



# C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1224

# 2008



INTERIM REPORT 2008

	<i>Page(s)</i>
Corporate Information	2
Management Discussion and Analysis	3
Disclosure of Interests	15
Corporate Governance and Other Information	20
Consolidated Income Statement	21
Consolidated Balance Sheet	22
Consolidated Statement of Changes in Equity	24
Condensed Consolidated Cash Flow Statement	25
Notes to the Condensed Consolidated Financial Statements	26
Disclosure under Rules 13.18 and 13.21 of the Listing Rules	40

## DIRECTORS

### *Executive directors*

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

### *Non-executive director*

Mr. Wong Yat Fai

### *Independent non-executive directors*

Mr. Lam Kin Fung Jeffrey  
Mr. Leung Yu Ming Steven  
Dr. Wong Lung Tak Patrick, JP

## AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey (*Chairman*)  
Mr. Leung Yu Ming Steven  
Dr. Wong Lung Tak Patrick, JP

## REMUNERATION COMMITTEE

Mr. Cheung Chung Kiu (*Chairman*)  
Dr. Lam How Mun Peter  
Mr. Lam Kin Fung Jeffrey  
Mr. Leung Yu Ming Steven  
Dr. Wong Lung Tak Patrick, JP

## 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

## BRANCH OFFICE

Rooms 3308-10  
China Resources Building  
26 Harbour Road  
Wanchai  
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 and Shanghai Banking Corporation Limited  
BNP Paribas  
Bank of Chongqing Co., Ltd.  
Bank of Communications Co., Ltd.

## 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

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

## STOCK CODE

1224

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 2008.

## BUSINESS 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. During the period under review, revenue for the Group increased by 4.3% to HK\$479.8 million (six months ended 30 June 2007: HK\$460.0 million). The profit attributable to equity holders attained during the period amounted to HK\$39.6 million (six months ended 30 June 2007: HK\$573.0 million which was mainly attributable to recording a tax credit of HK\$506.3 million in respect of deferred tax liabilities, due to the reduction of the corporate income tax rate applicable to the Group’s subsidiaries in China from 33% to 25% effective 1 January 2008). The current period’s operating expenses included non-recurring expenses arising from an equity-settled share option expense amounting to HK\$35.4 million (six months ended 30 June 2007: HK\$24.5 million) in respect of share options granted to certain directors, eligible employees of the Group and those who had contributed to the Group, exchange losses of HK\$39.0 million (six months ended 30 June 2007: Nil) due to the Renminbi appreciation in the conversion of Hong Kong dollars/US dollars registered capital into RMB working capital for the Group’s project companies, and expenses of HK\$2.9 million (attributable amount to the Group: HK\$1.7 million) in connection with the closure of a manufacturing facility. Excluding these non-recurrent and non-operational expenses, the profit attributable to equity holders for the period would have been HK\$115.7 million.

During the period, the Group focused on developing its property projects, and currently has a total of 13 projects in various stages of development. The total property sales of the Group recognised in the period was HK\$150.8 million (six months ended 30 June 2007: HK\$1.1 million) with a total GFA of about 47,500 sqm.

The revenues of the packaging business, luggage business and treasury investment business are HK\$205.8 million, HK\$116.7 million and HK\$0.4 million respectively.

Other incomes recorded a gain of a total of HK\$197.6 million (six months ended 30 June 2007: HK\$69.3 million) from the gain on disposal of partial interest in a subsidiary, recovery of receivables and fair value gains on investment properties.

The surge in oil prices has already fed into other commodities and raw materials. The prices of the manufacturing business’s major raw materials sustained a rapid rise throughout the current six months period. These cost increases could not be fully absorbed through raising sales prices due to stiff market conditions. Consequently, gross profit margins suffered during the period. The manufacturing business segment sustained a loss amounting to HK\$4.0 million (six months ended 30 June 2007: a profit of HK\$22.6 million). The treasury investment business reported a loss of HK\$3.4 million (six months ended 30 June 2007: a profit of HK\$19.2 million).

The increases in marketing and distribution costs, administrative expenses and finance costs are attributable to the expansion of the property business and increase in the number of projects under development during the first half of 2008.

Earnings per share for the period was 1.83 HK cents (six months ended 30 June 2007: 31.74 HK cents) and diluted earnings per share was 1.82 HK cents (six months ended 30 June 2007: 31.73 HK cents).

## PRC PROPERTY DEVELOPMENT AND INVESTMENT BUSINESS

The profit of the PRC property development and investment business for the six months period ended 30 June 2008 was HK\$66.8 million (six months ended 30 June 2007: HK\$560.7 million).

Despite the volatility of the global economy due to the US subprime mortgage crisis and the adoption of a series of macro-economic control policies by the Central Government, China's economy was able to achieve a steady growth. The central bank also raised the banks' reserve requirement ratio to try to mop up excess liquidity. On the other hand, interest rates have been kept relatively low to boost growth and employment. The policies of the Central Government are designed to prevent over-heating of the economy, and maintaining a healthy level of development in the real estate market.

As announced by the National Bureau of Statistics of China, the preliminary estimated GDP of China in the first half of 2008 was RMB13,061.9 billion, an year-on-year increase of 10.4% (after deducting price factors), which was 1.8 percentage points lower than the same period last year. This demonstrated the Central Government's success in bringing the growth rate of the Chinese economy to the right track. The Group believes that the implementation of such macro-control policies is necessary and effective for the continuous development of a healthy property market in China in the long run.

The Group continues its strategy to focus on its property business in Western China. The Central Government's "Go West" policy is aimed at stimulating the economic growth in Western China which, we believe, is one of the fastest growing regions in China. The recent Sichuan earthquake has affected market sentiments. On 30 June 2008, the State Council issued a document (No. 21) unveiling supportive measures for Sichuan's recovery from the earthquake. The supportive measures include lower down payment ratio, lower mortgage rate and tax deduction for home-buyers in the quake-affected areas. The earthquake has also alarmed the public regarding building safety and quality, thereby prompting the desire to upgrade to newer and safer homes. Given these factors, the Group believes the Sichuan property market will recover in the near term.

The July China Daily quoted that the Sichuan provincial authorities will begin construction in 2008 on three new rail lines — two intercity services between Chengdu and Dujiangyan, and Mianyang and Leshan (via Chengdu), and a long distance line between Chengdu and Lanzhou. Policies also will be carried out to help resettle earthquake-hit residents from rural areas to cities, and create more employment in urban areas to facilitate the relocation.

Furthermore, the GDP of Chongqing and Chengdu in the first half of 2008 increased by 15.2% and 11.2% respectively, much higher than the nation's average. A middle class is rapidly growing with money to spare on housing. The encouraging GDP growth and the increase in the household disposable income are providing the driving force for the growth in the property market of Chongqing and Chengdu. A concerted national effort is being made to make sure that the Sichuan Province recovers speedily from the devastating earthquake. The Directors believe the property market in Chongqing and Sichuan will continue to flourish in the coming years.

