



*Far East Consortium
International Limited*

Stock Code: 035



INTERIM REPORT

2008-09

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CORPORATE INFORMATION

PLACE OF INCORPORATION

Cayman Islands

EXECUTIVE DIRECTORS

Deacon Te Ken CHIU, J.P. (*Chairman*)

David CHIU, Tan Sri Dato', B.Sc.

(*Deputy Chairman and
Chief Executive Officer*)

Dennis CHIU, B.A.

Craig Grenfell WILLIAMS,

B. ENG. (CIVIL)

NON-EXECUTIVE DIRECTORS

Ching Lan JU CHIU, J.P.

Daniel Tat Jung CHIU

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jian Yin JIANG

Kwok Wai CHAN

Peter Man Kong WONG

MANAGING DIRECTOR

Chris Cheong Thard HOONG

CHIEF OPERATING OFFICER

Denny Chi Hing CHAN

QUALIFIED ACCOUNTANT, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Bill Kwai Pui MOK,

B.A., M.B.A., A.I.C.P.A., C.P.A.

AUTHORIZED REPRESENTATIVES

Deacon Te Ken CHIU

David CHIU

SOLICITORS

Hong Kong

Woo, Kwan, Lee & Lo

Malaysia

Syed Alwi, Ng & Co.

Australia

Freehills

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

Hong Kong

Citic Ka Wah Bank Limited
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Deutsche Bank AG
Hang Seng Bank Limited
Chong Hing Bank Limited
Nanyang Commercial Bank Limited
Public Bank (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Wing Hang Bank Limited

Malaysia

Affin Islamic Bank Berhad
Affrin Bank Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad

Singapore

The Hongkong and Shanghai
Banking Corporation Limited

Australia

Australia and New Zealand Banking
Group Limited
Commonwealth Bank of Australia

China

Construction Bank of China
DBS Bank (China) Limited
The Industrial and Commercial Bank
of China Limited

REGISTERED OFFICE

P.O. Box 1043, Ground Floor,
Caledonian House, Mary Street,
George Town,
Grand Cayman, Cayman Islands,
British West Indies.

PRINCIPAL OFFICE

16/F., Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong.

SHARE REGISTRAR

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

LISTING INFORMATION

Ordinary Shares (Code: 035)
Zero Coupon Convertible Bonds 2009
(Code: 2576 & 2508)
The Stock Exchange of Hong Kong
Limited

WEBSITE

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

INTERIM RESULTS HIGHLIGHTS

INTERIM RESULTS

The Board of Directors of Far East Consortium International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2008.

INTERIM DIVIDEND

The Board of Directors (the “Board”) has declared an interim dividend of HK1 cent per share for the six months ended 30th September 2008. The interim dividend of HK1 cent per share will be paid to shareholders whose names appear on the Company’s Register of Members on 12th January, 2009. The interim dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all part of their scrip dividend entitlements (the “Scrip Dividend Scheme”).

The Scrip Dividend Scheme will be subject to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 16th January, 2009. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or about 23rd January, 2009. Dividends warrants or new share certificates will be posted on or about 27th February, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE OVERVIEW

The principal businesses of the Group are property development and hotel development & operations. The Group also holds investment properties for rental income.

The Group currently has 13 hotels with more than 3,000 rooms in operations and a further 9 hotels under construction. Upon completion of all existing hotel projects, the Group will double its existing room capacity to more than 6,000 rooms and will become one of the largest hotel groups in this region. On property development, the Group has a total of twelve property projects under development. Key development projects include California Garden in Shanghai with a total attributable gross floor area of 10 million square feet, 3 residential projects in Guangzhou with a total attributable gross floor area of 1 million square feet and North Bank Place in central Melbourne, a development project with an office building and 384 apartments.

The Group principal operations are located in Hong Kong, mainland China and South East Asia and Australia.

