months	26,847	7,133
	220,965	117,519

The Group allows an average credit period of less than 90 days to its trade customers.

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11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within 1 month	74,234	55,788
1 to 2 months	55,540	40,748
2 to 3 months	31,319	12,330
Over 3 months	46,411	24,971
	207,504	133,837

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Discounted bills with recourse	41,064	34,509
Secured bank loan	643,967	683,475
	685,031	717,984
Portion classified as current liabilities	(452,272)	(591,689)
Long term portion	232,759	126,295

13. BUSINESS COMBINATION

On 2 April 2007, the Group entered into a sale and purchase agreement to acquire a 51% in the issued share capital of Theme Production House Limited ("Theme Production"), a company incorporated in Hong Kong, for a cash consideration of HK\$10 million. The transaction was completed on 4 April 2007. Theme Production is engaged in the business of the trading of acrylic products and point of sales display items.

The total consideration of HK\$10 million was satisfied in cash, of which HK\$1 million was paid during the period, and the remaining balance of HK\$9 million shall be paid after finalisation of the adjustment as referred to in the sale and purchase agreement.

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13. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of Theme Production as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition (Unaudited) HK\$'000	Carrying amount (Unaudited) HK\$'000
Property, plant and equipment	326	326
Inventories	111	111
Trade receivables	2,931	2,931
Tax receivables	201	201
Deposits	328	328
Cash and bank balances	3,001	3,001
Trade and other payables	(4,875)	(4,875)
	2,023	2,023
Minority interests	(992)	
Goodwill on acquisition	8,969	
Total consideration	10,000	
Satisfied by:		
Cash paid	1,000	
Consideration payable	9,000	
	10,000	

14. COMMITMENTS

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Capital expenditure contracted, but not provided for:		
— Property, plant and equipment	273	—
— Property development expenditure	78,744	27,906

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15. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

<i>Note</i>	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to associates	13,500	12,000
Guarantees in respect of mortgage facilities for certain customers <i>(i)</i>	30,643	29,740
	44,143	41,740

Note:

- (i) The Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Under the arrangement, in the event of default in mortgage payments by the purchasers, the Group is obliged to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the purchasers to the banks.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision for the guarantees has been made in the financial statements.

16. SHARE-BASED PAYMENT

The following share options were outstanding during the period:

Date of grant of share options*	Number of share options			Exercise period of share options	Exercise price of share options HK\$ per share	Closing price of the Company's shares ** HK\$ per share
	At 1 January 2007	Granted during the period	At 30 June 2007			
11-12-2006	8,100,000	—	8,100,000	01-01-2008 to 31-12-2017	4.95	4.90
11-12-2006	8,039,000	—	8,039,000	01-01-2009 to 31-12-2018	4.95	4.90
16-02-2007	—	6,000,000	6,000,000	01-01-2008 to 31-12-2017	4.81	4.67
19-04-2007	—	2,500,000	2,500,000	01-01-2008 to 31-12-2017	5.26	5.40
19-04-2007	—	2,500,000	2,500,000	01-01-2009 to 31-12-2018	5.26	5.40
27-04-2007	—	4,000,000	4,000,000	01-01-2008 to 31-12-2017	5.37	5.40
	16,139,000	15,000,000	31,139,000			

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The closing price of the Company's shares represents the Stock Exchange closing price on the trading day immediately prior to the date of grant of the share options.

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16. SHARE-BASED PAYMENT (continued)

The fair value of share options granted during the period was HK\$33,455,000. The Group recognised a share option expense of HK\$24,501,000 during the six months ended 30 June 2007 (2006: Nil).

The fair value of the share options granted during the period was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.58
Expected volatility (%)	57.96 to 58.15
Risk-free interest rate (%)	4.20 to 4.28

No other feature of the options granted was incorporated into the measurement of fair value.

17. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged certain of its assets as securities for banking facilities granted to the Group. The aggregate carrying values of the assets are listed below:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Property, plant and equipment	28,637	69,038
Investment properties	69,998	13,924
Leasehold interest in lands	3,120	2,839
Properties under development	3,123,483	4,195,215
Time deposits	46,588	160,756

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18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into transactions with related parties as follows:

- (a) Transactions with related parties

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Sales of goods to an associate	17	65
Sales of goods to a minority shareholder of a subsidiary	—	13,431

- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Short term employee benefits	4,533	4,006
Share-based payments	17,344	—
Total compensation paid to key management personnel	21,877	4,006

- (c) At 30 June 2007, the Group executed guarantees amounting to HK\$13,500,000 (31 December 2006: HK\$12,000,000) to banks as securities for banking facilities granted to its associates, the Technical Group.
- (d) Provision of buildings to a related party for the operation of a school at nil rental

The Group's buildings and prepaid lease payments with an aggregate carrying amount of approximately RMB15,428,000 were provided to a family member of a director of a subsidiary for the operation of a school at nil rental.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. POST BALANCE SHEET EVENTS

- (a) On 15 July 2007, the Group entered into an agreement to acquire a 60% equity interest in a company for a cash consideration of RMB45 million. The company owns a land bank in Mainland China scheduled for residential development with a total site area of approximately 333,335 square metres and a total gross floor area of approximately 1,000,005 square metres.
- (b) On 24 July 2007, the Group placed 360,000,000 new shares to independent investors at a price of HK\$8.10 per share, raising a proceed of approximately HK\$2,862 million to finance the Group's property development business and for general working capital.
- (c) On 8 August 2007, options were granted to certain directors and eligible employees of the Group to subscribe for a total of 12.9 million shares at an exercise price of HK\$8.73 per share.
- (d) On 17 August 2007, the Group participated in a joint venture, in which the Group has a 25% equity interest, with two other property developers in Hong Kong in acquiring by auction the land use right of a parcel of land in the Jiangbei District of Chongqing at a consideration of RMB4,180 million. The land site is approximately 205,086 square metres with a gross floor area of 1,029,879 square metres and is scheduled for development of residential/commercial projects.
- (e) On 5 September 2007, the Group entered into an agreement to acquire a 100% equity interest in a property development company registered in Chongqing, Mainland China which owns a piece of land in Yubei District of Chongqing with a net area of 146,825 square metres for property development purposes, with a gross floor area of approximately 338,806 square metres. The consideration for the acquisition amounted to RMB660 million.

20. COMPARATIVE AMOUNTS

During the period, the Group considered it more appropriate to reclassify certain income, gains and expenses information in order to better reflect the underlying nature of these income statement items. Accordingly, the relevant comparative amounts of these items on the face of the income statement and the related notes to the financial statements have been reclassified to conform with the current period's presentation.

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 21 September 2007.