### Land Bank

As at 30 June 2008, the Group owns approximately 12.4 million sqm. (attributable interests of about 9.0 million sqm.) of quality land bank in Chongqing, Chengdu, the Sichuan Province, and Kunming. The Group won a competitive bid during the period for a site with a total GFA of 866,666 sqm. in Tongnanxian, Chongqing, at a total consideration of RMB156 million with an average price of RMB180/sqm. The site will be developed into residential property with a GFA of 780,000 sqm. and commercial property with a GFA of 86,666 sqm. approximately. This has increased the Group's total land bank reserves to a GFA of about 12.4 million sqm. (attributable GFA amounts to 9.0 million sqm.). This additional lot enables the Group to maintain a reasonably sized and well-priced land bank for sustained growth and reap the benefits of the medium and long term positive contributions of the property sectors in these territories.

The Group will exercise great caution in acquiring land banks with attractive upside development potential through the normal channels. The Group also sees great opportunity through merger or acquisition of target property development companies which may need fresh capital to relieve their tight cash flow positions.

As of 30 June 2008, the Group's total land bank stood at 12,605,719 sqm. 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	Properties held for Own Use	Completed Properties held for Sale	Land held for Development		Total GFA (sqm.)
	GFA (sqm.)	GFA (sqm.)	GFA (sqm.)	Total	Attributable	
Commercial	28,286	9,128	4,861	1,002,728	813,691	1,045,003
Residential	3,866		54,585	9,530,528	6,741,055	9,588,979
Office				368,201	353,201	368,201
Hotel & serviced apartment				267,968	178,692	267,968
Townhouse & villa				264,556	160,110	264,556
Others (Car-park spaces and other auxiliary facilities)	41,514	13,842	19,469	996,187	718,302	1,071,012
<b>Total</b>	<b>73,666</b>	<b>22,970</b>	<b>78,915</b>	<b>12,430,168</b>	<b>8,965,051</b>	<b>12,605,719</b>

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

Location	Total GFA (sqm.)	Attributable GFA (sqm.)	Percentage
Chongqing	7,748,042	6,094,420	62.4%
Sichuan			
— Chengdu	3,255,284	1,880,744	26.2%
— Pengshan	1,000,005	600,003	8.0%
— Dazhou	364,390	346,171	2.9%
Yunnan			
— Kunming	62,447	43,713	0.5%
<b>Total</b>	<b>12,430,168</b>	<b>8,965,051</b>	<b>100.0%</b>

## Property Development

### *Chongqing Projects*

**California One (加州壹號)** — The project comprises of apartments, an office block and car-parks with a total GFA of about 52,000 sqm. All units were sold, and will be delivered this year.

**No. 1 Peak Road (山頂道壹號)** — The project comprises of 692 high-end residential units with a total GFA of about 82,800 sqm. and car-park spaces of about 20,600 sqm. Construction has largely been completed and the project is currently launched for pre-sale and will be delivered this year.

**Verakin New Park City (同景國際城)** — A high-end multi-phased residential and commercial project with a total GFA of about 1.6 million sqm. of which the Group has a 51% interest. Zone B with a GFA of 77,322 sqm. was completed during the period. Construction for Zones G, H and I is ongoing. Zone G will provide 145,823 sqm. of residential and commercial property. As at 30 June 2008, a total GFA of about 45,700 sqm. was pre-sold. The second phase of the pre-sales of Zone G will commence in the third quarter of 2008. Zone H comprises 25,845 sqm. of town-house project. We expect to launch the pre-sale of these town-houses in the fourth quarter of 2008. Zone I comprises 150,195 sqm. of residential property. Pre-sales of these units is expected to commence in early March 2009. Zones G and H are expected to be completed in the second half of 2009, and Zone I, in early 2010.

**The Mansions on the Peak (御府)** — Construction work has started. The development provides around 46 villas with a total GFA of 52,020 sqm. By virtue of its location and quality, these villas will be the gem of residential products in the city centre of Chongqing, and are expected to be completed in early 2010.

**Lot # 15, 16 & 17-1** — The development would provide a planned GFA of 537,312 sqm. made up of residential and commercial units, and serviced apartments. The design plan has to be revised to comply with the government's request to lower the heights of several buildings adjacent to the villa project. Construction work is expected to commence by the end of 2008.

**Lot # 10-1** — A landmark development in our Yubei main land bank that provides a planned GFA of approximately 350,000 sqm., comprising an investment-grade shopping mall, a 5-star hotel with an associated serviced apartment block, several office towers, residential units and retail spaces. The master plan has been approved by the local authority. Construction is expected to commence in the fourth quarter of 2008. The first phase of the project is expected to be completed by 2010.

**i-City (愛都會)** — A three phased development project near the new Yubei train terminal which provides a GFA of 242,448 sqm. of mixed residential and commercial property. Construction of the first phase is in progress. Pre-sales will start by the end of the year. The first phase of the project is expected to be completed in 2010.

**Phoenix County (梧桐郡)** — A residential high-end townhouse project near the new Yubei train terminal with a total GFA of 338,806 sqm. The construction for the first phase of GFA 95,222 sqm. will start in early 2009 and is expected to be completed in 2010.

**Wanzhou Riverside (瑞昌·濱江壹號)** — Located in the Jiangnan New District in the Wanzhou District, the project will be developed into an integrated complex, consisting of commercial facilities, an office building and high-end residential property. Construction for the first phase of residential property with a GFA of approximately 50,000 sqm. will start in late 2008 and is expected to be completed in early 2010.

**Jiangbei Project** — A joint venture project with 25% interests along the north bank of the city center section of the Jialing River with a total GFA of about 1,240,000 sqm. to be developed into a high-end residential/commercial complex. Preliminary plans for the first phase with a GFA of about 180,000 sqm. have been submitted to the relevant government authority for approval. Construction of the first phase is expected to start at the end of 2008.

### Chengdu Projects

**Sky Villa (四海逸家)** — A residential project located in the Jinjiang District with a total GFA of around 413,273 sqm. Construction of the first three towers is in progress. The project is currently launched for pre-sales.

**Wen Jiang** — A suburban high-end project in Chengdu with a total GFA of 555,000 sqm. for the development of villas, townhouses, and low-rise apartment blocks. Construction work for Phase I will commence by the end of 2008.

### Kunming Project

**Silver Lining (雲都國際)** — The project in Kunming has a total GFA of 62,447 sqm., comprising residential, serviced apartments and commercial property, and construction is expected to commence in late 2008. The expected completion date is in 2010.

As of 30 June 2008, details of the projects held for development are as follows:

Locations/Project Names	Expected Completion Date	GFA (sqm.)	The Group's Interests
Chongqing, Yubei District			
— California One	2008	52,000	100.0%
— Phoenix County	2010 or after	338,806	100.0%
— i-City	2010 or after	242,448	100.0%
— 15, 16 & 17-1	2008-2012	969,020	100.0%
— 10-1	2011 or after	349,962	100.0%
— 9	2011 or after	364,433	100.0%
— 6-1	2011 or after	84,747	100.0%
— 19	2011 or after	382,770	100.0%
— 4	2011 or after	596,374	100.0%
— 3-1	2011 or after	301,288	100.0%
— Others	2011 or after	131,613	100.0%
Chongqing, Jiangbei District			
— Huaxin Street, Jie Dao Qiao Bei Village and No. 1 Zhongxin Section	2011 or after	1,240,000	25.0%
Chongqing, Nan'an District			
— Verakin New Park City	2009-2016	1,476,781	51.0%
Chongqing, Wanzhou District			
— Wanzhou Riverside	2010 or after	351,134	100.0%
Chongqing, Tongnanxian			
	2011 or after	866,666	100.0%
Chengdu, Dujiangyan District			
	2011 or after	61,000	100.0%
Chengdu, Jintang County			
	2011 or after	2,226,011	60.0%



Locations/Project Names	Expected Completion Date	GFA (sqm.)	The Group's Interests
Chengdu, Jinjiang District — Sky Villa	2010 or after	413,273	50.0%
Chengdu, Wen Jiang	2010 or after	555,000	50.0%
Meishan, Pengshan County — Binjiang New Town	2011 or after	1,000,005	60.0%
Sichuan, Dazhou, Tongchuan District	2011 or after	364,390	95.0%
Kunming, Silver Lining	2010 or after	62,447	70.0%
<b>Total</b>		<b>12,430,168</b>	

In the period under review, the Zone B of Verakin New Park City is completed with a GFA of 77,322 sqm. The total GFA of the Group expected to be completed in the second half of 2008, in 2009 and the first half of 2010 are approximately 152,000 sqm. and 165,000 sqm. and 500,000 sqm. respectively.