The Group will continue to focus on strengthening its recurring income stream, building its development pipelines and is actively looking for acquisition opportunities. With a cash position of over HK\$1.6 billion as at 30th September 2008, it is well-equipped to capture value enhancing opportunities in this current environment.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

1. Hotel Division

During the period under review our hotel division performed strongly with revenue contribution of HK\$318 million, an increase of 19% compared to the same period last year. Hotel occupancy and average room rate were generally higher with an increase in the number of business and leisure travelers. The Group added 2 new hotels to its portfolio and a further 2 on 1st October 2008. The earning stream from these 4 hotels will be reflected more fully in the 2nd half of the financial year ending 31st March 2009.

2. Property Development Division

During the period under review, revenue from the Group's Property Development Division was HK\$456 million, an increase of 47% compared to the same period last year. Gross profit contribution was HK\$181 million, a 47% improvement compared to the same period last year.

China

The largest property development project in our group, namely California Garden, progressed smoothly in accordance with our plan. As at 30th September 2008, over 86% of phase 11, that is 1,172 units were sold. We are optimistic on the sale of the remaining 164 units, mainly townhouses, with the opening of a new nearby subway stations in 2009. The construction work of the new phase, which consists of over 1,000 units, has commenced.

MANAGEMENT DISCUSSION AND ANALYSIS

Our three residential projects in Guangzhou, with a total attributable gross floor area of over 1 million square feet, are progressing steadily. The timing of launch of these three projects is currently scheduled within the next two years subject to market conditions.

Australia

In Australia, The Royal Domain Tower project, a 42-storey high-rise development comprising 133 luxury residential apartments with gross floor area of approximately 700,000 square feet was over 90% sold as at 30th September 2008.

Northbank Place, a central Melbourne development project consisting of an office building with a lettable area of over 110,000 square feet and two residential towers consisting of 384 apartments is near its completion phase. The construction commenced in April 2007 and is expected to be completed before the end of current financial year. All the residential units and the office building have been sold with the revenue recognition expected to come through in the next 12 months.

We have recently signed an agreement to acquire a piece of land with an area of approximately 100,000 square feet in prime central Melbourne. Planning is currently underway and the project is expected to contribute significantly to our development profit in Australia in the coming years.

Our Australian property development division also has a 22.5% interest in an 88 unit residential development under construction in Bundoora, a suburb of Melbourne, and has also acquired further land for a 92 unit residential development in Northcote, a suburb of Melbourne.

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong

During the period under review, currently, we have seven residential projects under development with a total attributable gross floor area of approximately 2.4 million square feet. Within the seven projects, one of the deluxe house projects with 4 detached houses in Sai Kung is expected to be ready for sale in the 2nd half year of 2009. Another two high rise apartment projects located at Hill Road, Mid-levels West and Sai Yeung Choi Street North, Shamshuipo respectively with total around 200 units will be launched for sale in the 1st half year of 2011.

Outlook

1. Hotel Division

According to the visitor arrival figures provided by the Hong Kong Tourism Board, the cumulative arrivals for the first ten months of 2008 exceeded 24.3million, representing a year-on-year increase of 6%. This has been the fifth consecutive year to show increase in visitor arrivals since 2003.

The Group has been strategically positioning itself as the leading 3-4 star hotel developer and operator in the region. Whilst there are impacts on hotel operations caused by the recent financial crisis, our emphasis on the value-for-money segment has helped us to minimize the effect from the economic downturn. Presently, the Group has 9 hotel projects under development with a total of 3,000 new room capacities. This includes 5 hotels in Hong Kong, 4 in China. We expect all these hotels will be opened within the next 2-3 years. By 2012, the Group will own and operate 22 hotels with over 6,000 rooms making us one of the largest hotel groups in the region. With the doubling of our hotel room capacity, significant benefits from economic of scale will be generated. With the additions of new hotels to our portfolio, we expect contribution from our hotel division will increase substantially in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Property Development Division

China and Australia will continue to be key revenue contributors to the Group property development revenue in the next few years. For California Garden, a total of over 6,000 units or approximately 10 million square feet will be developed under the current development plan and the entire project is expected to be completed by 2012. For Australia, completion of the Northbank project and new land acquisition in Melbourne will pave the way for increased revenue contribution from our Australian division in the coming years.

With the global economic downturn, we expect the property market will be challenging. Countering the effect is the lowering of interest rate around the world which will help alleviate the negative conditions. In addition, the China Government is likely to continue to relax the austerity measures which should help the property sector in mainland China. Longer term, we maintain our positive long-term view of the China's middle-class housing market and will continue to invest in this segment of the market.

3. Other Operations

The Group has been taking active steps to reduce its exposure to treasury operations that caused fluctuations in earnings. As at 30th November 2008, total exposure of the Group to treasury operations was reduced to HK\$241 million. Of this, HK\$118 million was exposure to fixed income related instruments. The Group will continue to reduce its treasury positions going forward.

Conclusion

The Group is committed to building a significant platform which can bring sustainable profit growth to its shareholders. The Group believes that with the foundation it has laid in previous years, it is well equipped to achieve its objective.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has been cautious and selective in building its development pipeline in the past. The Group has proven track record to capture good opportunities during economic downturn to expand our business. The hotel business, a core contributor to the Group's earning, started its rapid development during the outbreak of SARS in Hong Kong.

The Group's positioning as a 3-4 star hotel operator has helped the Group to weather the negative impact of the financial crisis as consumer turn to value-for-money hotels. In addition, the low entry costs for our hotel assets help the operation to maintain profitability and minimize the negative impact from economic downturn.

As at 30th September 2008, the number of employees of the Group was approximately 1,500. In the coming year, we will need to recruit around 1,500 more staff to facilitate our business expansion.

A substantial portion of our current development projects have been pre-sold. The Group believes that the current market environment presents good opportunities for it to expand its development pipeline which will generate good long term returns. One of the priorities of the Group currently is to enhance its recurring cashflow stream. In addition to the organic build up of its income generating portfolio, the Group at the right moment will consider to expand its operations through acquisitions. The Group believes next year will be favourable for such initiative.

The Group is confident that with the implementation of its plan, it is well positioned to bring sustainable long term return to its shareholders.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

FINANCIAL RESOURCES AND LIQUIDITY

The borrowings comprise:

	30.9.2008	31.3.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	4,001,456	2,467,647
Mortgage loans	401,546	208,283
Other loans	276,983	152,704
	<hr/>	<hr/>
	4,679,985	2,828,634
Less: front-end fee	(62,217)	–
	<hr/>	<hr/>
	4,617,768	2,828,634
	<hr/> <hr/>	<hr/> <hr/>

Analysed for reporting purposes as:

Non-current liabilities	3,474,910	1,810,158
Current liabilities	1,142,858	1,018,476
	<hr/>	<hr/>
	4,617,768	2,828,634
	<hr/> <hr/>	<hr/> <hr/>

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Financial liabilities at fair value through profit or loss

Convertible bonds denominated in United States dollars

	30.9.2008	31.3.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Convertible bond listed in Hong Kong denominated in:		
– Hong Kong dollars (note i)	368,324	428,175
– United States dollars (note ii)	1,908	1,948
	<u>370,232</u>	<u>430,123</u>

- (i) On 10th December 2004, the Company issued zero coupon convertible bonds with a principal amount of HK\$754,000,000 (the “HK\$ Bonds”) maturing on 10th December, 2009. The holders of the HK\$ Bonds are entitled to convert the HK\$ Bonds into ordinary shares of the Company at an initial conversion price of HK\$4.10 (subsequently adjusted to HK\$2.96 and subsequent to 30th September, 2008 from HK\$2.96 to HK\$2.81) per share, during the period from 11th January, 2007 to 10th November, 2009, or to require the Company to redeem all or some of the HK\$ Bonds on 10th December, 2008 at 104.58% of their principal amount. The Company may redeem in full the remaining HK\$ Bonds on or at any time after 10th June, 2007 and prior to 10th December, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the HK\$ Bonds will be redeemed at 111.84% of their principal amount on maturity.