During the period, the Group had pre-sold a total of approximately 51,200 sqm. GFA of residential and commercial properties, which has generated sales of RMB227.4 million. The recognition of these sales will depend on completion of construction, the issue of occupation permits and delivery to the new owners.

The breakdown for the contracted sales in the first half of 2008 is as follows:

Project	Approximate Contracted Sales Area (sqm.)	Approximate Contracted Sales Revenue (RMB'000)	Approximate Contracted Average Selling Price (RMB/sqm.)
No. 1 Peak Road	3,150	16,900	5,365
California One	2,400	7,500	3,125
Verakin New Park City	45,650	203,000	4,447
<b>Total</b>	<b>51,200</b>	<b>227,400</b>	<b>4,441</b>

## Investment Property

The Group will continue to retain premium properties with excellent potential for capital appreciation as long term investments. The portfolio will generate stable recurrent income and cash flow to achieve a better balance in revenue and stability in income streams.

## Completed Investment Properties

The total book value of the Group's investment properties amounted to HK\$234.7 million as at 30 June 2008, comprising an aggregate GFA of 73,666 sqm. The portfolio comprises properties of diversified usage: Commercial (38.4%), Residential (5.2%) and Car-park spaces (56.4%). The prime locations of the Group's investment properties are responsible for the high overall occupancy rate at over 75%. Rental income during the period amounted to

HK\$5.9 million (30 June 2007: HK\$7.2 million). According to an appraisal conducted by an independent valuer, the investment properties contributed a revaluation gain of HK\$25.9 million during the period under review. The revaluation gain confirms the property price in Chongqing is in the upward trend.

A summary breakdown of the investment properties is shown below:

Property Location	Usage	Attributable GFA (sqm.)	Occupancy Rate	The Group's Interest
California Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	22,060	52.1%	100%
	Residential	3,866	13.8%	100%
	Car Park	15,646	100.0%	100%
California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	4,685	81.2%	100%
	Car Park	12,094	100.0%	100%
Kechuang Building, Longxi Town, Yubei District, Chongqing, PRC	Car Park	2,823	100.0%	100%
Huijingtai, Longxi Town, Yubei District, Chongqing, PRC	Commercial	1,541	6.5%	100%
	Car Park	10,951	100.0%	100%
<b>Total</b>		<b>73,666</b>		

### Investment Properties under Development

With the recently awarded Special Economic Zone status for Chongqing and Chengdu, which translates into massive Central Government's spending in Chongqing's infrastructures, preferential tax policies, and other supportive measures, we expect many large overseas corporations to be attracted to the region. A new Third New District is expected to be created in the Chongqing's New North Zone in the vicinity of the Group's main landbank. This district will enjoy the same privileges which have been accorded to Pudong of Shanghai, and the Binhai District of Tianjin. The property leasing market thus looks extremely promising. Careful studies will be performed by the Group in order to maintain a balanced portfolio of properties developed for sale and held for investments.

In the 11th Five Year Plan, the Chongqing Municipal Government encourages intensive development in urban areas, and the northern part of Chongqing is the ideal site for the new city centre. Being the "North Window" of Chongqing, the Yubei District is strategically important in the whole development blueprint of Chongqing. The Group's core land bank in the Yubei District is situated right at the heart of the Yubei District of Chongqing, a district where the regional government administration offices, major highway junctions and a new rail transportation hub are located. The land bank has been earmarked for development as separate but interlinked projects, consisting of hotels, commercial and residential complexes. In view of the prime location of these projects, the Group intends

to keep the trophy commercial properties for rental purposes and is expected to build up the investment property portfolio in the coming four years. Once completed, this portfolio will form a solid base of recurrent rental income and cash flow for the Group.

### SOCIAL RESPONSIBILITY

Being one of the leading property developers in the Western part of China, the Group has the responsibility of providing supports and assistance to the victims of Sichuan Earthquake. The Group has made a total donation of HK\$7.1 million for quake relief purposes, out of which, HK\$5.6 million was for the rebuilding of two primary schools, one each in Chongqing and Sichuan.

### MANUFACTURING BUSINESS

The financial year 2008 is challenging for our manufacturing business. The sub-prime mortgage crisis together with the escalating fuel costs have dampened consumer spending. The strengthening Renminbi, surging material and labour costs, and stringent China labour law requirements, have put pressure on the profitability of the manufacturing business, while market competition remained stiff. Customers are slow to accept price increases although they realize that this is inevitable for all manufacturing businesses to survive.

Despite these challenges, the packaging business reported a revenue of HK\$205.8 million, representing a growth of HK\$17.5 million or 9.3% over the six months period ended 30 June 2007. The revenue from the luggage business declined by 54.1% to HK\$116.7 million due to underperformance in the US market. Segmental contribution to the Group for the packaging and luggage business amounted to a profit of HK\$9.9 million and a loss of HK\$12.2 million respectively.

#### Packaging Business

Turnover from the packaging business was approximately HK\$205.8 million for the six months ended 30 June 2008, representing an increase of approximately 9.3% as compared to the same period last year. Despite intense market competition and rising operating costs, the Group continued to maintain modest growth mainly attributable to a strong growth in export sales to Europe. However, the packaging business had been adversely affected by the spikes in material prices at an unusual fast pace. Coupled with the stringent China labour laws coming into effect in the period, the sudden surge in material costs had significantly affected the profitability of the packaging business. The profit for the six months period ended 30 June 2008 was HK\$9.9 million, a decrease of 45.3% from the same period last year.

#### Luggage Business

A loss of HK\$12.2 million was recorded for the six months ended 30 June 2008 compared to last year's net profit of HK\$5.9 million. The loss had included expenses amounting to HK\$2.9 million which were not recurrent in nature relating to the closure of the production facility in Dongguan.

A weaker than expected sales to US customers had resulted in the revenue declining by 54.1% to HK\$116.7 million. It was caused by an existing customer reducing its order maximum limit with each of its suppliers due to a change in its internal policy. Optimistic sales projections also led to higher overheads and operating costs, resulting in operational inefficiency which further impacted profitability.

The Management moved swiftly to identify and address the problems, so that the situation was successfully brought under control. A comprehensive improvement programme was put in place to modify the production processes, raising productivity and tighten cost control. The Group has also decided to centralize its manufacturing plant in Suzhou which ultimately reduces operating costs and overheads to bring them in line with the level of sales. The Dongguan plant was closed down in the third quarter of 2008.

The luggage business will continue to focus on developing new customer sources. Greater emphasis will be put on product development. Subsequent to the ratification measures, we expect the profitability of the luggage business to return in the fourth quarter of 2008. It is expected that the turnover will revert to a growth pattern in the financial year 2009.

## **Other Business**

The share of loss from the 30% owned associated company, Technical International Holdings Limited, amounted to HK\$2.1 million (six months ended 30 June 2007: HK\$0.7 million). This is acceptable due to the seasonal fluctuations in the trading nature of its business, which historically attains higher turnovers and profits in the second half year.

## **TREASURY INVESTMENT BUSINESS**

The Group's treasury investment segment recorded a loss for the period of HK\$3.4 million (six months ended 30 June 2007: profit of HK\$19.2 million) representing unrealized losses triggered by the global downturn of the capital markets. The investment policy remains conservative and the positive return should prevail in the medium term.

## **PROSPECTS**

### **PRC Property Development and Investment Business**

Despite the struggling global economy, China's economy was able to achieve steady growth. The economic outlook of China in 2008 is expected to remain optimistic under the sustainable growth. In the first half of 2008, the per capita disposable income of urban residents achieved a year-on-year growth of 14.4%, or a real growth of 6.3% after deducting price factors. The cash income of rural residents is up by 19.8%, representing a real growth of 10.3%. We believe the steady economic growth would stimulate the demand for residential and commercial properties in medium and long term.

We are confident of the long-term growth and strength of the property market. The low base numbers, the huge genuine housing demand and the relatively low level of speculation in Western China mean a lower risk for the developers in the region. The increased urbanization rate is also a strong positive factor. These are the reasons for the relatively stable property prices in the property market in these regions.

To ensure that all projects are developed to the highest standards, the Group has taken on a team of highly qualified and experienced project managers especially in the sector of commercial and retail development projects to strengthen the corporate infrastructure, and has spared no efforts in enlisting the services of internationally renowned architects, town planners and designers. The sales and marketing teams have also been expanded to meet the demands in both Chongqing and Chengdu.

## Manufacturing Business

Because of the credit and the subprime mortgage crisis, the US and many European economies have slowed. It is still uncertain whether inflation which impacts on consumer spending is on the march again. The recent jump in both Europe and the US is largely confined to the surging prices of oil and food. Excluding these costs, the core rates of inflation are little higher than a year ago. The rise in inflation may be temporary if commodity prices could be stabilized. Its risk may also be tempered by the slowdown already affecting the US and the European economies.

Apart from the above, the Group also faces potential challenges from rising material and labour costs, and the rise in the RMB against the Hong Kong dollars, which increase our production and operating costs.

To mitigate the effects of these challenges, the Group has taken actions to better position us to rationalize our marketing strategy and to further strengthen control on production cost. Measures and restructuring plans were carried out with the goal of maximizing productivity and efficiency of the manufacturing business.

The Group will continue to enhance its strategic partnership with existing customers through strong design support and product development which will offer the Group new revenue and profit growth. Simultaneously, we are continuously exploring new potential customers who appreciate our quality products.

The Group expects the momentum for the packaging business to continue in the financial year 2008. However, it may be affected if a further slowdown in the overseas economies occurs, where customers will be unwilling to commit to large orders or long term contract. The packaging business will have to pass cost increases onto customers to rebuild margins by raising prices. Product ranges will be expanded to provide a platform for our future growth.

The luggage industry is still in an uptrend. However, the luggage business has to compete with low-cost producers, and is made tougher by a strong RMB currency. In order to minimize the impact from fierce price competition and the emergence of new players who launch low-end products at aggressive prices, the Group is taking an active role to source and negotiate with suppliers and subcontractors for a system which can stabilize the Group's performance. The luggage business will work to maintain margins through strict cost control and work closely with material suppliers. The luggage business is also prepared to produce higher-end products to capture the opportunities in the upper market segment and to earn higher gross margin. The Group will strive to re-establish its competitive edge, with concerted effort from its manufacturing and network, complemented by its own extensive experience in the industry.

## FINANCIAL REVIEW

### Investments

At 30 June 2008, the Group held a portfolio of listed securities with a market value of HK\$18.8 million (31 December 2007: HK\$34.0 million) and a convertible note of HK\$33.2 million (31 December 2007: HK\$34.7 million) issued by a company listed on The Stock Exchange of Hong Kong Limited. The amount of dividends, interest and other income from investments for the period was HK\$1.6 million (six months ended 30 June 2007: HK\$5.8 million). The unrealized holding loss on listed securities reflected in the current period amounted to HK\$2.5 million (six months ended 30 June 2007: unrealized holding gain of HK\$11.4 million). The Group's PRC subsidiary has investments in equity securities held for long term purpose amounting to HK\$227.6 million (31 December 2007: HK\$426.2 million).

## Borrowings and Financial Leverage

Of the Group's total borrowings as at 30 June 2008, HK\$890.6 million (representing approximately 35.5%) was repayable within one year, HK\$458.4 million (representing approximately 18.3%) was repayable between one to two years and HK\$1,157.6 million (representing approximately 46.2%) was repayable between two to five years. Secured debt accounted for approximately 45.7% of total borrowings as at 30 June 2008.

As of 30 June 2008, the net gearing ratio for the Group was 7.3% based on net borrowings of HK\$745.9 million and shareholders' equity of HK\$10,244.7 million.

Total foreign currency borrowings (excluding RMB borrowings) amounted to the equivalent of HK\$27.4 million and RMB borrowings amounted to the equivalent of HK\$1,144.8 million. Foreign exchange exposure for the Group is relatively small compared to its total asset base.

Taking into account the financial resources available to the Group, the Group had total undrawn bank loan facilities of HK\$654 million and cash on hand of HK\$1,760.7 million as at 30 June 2008.

## Contingent Liabilities

At 30 June 2008, the Group had the following contingent liabilities:

- a. Guarantees given to banks in connection with facilities granted to an associate in the amount of HK\$13.5 million (31 December 2007: HK\$13.5 million).
- b. Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of HK\$288.1 million (31 December 2007: HK\$231.5 million).

## Pledge of Assets

At 30 June 2008, the Group has pledged the followings:

- a. Leasehold properties as security for general banking facilities granted to the Group. HK\$6.0 million
- b. Fixed deposits as security for general banking facilities granted to the Group. HK\$328.2 million
- c. Properties under development, prepaid lease payments and investment properties pledged to secure banking facilities granted to the Group and a related company of the Group's former joint venture partner. RMB3,320.1 million

## Exchange Risks

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

## Post Balance Sheet Event

On 10 July 2008, options to subscribe for a total of 17.62 million shares with an exercise price of HK\$5.27 per share were offered to replace options granted to certain directors, eligible employees of the Group and those who had contributed to the Group during the period from August 2007 to March 2008 at exercise prices ranging from HK\$7.02 to HK\$15.34 per share.

## EMPLOYEES

At 30 June 2008, the Group had approximately 6,574 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 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 1,760,000 shares in total at exercise prices of HK\$7.02 and HK\$11.3 per share respectively were granted on even dates under the share option scheme to certain employees of the Group. Total fair value of these share options granted was approximately HK\$7.7 million. For the six months ended 30 June 2008, an amount of HK\$32.1 million was charged off as equity-settled share option expense to the income statement.