At 30th September 2008, HK\$364,680,000 (31.3.2008: HK\$394,680,000) of the principal amount of HK\$ Bonds was outstanding. During the period, the Company repurchased HK\$30,000,000 at a price of HK\$28,830,000 but no conversion rights were exercised by the holders of the HK\$ Bonds.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

- (ii) On 13th April 2004, the Company issued zero coupon convertible bonds with a principal amount of US\$66,989,000 (the “US\$ Bonds”) maturing on 13th April, 2009. The holders of the US\$ Bonds are entitled to convert the US\$ Bonds into ordinary shares of the Company at an initial conversion price of HK\$2.25 (subsequently adjusted to HK\$2.00 and subsequent to 30th September, 2008 from HK\$2.00 to HK\$1.899) per share during the period from 13th May, 2004 to 14th March, 2009, or to require the Company to redeem in full the US\$ Bonds on 13th April, 2007 at 102.01% of their principal amount. The Company may redeem in full the remaining US\$ Bonds, on or at any time after 13th April, 2007 and prior to 13th April, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the US\$ Bonds will be redeemed at 105.10% of their principal amount on maturity.

During the period ended 30th September, 2008, no conversion rights were exercised by the holders of the US\$ Bonds.

Contingencies and commitments

Contingent liabilities

The Group had the following contingent liabilities at the balance sheet date:

The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC amounting to HK\$153,207,000 (31.3.2008: HK\$354,419,000). The director considered that the fair values of the guarantee at their initial recognition are insignificant because of the short maturity periods of the loan and low default rates of mortgage loans.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Commitments

	30.9.2008	31.3.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of:		
Hotel properties and hotel properties under development	714,686	611,695
Others	965	14,164
	<u>715,651</u>	<u>625,859</u>
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties	90,000	73,636
	<u>805,651</u>	<u>699,495</u>
Expenditure contracted but not provided for in the condensed consolidated financial statements in respect of properties for sales	<u>665,493</u>	<u>719,850</u>

Gearing ratio

The gearing ratio (total bank and other borrowings and financial liabilities at fair value through profit or loss to shareholders' equity) as at 30th September, 2008 was 103% (31st March, 2008: 66%).

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Current ratio

The current ratio as at 30th September, 2008 was 1.9 (31st March, 2008: 1.2). The Group has maintained sufficient liquid assets to finance its operation.

Exchange rate

The Group was not exposed to material exchange rates fluctuations during the year.

Pledge of assets

At the balance sheet date, the Group had pledged the following assets:

- (a) The Group's completed properties for sale, investment properties, property, plant and equipment and prepaid lease payments with an aggregate carrying amount of approximately HK\$5,460,403,000 (31.3.2008: HK\$4,989,610,000), bank deposits with an carrying amount of approximately HK\$182,021,000 (31.3.2008: HK\$107,338,000) and available-for-sales investments with an carrying amount of Nil (31.3.2008: HK\$764,000), were pledged to Group's bankers and loan creditors to secure banking and loan facilities granted to the Group to the extent of approximately HK\$5,253,948,000 (31.3.2008: HK\$3,626,111,000) of which HK\$4,403,002,000 (31.3.2008: HK\$2,675,930,000) were utilised.
- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments, and deposits with financial institutions with an aggregate carrying amount of approximately HK\$256,184,000 (31.3.2008: HK\$192,598,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$677,852,000 (31.3.2008: HK\$732,771,000), of which HK\$276,983,000 (31.3.2008: HK\$152,704,000) were utilised.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Post balance sheet event