Pursuant to a resolution of the Board on 10 July 2008, share options granted to certain directors and eligible employees to subscribe for 16,120,000 shares with exercise prices ranging from HK\$7.02 to HK\$15.34 per share were replaced by the issue of options at equal number and terms at an exercise price of HK\$5.27.

## INTERIM DIVIDEND

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

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

As at 30 June 2008, 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"), were as follows:

**(a) Interests in shares of the Company (long positions)**

<b>Name of directors</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of issued share capital</b>
Mr. Cheung Chung Kiu	Corporate ( <i>Notes 1 &amp; 2</i> )	1,289,120,207	59.48%
Dr. Lam How Mun Peter	Personal	11,000	0.00%
Mr. Leung Chun Cheong	Personal	534,000	0.02%
Ms. Poon Ho Yee Agnes	Personal	104,000	0.00%
Dr. Wong Kim Wing	Personal	250,000	0.01%

**(b) Interests in share options of the Company (long positions)**

<b>Name of directors</b>	<b>Nature of interest</b>	<b>Number of share options granted and not yet exercised</b>	<b>Approximate percentage of issued share capital</b>
Dr. Lam How Mun Peter	Personal	21,539,000	0.99%
Mr. Leung Chun Cheong	Personal	1,500,000	0.07%
Mr. Leung Wai Fai	Personal	3,000,000	0.14%
Ms. Poon Ho Yee Agnes	Personal	2,000,000	0.09%
Dr. Wong Kim Wing	Personal	2,000,000	0.09%
Mr. Wu Hong Cho	Personal	1,800,000	0.08%

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



### **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 a 100% beneficial interest. As at 30 June 2008, 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. As at 30 June 2008, HK\$1.20 at the principal amount remained outstanding on the convertible note.

#### *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 44.06%). 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.

1,034,880,571 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 2008, 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 required 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.

## 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 participants	Number of share options					At 30 June 2008	Date of grant*	Exercise period	Exercise price** HK\$ per share	Closing price immediately before date of grant HK\$ per share
	At 1 January 2008	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period					
<b>Directors</b>										
Lam How Mun Peter	2,000,000	—	—	—	—	2,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	1,939,000	—	—	—	—	1,939,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	6,000,000	—	—	—	—	6,000,000	16-02-2007	01-01-2008 to 31-12-2017	4.81	4.67
	2,000,000	—	—	—	—	2,000,000	19-04-2007	01-01-2008 to 31-12-2017	5.26	5.40
	2,000,000	—	—	—	—	2,000,000	19-04-2007	01-01-2009 to 31-12-2018	5.26	5.40
	4,000,000	—	—	—	—	4,000,000	27-04-2007	01-01-2008 to 31-12-2017	5.37	5.40
	1,800,000	—	—	—	—	1,800,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	1,800,000	—	—	—	—	1,800,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	21,539,000	—	—	—	—	21,539,000				
Leung Chun Cheong	500,000	—	(500,000) <sup>1</sup>	—	—	—	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	500,000	—	—	—	—	500,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	—	—	—	—	500,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	500,000	—	—	—	—	500,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	2,000,000	—	(500,000)	—	—	1,500,000				
Leung Wai Fai	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	—	—	—	—	500,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	500,000	—	—	—	—	500,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	3,000,000	—	—	—	—	3,000,000				
Poon Ho Yee Agnes	500,000	—	—	—	—	500,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	500,000	—	—	—	—	500,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	—	—	—	—	500,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	500,000	—	—	—	—	500,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	2,000,000	—	—	—	—	2,000,000				
Wong Kim Wing	1,000,000	—	—	—	—	1,000,000	29-10-2007	03-01-2009 to 02-01-2019	15.22	14.82
	1,000,000	—	—	—	—	1,000,000	29-10-2007	03-01-2010 to 02-01-2020	15.22	14.82
	2,000,000	—	—	—	—	2,000,000				

# DISCLOSURE OF INTERESTS

## SHARE OPTIONS (Continued)

Name or category of participants	Number of share options					At 30 June 2008	Date of grant*	Exercise period	Exercise price** HK\$ per share	Closing price immediately before date of grant HK\$ per share
	At 1 January 2008	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period					
Wu Hong Cho	400,000	—	—	—	—	400,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	400,000	—	—	—	—	400,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	—	—	—	—	500,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	500,000	—	—	—	—	500,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	1,800,000	—	—	—	—	1,800,000				
<b>Employees</b>										
In aggregate	2,700,000	—	(1,175,000) <sup>2</sup>	—	—	1,525,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	2,700,000	—	—	—	(50,000)	2,650,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	500,000	—	(300,000) <sup>1</sup>	—	—	200,000	19-04-2007	01-01-2008 to 31-12-2017	5.26	5.40
	500,000	—	—	—	—	500,000	19-04-2007	01-01-2009 to 31-12-2018	5.26	5.40
	1,900,000	—	—	—	—	1,900,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	1,900,000	—	—	—	—	1,900,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	200,000	—	—	—	—	200,000	29-10-2007	30-01-2009 to 29-01-2019	15.22	14.82
	200,000	—	—	—	—	200,000	29-10-2007	30-01-2010 to 29-01-2020	15.22	14.82
	280,000	—	—	—	—	280,000	02-11-2007	18-02-2009 to 17-02-2019	15.34	15.72
	280,000	—	—	—	—	280,000	02-11-2007	18-02-2010 to 17-02-2020	15.34	15.72
	—	800,000	—	—	—	800,000	03-01-2008	28-03-2009 to 27-03-2019	11.30	11.20
	—	800,000	—	—	—	800,000	03-01-2008	28-03-2010 to 27-03-2020	11.30	11.20
	—	80,000	—	—	—	80,000	25-03-2008	01-04-2010 to 31-03-2020	7.02	5.77
—	80,000	—	—	—	80,000	25-03-2008	01-04-2011 to 31-03-2021	7.02	5.77	
11,160,000	1,760,000	(1,475,000)	—	(50,000)	11,395,000					
<b>Others</b>										
In aggregate	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2008 to 31-12-2017	4.95	4.90
	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2009 to 31-12-2018	4.95	4.90
	750,000	—	—	—	—	750,000	08-08-2007	01-07-2008 to 30-06-2018	8.73	8.51
	750,000	—	—	—	—	750,000	08-08-2007	01-07-2009 to 30-06-2019	8.73	8.51
	3,500,000	—	—	—	—	3,500,000				
<b>Total</b>	<b>46,999,000</b>	<b>1,760,000</b>	<b>(1,975,000)</b>	<b>—</b>	<b>(50,000)</b>	<b>46,734,000</b>				

### Notes:

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

<sup>1</sup> The weighted average closing price of the shares immediately before the exercise date of the options was HK\$11.20.

<sup>2</sup> The weighted average closing price of the shares immediately before the respective exercise dates of the options was HK\$8.89.

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2008, 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 shareholders	Capacity	Number of shares held (long positions)	Approximate percentage of issued share capital
Regulator	Beneficial interest	254,239,636 (Note 1)	11.73%
Yugang International (B.V.I.) Limited ("Yugang-BVI")	Interest of controlled corporation	254,239,636 (Note 1)	11.73%
Yugang	Interest of controlled corporation	254,239,636 (Note 1)	11.73%
Chongqing	Interest of controlled corporation	254,239,636 (Note 1)	11.73%
Palin Holdings Limited ("Palin")	Interest of controlled corporation	254,239,636 (Note 1)	11.73%
Thrivetrade	Beneficial interest	1,034,880,571 (Note 2)	47.75%
Indus Capital Partners, LLC	Investment manager	111,810,000	5.16%
Sheldon Fenton Kasowitz	Interest of controlled corporation	111,810,000	5.16%
David Nathan Kowitz	Interest of controlled corporation	111,810,000	5.16%
Gandhara Master Fund Limited	Investment manager	129,270,000	5.96%

## 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 44.06%. 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 2008, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under Section 336 of the SFO.

### CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2008, except for the deviation from Code Provision A.4.1, which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing non-executive directors of the Company are appointed for a specific term. Instead, the tenure of non-executive directors is governed by the Company’s Bye-laws, which requires a director to retire by rotation at the annual general meeting at least once every three years. A retiring director is eligible for re-election. 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.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2008.

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

During the six months ended 30 June 2008, 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 2008.

### 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 their continued support in future.

By order of the Board

**Lam How Mun Peter**

*Deputy Chairman & Managing Director*

Hong Kong, 12 September 2008

# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	Six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>REVENUE</b>	3, 4	<b>479,831</b>	459,984
Cost of sales		<b>(444,242)</b>	(382,477)
Gross profit		<b>35,589</b>	77,507
Other income and gains	4	<b>225,017</b>	100,546
Selling and distribution costs		<b>(25,139)</b>	(11,838)
Administrative expenses		<b>(106,703)</b>	(47,867)
Other expenses		<b>(81,917)</b>	(26,170)
Finance costs		<b>(18,687)</b>	(8,278)
Share of losses of associates		<b>(2,098)</b>	(712)
Share of losses of jointly-controlled entities		<b>(8,361)</b>	(2,530)
<b>PROFIT BEFORE TAX</b>	5	<b>17,701</b>	80,658
Tax	6	<b>6,559</b>	495,160
<b>PROFIT FOR THE PERIOD</b>		<b>24,260</b>	575,818
Attributable to:			
Equity holders of the parent		<b>39,620</b>	572,990
Minority interests		<b>(15,360)</b>	2,828
		<b>24,260</b>	575,818
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic		<b>1.83HK cents</b>	31.74HK cents
Diluted		<b>1.82HK cents</b>	31.73HK cents

# CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	<i>Notes</i>	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	295,798	284,911
Investment properties		234,677	197,250
Prepaid lease payments		1,292,651	25,061
Goodwill		39,259	39,259
Interests in jointly-controlled entities		1,274,662	894,452
Interests in associates		34,234	36,333
Convertible note receivable — loan portion		33,134	32,859
Available-for-sale equity investments		227,624	426,174
Properties under development	9	8,762,528	7,804,480
Interests in land use rights for property development	9	820,516	2,060,442
Pledged time deposits		325,000	611,572
<b>Total non-current assets</b>		<b>13,340,083</b>	<b>12,412,793</b>
<b>CURRENT ASSETS</b>			
Properties under development held for sale	9	925,713	710,300
Completed properties for sale		267,925	158,871
Land development rights		296,803	290,358
Prepaid lease payments		29,693	657
Inventories		86,205	82,437
Trade receivables	10	130,219	147,842
Prepayments, deposits and other receivables		514,035	294,789
Equity investments at fair value through profit or loss		18,816	34,022
Conversion option derivative		88	1,858
Tax recoverable		24,123	9,515
Deposits with brokerage companies		13,506	12,748
Pledged time deposits		3,155	135,542
Restricted bank balances		11,587	28,594
Cash and cash equivalents		1,420,957	1,947,116
<b>Total current assets</b>		<b>3,742,825</b>	<b>3,854,649</b>

# CONSOLIDATED BALANCE SHEET

As at 30 June 2008

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	Notes		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	417,412	471,613
Other payables and accruals		801,841	704,650
Loans from minority shareholders of subsidiaries		50,065	48,274
Interest-bearing bank and other borrowings	12	890,557	734,972
Tax payable		23,689	27,092
Due to a related party		20,000	19,970
Consideration payable on acquisition of subsidiaries		8,100	55,000
Consideration payable on acquisition of group of assets		—	542,372
<b>Total current liabilities</b>		<b>2,211,664</b>	<b>2,603,943</b>
<b>NET CURRENT ASSETS</b>		<b>1,531,161</b>	<b>1,250,706</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>14,871,244</b>	<b>13,663,499</b>
<b>NON-CURRENT LIABILITIES</b>			
Consideration payable on acquisition of a subsidiary		—	2,000
Interest-bearing bank and other borrowings	12	1,616,010	918,639
Deferred tax liabilities, net		2,167,360	2,088,558
<b>Total non-current liabilities</b>		<b>3,783,370</b>	<b>3,009,197</b>
<b>Net assets</b>		<b>11,087,874</b>	<b>10,654,302</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		216,736	216,538
Reserves		10,027,917	9,521,430
Proposed dividend		—	108,315
		<b>10,244,653</b>	<b>9,846,283</b>
<b>Minority interests</b>		<b>843,221</b>	<b>808,019</b>
<b>Total equity</b>		<b>11,087,874</b>	<b>10,654,302</b>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month ended 30 June 2008

	Attributable to equity holders of the parent											
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Surplus account (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Available-	Retained profits (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	
					for-sale							investment
					revaluation reserve (Unaudited) HK\$'000							revaluation reserve (Unaudited) HK\$'000
At 1 January 2008	216,538	7,102,561	90,554	408,365	282,203	1,560,841	76,906	108,315	9,846,283	808,019	10,654,302	
Exchange realignment	—	—	—	591,980	—	—	—	—	591,980	52,522	644,502	
Fair value changes on available-for-sale equity investments	—	—	—	—	(170,228)	—	—	—	(170,228)	—	(170,228)	
Total income and expense recognised directly in equity	—	—	—	591,980	(170,228)	—	—	—	421,752	52,522	474,274	
Profit for the period	—	—	—	—	—	39,620	—	—	39,620	(15,360)	24,260	
Total income and expense for the period	—	—	—	591,980	(170,228)	39,620	—	—	461,372	37,162	498,534	
Issue of shares	198	14,526	—	—	—	—	(4,855)	—	9,869	—	9,869	
Final 2007 dividend declared	—	—	—	—	—	—	—	(108,315)	(108,315)	—	(108,315)	
Dividend paid to minority shareholder	—	—	—	—	—	—	—	—	—	(1,960)	(1,960)	
Equity-settled share option arrangements	—	—	—	—	—	—	35,444	—	35,444	—	35,444	
At 30 June 2008	216,736	7,117,087*	90,554*	1,000,345*	111,975*	1,600,461*	107,495*	—	10,244,653	843,221	11,087,874	

\* These reserve accounts comprise the consolidated reserves of HK\$10,027,917,000 (31 December 2007: HK\$9,521,430,000) in the consolidated balance sheet.

	Attributable to equity holders of the parent											
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Surplus account (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000		
											Available-	investment
											for-sale	revaluation reserve (Unaudited) HK\$'000
At 1 January 2007	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	—	—	—	—	—	—	(90,269)	(90,269)	—	(90,269)		
Equity-settled share option arrangements	—	—	—	—	—	24,501	—	24,501	—	24,501		
At 30 June 2007	180,538	4,276,770	90,554	154,891	1,336,651	26,473	—	6,065,877	58,805	6,124,682		

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,374,615)	(163,433)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	64,537	(319,029)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	679,167	(123,222)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(630,911)	(605,684)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	1,947,116	1,151,788
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	104,752	(10,451)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,420,957	535,653
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	669,287	414,093
Non-pledged time deposits with original maturity of less than three months when acquired	751,670	121,560
	1,420,957	535,653

## 1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 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 (“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 unaudited 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 for the year ended 31 December 2007.

## 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 methods of computation adopted in the preparation of 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 2007 and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs, and Interpretations) issued by HKICPA, except that the Group has in the current period applied, for the first time, the following new HKFRS. The adoption of this new HKFRS has had no significant impact on the Group’s unaudited interim condensed consolidated financial statements.

HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
------------------	---

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

HKFRS 2 Amendments	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>
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>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>2</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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

## 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, and display units

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 Mainland China

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 3. SEGMENT INFORMATION (continued)

### Business segments

The following tables present revenue and profit information regarding the Group's business segments for the six months ended 30 June 2008 and 2007.

#### For the six months ended 30 June 2008 — unaudited

	Sale of packaging products <i>HK\$'000</i>	Sale of travel bags <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	205,831	116,746	356	156,898	479,831
Segment results	11,297	(11,329)	(4,093)	93,376	89,251
Unallocated corporate expenses					(89,963)
Unallocated corporate income					47,559
Share of losses of:					
Associates					(2,098)
Jointly-controlled entities				(8,361)	(8,361)
Finance costs					(18,687)
Profit before tax					17,701
Tax					6,559
Profit for the period					24,260

#### For the six months ended 30 June 2007 — unaudited

	Sale of packaging products <i>HK\$'000</i>	Sale of travel bags <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

**3. SEGMENT INFORMATION** *(continued)***Geographical segments**

The following table provides an analysis of the Group's revenue by geographical segments based on location of customers, irrespective of the origin of the goods:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	<b>165,965</b>	24,111
Europe	<b>114,136</b>	96,057
North and South America	<b>102,101</b>	245,077
Hong Kong	<b>73,378</b>	67,083
Others	<b>24,251</b>	27,656
	<b>479,831</b>	459,984

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	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Revenue</b>		
Sale of goods	322,577	442,603
Sale of properties	150,753	1,112
Gross rental income	5,946	7,205
Gain/(loss) on disposal of listed equity investments at fair value through profit or loss	(1,089)	5,259
Dividend income from listed investments	619	1,529
Dividend income from unlisted investments	—	680
Imputed interest income from convertible note receivable	1,025	1,596
	<b>479,831</b>	<b>459,984</b>
<b>Other income and gains</b>		
Interest income on bank deposits	16,776	14,232
Other interest income	5,944	—
Fair value gains on investments at fair value through profit or loss, net	—	11,421
Fair value gains on conversion option derivative	—	1,951
Gain on partial disposal of interest in a subsidiary	138,392	—
Gain on disposal of items of property, plant and equipment	131	81
Gain on disposal of investment properties	1,966	—
Write-back of impairment of trade receivables	1,687	1,858
Write-back of impairment of other receivables	31,688	50,866
Fair value gains on investment properties	25,872	16,531
Others	2,561	3,606
	<b>225,017</b>	<b>100,546</b>

**5. PROFIT BEFORE TAX**

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

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b>185,366</b>	292,395
Cost of properties sold	<b>150,860</b>	1,514
Depreciation	<b>10,333</b>	7,689
Impairment of goodwill	<b>—</b>	587
Amortisation of prepaid lease payments	<b>14,845</b>	235
Employee benefits expense (including directors' remuneration):		
— Salaries, wages and pensions	<b>38,161</b>	19,573
— Equity settled option expense	<b>32,470</b>	24,501
— Net retirement benefit scheme contributions	<b>1,422</b>	669
	<b>72,053</b>	44,743

**6. TAX**

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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.

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Group:		
Current		
Charge for the year		
Hong Kong	<b>682</b>	6,950
Under/(over) provision in prior years		
Hong Kong	<b>198</b>	(1,480)
Mainland China	<b>(3,877)</b>	—
	<b>(3,679)</b>	(1,480)
Deferred tax	<b>(3,562)</b>	(500,630)
	<b>(6,559)</b>	(495,160)



**7. DIVIDEND**

During the six months ended 30 June 2008, a final dividend of HK\$0.05 per share for 2007, amounting to approximately HK\$108,315,000 (2007: HK\$0.05 per share for 2006, amounting to approximately HK\$90,269,000) 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 2008 (2007: 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 2008 is based on the unaudited consolidated net profit from ordinary activities attributable to equity holders of the parent of HK\$39,620,000 (2007: HK\$572,990,000) and the weighted average of 2,166,589,950 (2007: 1,805,382,258) ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the six months ended 30 June 2008 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 2,166,589,950 (2007: 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 10,614,048 (2007: 729,145) on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

**9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT/PROPERTIES UNDER DEVELOPMENT/ INTERESTS IN LAND USE RIGHTS FOR PROPERTY DEVELOPMENT**

During the six months ended 30 June 2008, the Group incurred approximately HK\$14,346,000 (2007: HK\$12,263,000) on the acquisition of items of property, plant and equipment.

During the six months ended 30 June 2008, the Group incurred approximately HK\$493,416,000 (2007: HK\$209,708,000) on the additions of properties under development.

During the six months ended 30 June 2008, the Group incurred approximately HK\$294,403,000 (2007: Nil) on the additions of interests in land use rights for property development.

**10. TRADE RECEIVABLES**

The Group's trading terms with its customers of manufacturing business are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days. 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. No credit terms are granted to the customers of the Group's property development and investment business. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

**10. TRADE RECEIVABLES** *(continued)*

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

	30 June 2008			31 December 2007		
	Neither past due nor impaired (Unaudited) <i>HK\$'000</i>	Past due but not impaired (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>	Neither past due nor impaired (Audited) <i>HK\$'000</i>	Past due but not impaired (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Less than 1 month	100,764	11,704	112,468	107,052	21,995	129,047
1 to 2 months	—	5,186	5,186	—	6,360	6,360
2 to 3 months	—	4,506	4,506	—	3,809	3,809
Over 3 months	—	8,059	8,059	—	8,626	8,626
	100,764	29,455	130,219	107,052	40,790	147,842

**11. TRADE AND BILLS PAYABLES**

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

	30 June 2008 (Unaudited) <i>HK\$'000</i>	31 December 2007 (Audited) <i>HK\$'000</i>
Within 1 month	178,171	131,220
1 to 2 months	17,098	36,704
2 to 3 months	8,408	277,464
Over 3 months	213,735	26,225
	417,412	471,613

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms for manufacturing business and no credit terms for the property development and investment business.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2008 (Unaudited)			31 December 2007 (Audited)		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
	(%)			(%)		
<b>Current</b>						
Discounted bills with recourse	3.53 – 4.37	2008-2009	27,376	5.61 – 6.90	2008	35,023
Bank loans — unsecured	HIBOR+1.4	2008-2009	127,828	—	—	—
Bank loans — secured	6.32 – 8.60	2008-2009	735,353	6.12 – 7.29	2008	399,949
Other loan — unsecured	—	—	—	8.75 – 9.00	2008	300,000
			<u>890,557</u>			<u>734,972</u>
<b>Non-current</b>						
Bank loans — unsecured	HIBOR+1.4	2009-2011	1,206,533	—	—	—
Bank loans — secured	6.32 – 8.32	2009-2010	409,477	6.32 – 7.94	2009 – 2010	918,639
			<u>1,616,010</u>			<u>918,639</u>
			<u>2,506,567</u>			<u>1,653,611</u>
Analysed into:						
Bank and other borrowings repayable:						
			890,557			734,972
			458,406			577,415
			<u>1,157,604</u>			<u>341,224</u>
			<u>2,506,567</u>			<u>1,653,611</u>

## 13. BUSINESS COMBINATION

On 2 April 2007, the Group entered into a sale and purchase agreement to acquire a 51% of 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 display units.

The total consideration of HK\$10 million was satisfied in cash, of which HK\$1 million was paid during the period ended 30 June 2007, 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.

**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:

	<b>Fair value recognised on acquisition (Unaudited) HK\$'000</b>	<b>Carrying amount (Unaudited) HK\$'000</b>
Property, plant and equipment	327	327
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)
	2,024	2,024
Minority interests	(992)	
Goodwill on acquisition	8,968	
Total consideration	10,000	
Satisfied by:		
Cash paid	1,000	
Consideration payable	9,000	
	10,000	

**14. COMMITMENTS**

The Group had the following commitments in respect of property development expenditure at the balance sheet date:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Contracted, but not provided for	1,257,652	1,461,191

**14. COMMITMENTS** *(continued)*

The Group had the following share of commitments of jointly-controlled entities in respect of property development expenditure at the balance sheet date:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Contracted, but not provided for	<b>1,527,053</b>	1,593,591

**15. CONTINGENT LIABILITIES**

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

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
	<i>Note</i>	
Guarantees given to banks in connection with facilities granted to associates	<b>13,500</b>	13,500
Guarantees in respect of mortgage facilities for certain customers	<i>(i)</i> <b>288,113</b>	231,467
	<b>301,613</b>	244,967

*Note:*

- (i) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

## 16. SHARE-BASED PAYMENTS

The following share options were outstanding during the period:

Date of grant of share options*	Number of share options				At 30 June 2008	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 2008	Granted during the period	Exercised during the period	Lapsed during the period				
11-12-2006	8,100,000	—	(1,675,000)	—	6,425,000	01-01-2008 to 31-12-2017	4.95	4.90
11-12-2006	8,039,000	—	—	(50,000)	7,989,000	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	—	(300,000)	—	2,200,000	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
08-08-2007	6,450,000	—	—	—	6,450,000	01-07-2008 to 30-06-2018	8.73	8.51
08-08-2007	6,450,000	—	—	—	6,450,000	01-07-2009 to 30-06-2019	8.73	8.51
29-10-2007	1,000,000	—	—	—	1,000,000	03-01-2009 to 02-01-2019	15.22	14.82
29-10-2007	1,000,000	—	—	—	1,000,000	03-01-2010 to 02-01-2020	15.22	14.82
29-10-2007	200,000	—	—	—	200,000	30-01-2009 to 29-01-2019	15.22	14.82
29-10-2007	200,000	—	—	—	200,000	30-01-2010 to 29-01-2020	15.22	14.82
02-11-2007	280,000	—	—	—	280,000	18-02-2009 to 17-02-2019	15.34	15.72
02-11-2007	280,000	—	—	—	280,000	18-02-2010 to 17-02-2020	15.34	15.72
03-01-2008	—	800,000	—	—	800,000	28-03-2009 to 27-03-2019	11.30	11.20
03-01-2008	—	800,000	—	—	800,000	28-03-2010 to 27-03-2020	11.30	11.20
25-03-2008	—	80,000	—	—	80,000	01-04-2010 to 31-03-2020	7.02	5.77
25-03-2008	—	80,000	—	—	80,000	01-04-2011 to 31-03-2021	7.02	5.77
	46,999,000	1,760,000	(1,975,000)	(50,000)	46,734,000			

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

\*\* The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

The fair value of share options granted during the period was HK\$7,688,000 (2007: HK\$33,455,000). The Group recognised a share option expense of HK\$35,444,000 during the six months ended 30 June 2008 (2007: HK\$24,501,000).

**16. SHARE-BASED PAYMENTS (continued)**

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 (%)	0.48 to 0.71
Expected volatility (%)	58.30 to 66.56
Risk-free interest rate (%)	2.465 to 3.264

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 and a related company of a former joint venture partner. The aggregate carrying values of the assets are listed below:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Property, plant and equipment	5,986	6,065
Investment properties	101,030	94,508
Properties under development	3,285,035	2,748,902
Prepaid lease payments	390,328	—
Time deposits	328,155	747,114

**18. RELATED PARTY TRANSACTIONS**

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

**(a) Transactions with related parties**

	<b>Six months ended 30 June 2008 (Unaudited) HK\$'000</b>	2007 (Unaudited) HK\$'000
Rental expenses paid to a related company*	1,063	—
Sales of goods to an associate	—	17

\* A wholly-owned subsidiary of the Company, C C Land Management Limited, entered into a sub-lease agreement with Chongqing Industrial Limited (“Chongqing”), a company controlled by Mr. Cheung Chung Kiu, to lease from Chongqing an office space. The rental paid was based on the floor area occupied by the Group and the market rental rates.

**18. RELATED PARTY TRANSACTIONS (continued)****(b) Compensation of key management personnel of the Group:**

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Short term employee benefits	7,913	4,533
Share-based payments	20,775	17,344
<b>Total compensation paid to key management personnel</b>	<b>28,688</b>	21,877

(c) At 30 June 2008, the Group executed guarantees amounting to HK\$13,500,000 (31 December 2007: HK\$13,500,000) 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 RMB14,660,000 (31 December 2007: RMB14,969,000) were provided to a family member of a director for the operation of a school at nil rental.

**19. POST BALANCE SHEET EVENT**

On 10 July 2008, options to subscribe for a total of 17.62 million shares with an exercise price of HK\$5.27 per share were offered to replace options granted to certain directors and eligible employees of the Group and those who had contributed to the Group during the period from August 2007 to March 2008 with exercise prices ranging from HK\$7.02 to HK\$15.34 per share.

**20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 12 September 2008.



In accordance with the requirement of Rule 13.21 of the Listing Rules, it was reported below details of loan facilities, which exists during the period and includes conditions relating to specific performance of the controlling shareholder of the Company.

On 3 January 2008, an agreement (the “Agreement”) was entered into between the Company as borrower, various companies in the Group as guarantors, The Hongkong and Shanghai Banking Corporation Limited as agent and various financial institutions as lenders relating to a 3-year term loan facility of HK\$1,950,000,000 (the “Facility”) provided to the Company. Under the Agreement, a specific performance obligation was imposed on Mr. Cheung Chung Kiu (“Mr. Cheung”) to control 35% or more of the beneficial shareholding interest in the issued capital of the Company carrying 35% or more of the voting rights and to have management control of the Company. Non-compliance of the aforesaid obligation by Mr. Cheung will constitute an event of default under the Agreement upon the occurrence of which the lenders shall have the right to cancel their commitments under the Facility; to declare all or any part of the loan made under the Facility immediately due and payable; and/or to declare all or any part of the loan made under the Facility payable on demand.

As at 30 June 2008, the outstanding loan balance was HK\$1,350,000,000.