- 1) On 1st October, 2008, the Group acquired certain subsidiaries incorporated in Malaysia with principal activities of hotel operation from a director. The consideration was satisfied by the issue of the zero coupon convertible bond (the “New Bonds”) with a principal amount of HK\$331,445,000 and maturing five years after the date of issue. The holders of the New Bonds are entitled to convert the bonds into ordinary shares of the Company at an initial conversion price of HK\$4.3 per share (subject to adjustment) until maturity. The outstanding New Bonds will be redeemed on maturity at 100% of the principal amount.
- 2) In November 2008, the Group acquired certain lands in Australia at a consideration of approximately A\$33,100,000 (equivalent to HK\$165,200,000). The lands are intended to hold for sales after completion of development.
- 3) Subsequent to the period end, the Company repurchased a total of HK\$278,000,000 in principal amount of the HK\$ Bonds at prices ranging from 88.83% to 96.10% giving a total consideration of HK\$222,440,900.
- 4) Due to the recent global financial crisis, foreign currencies in particular, the Australia dollars and the value of the Group’s financial instruments have decreased substantially subsequent to balance sheet date. Should the Group’s derivative and non-derivative financial assets and liabilities at 30th September, 2008 not been disposed of as at 30th November, 2008, the latest practicable date prior to approval of the condensed consolidated financial statements, the profits and net assets of the Group would have been decreased by approximately HK\$18,000,000 and HK\$29,000,000 respectively, and the Group’s net assets would have been decreased by approximately HK\$51,000,000 due to the fluctuation of Australian dollars.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

EMPLOYEE AND REMUNERATION POLICIES

The number of employees of the Group as at 30th September, 2008 was approximately 1,500. Employees receive competitive remuneration packages that are constantly monitored in relation to the market, with incentives such as discretionary bonuses to reward employees based on individual performance. The Group provides a comprehensive benefit package and career development opportunities, including medical benefit and both internal and external training appropriate to each individual's requirements.

DISCLOSURE OF INTERESTS

Directors' interests in shares

As at 30th September, 2008, the interests and short positions of the directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Directors' interest in shares and underlying shares of the Company:

Name of Director	Nature of Interests	Number of Ordinary Shares Held			Total	Percentage of Issued Share Capital of the Company
		Personal Interests	Corporate Interests	Family Interests		
Tan Sri Dato' David Chiu	Long Position	819,952	360,186,054 ⁽ⁱ⁾	557,000	361,563,006	22.5%
Deacon Te Ken Chiu	Long Position	11,259,887	122,680,004 ⁽ⁱⁱ⁾	–	133,939,891	8.33%
Dennis Chiu	Long Position	8,487	5,109,012 ⁽ⁱⁱⁱ⁾	–	5,117,499	0.32%
Daniel Tat Jung Chiu	Long Position	42,121	3,877,218 ^(iv)	–	3,919,339	0.24%
Ching Lan Ju Chiu	Long Position	1,404,442	–	–	1,404,442	0.09%

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Notes:

- (i) These Shares are held by Sumptuous Assets Limited and Modest Secretarial Services Limited, companies controlled by Tan Sri Dato' David Chiu.
- (ii) These Shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (iii) These Shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
- (iv) These Shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interest of Mr. Dennis Chiu.

(b) Director's interest in shares and underlying shares of associated corporation

Name of Director	Nature of interests	Name of associated corporation	Number of ordinary shares held	Percentage of issued share capital of the associate corporation
Deacon Te Ken Chiu	Long Position	Kanic Property Management Limited	2	50%
David Chiu	Long Position	Oi Tak Enterprises Limited	250,000	25%

Save as disclosed above, none of the directors had registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 30th September, 2008.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Substantial shareholders

As at 30th September, 2008, the register of interests in shares or short positions required to be kept under Section 336 of the SFO showed that, other than the interests of directors as set out above, the following shareholders were interested in 5% or more of the issued share capital of the Company:

	Capacity	Nature of interests	No. of ordinary shares held	% of issued share capital
Zwaanstra John	Interests in controlled corporation	Long	469,074,397	29.19%
Penta Investment Advisers Ltd.	Investment manager	Long	469,074,397	29.19%
Mercurius GP LLC	Founder of a discretionary trust	Long	178,265,591	11.09%
Penta Asia Fund, Ltd.	Interests in controlled corporation	Long	178,265,591	11.09%
Zwaanstra Todd	Trustee	Long	178,265,591	11.09%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long	29,123,343	1.81%
		Short	8,998,552	0.56%
		Long	83,312,094	5.18%
Penta Asia Long/ Short Fund, Ltd.	Beneficial owner	Short	30,826,327	1.92%
		Long	98,471,239	6.13%
Sky Investment Counsel Inc.	Investment manager	Long	87,847,252	5.47%

Note: “Long” refers to the long position in the shares of the Company held by such person/entity, while “Short” refers to short position in the shares of the Company held by such person/entity.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Save as disclosed herein, the Company has not been notified of any other person (other than directors or chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30th September, 2008.

Share Option Scheme

The Company's share option scheme was adopted pursuant to a resolution passed on 28th August, 2002 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the directors of the Company may grant options to eligible employees including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

During the period, no share options under the Share Option Scheme were granted.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Particulars of the Share Option Scheme are set out in note 17 to the condensed financial statements. The following table discloses movements in the Company's share options during the period:

Category of grantee	Date of grant	Exercise price HK\$	Number of options			Exercise period
			Outstanding at 1.4.2008	Lapsed during the period	Outstanding at 30.09.2008	
<i>Senior management</i>						
Chi Hing Chan	21.10.2004	2.075	500,000	–	500,000	01.01.2007 – 31.12.2010
			1,800,000	–	1,800,000	01.01.2008 – 31.12.2010
			2,000,000	–	2,000,000	01.01.2009 – 31.12.2010
			<u>4,300,000</u>	<u>–</u>	<u>4,300,000</u>	
Bill Kwai Pui Mok	21.10.2004	2.075	1,200,000	–	1,200,000	01.01.2007 – 31.12.2010
			1,800,000	–	1,800,000	01.01.2008 – 31.12.2010
			2,000,000	–	2,000,000	01.01.2009 – 31.12.2010
			<u>5,000,000</u>	<u>–</u>	<u>5,000,000</u>	
<i>Other employees in aggregate</i>	21.10.2004	2.075	250,000	–	250,000	01.01.2004 – 31.12.2010
			425,000	–	425,000	01.01.2006 – 31.12.2010
			1,075,000	–	1,075,000	01.01.2007 – 31.12.2010
			2,275,000	–	2,275,000	01.01.2008 – 31.12.2010
			3,675,000	400,000	3,275,000	01.01.2009 – 31.12.2010
		<u>7,700,000</u>	<u>400,000</u>	<u>7,300,000</u>		
<i>Other employees in aggregate</i>	25.08.2006	3.29	125,000	–	125,000	01.01.2008 – 31.12.2010
			675,000	–	675,000	01.01.2009 – 31.12.2010
			750,000	–	750,000	01.01.2010 – 31.12.2010
			<u>1,550,000</u>	<u>–</u>	<u>1,550,000</u>	
Total			<u>18,550,000</u>	<u>400,000</u>	<u>18,150,000</u>	

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the rules governing the listing of securities (the “Listing Rules”) on the Stock Exchange during the six months ended 30th September 2008, except for the deviations from code provisions A.4.1 and A.4.2 of the Code described below.

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term of office. However, the Non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company’s Articles of Association.

Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Chairman of the Company, however, does not subject to retirement by rotation. In accordance with the second part of Article 115(B) of the Articles of Association of the Company, a Director appointed as an executive Chairman or as Managing or Joint Managing Director shall not while holding such office be subject to retirement by rotation or taken into account in determining the rotation retirement of Directors.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

In order to uphold good corporate governance practices, the Chairman voluntarily retired from his office and offered himself for re-election at the 2006 annual general meeting of the Company notwithstanding that he is not required to do so by the Company's Article 115(B). As such, the Company 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.

REPURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the period under review, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchase	Number of shares purchased	Purchase consideration per share		Aggregate consideration
		Highest	Lowest	paid
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
April 2008	1,825,000	3.00	2.72	5,178,000
May 2008	904,000	2.80	2.62	2,468,000
June 2008	600,000	2.58	2.55	1,536,000
July 2008	4,320,000	2.00	1.82	8,460,000
August 2008	3,748,000	1.90	1.70	6,906,000
September 2008	1,000,000	1.51	1.43	1,482,000

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th September, 2008.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30th September, 2008 approved by the Directors. The Audit Committee currently comprises three members, all of them are Independent Non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. Jian Yin JIANG and Mr. Peter Man Kong Wong.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30th September, 2008.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 12th January, 2009 to Friday, 16th January, 2009, both days inclusive, during which period no transfers of shares will be effected. To determine entitlement to the interim dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 9th January, 2009.

By order of the Board

DAVID CHIU

Deputy Chairman and Chief Executive Officer

Hong Kong, 10th December, 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2008

		Six months ended	
	<i>NOTES</i>	30.9.2008	30.9.2007
		(unaudited)	(audited)
		HK\$'000	HK\$'000
Revenue	3	861,251	692,759
Depreciation and amortisation		(30,649)	(30,685)
Other cost of sales and services		(402,279)	(283,709)
Gross profit		428,323	378,365
Other income		10,371	11,396
Administrative expenses		(127,337)	(122,252)
(Loss) gain on disposal of available-for-sale investments		(41,175)	40,998
(Decrease) increase in fair value of financial assets at fair value through profit or loss	10	(97,415)	4,146
Decrease (increase) in fair value of financial liabilities at fair value through profit or loss	14	31,061	(67,754)
Decrease in fair value of derivative financial instruments	11	21,650	221
(Decrease) increase in fair value of investments held for trading		(30,362)	35,480
(Decrease) increase in fair value of investment properties		(50,583)	4,440
Discount on acquisition of a subsidiary	22	–	66,140
Share of results of associates		4,895	7,934
Share of results of jointly controlled entities		(1,452)	6,285
Finance costs		(46,613)	(61,137)
Profit before taxation		101,363	304,262
Income tax expense	4	(63,232)	(49,488)
Profit for the period	5	38,131	254,774
Attributable to:			
Equity holders of the Company		34,809	255,199
Minority interests		3,322	(425)
		38,131	254,774
Dividends	6	–	126,496
Earnings per share	7		
Basic		2.2 cents	16.9 cents
Diluted		0.2 cents	16.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2008

	<i>NOTES</i>	30.9.2008 (unaudited) <i>HK\$'000</i>	31.3.2008 (audited) <i>HK\$'000</i>
Non-current assets			
Investment properties	8	1,787,938	1,936,939
Property, plant and equipment	8	2,631,090	2,598,266
Prepaid lease payments	8	1,364,495	1,115,311
Interests in associates		170,014	170,675
Interests in jointly controlled entities		69,490	70,942
Available-for-sale investments	9	99,676	93,802
Financial assets designated at fair value through profit or loss	10	96,268	264,384
Deposit for acquisition of hotel properties		203,730	97,249
Amounts due from associates		90,069	82,221
Amount due from an investee company		119,995	119,995
Amount due from a minority shareholder		563	563
Loans receivable, secured		1,942	2,110
		<hr/> 6,635,270	<hr/> 6,552,457
Current assets			
Inventories		2,299	1,805
Completed properties for sale		560,060	759,407
Properties under development for sale		1,497,108	1,201,666
Available-for-sale investments	9	33,661	72,101
Investments held for trading		42,336	71,277
Financial assets designated at fair value through profit or loss	10	60,106	166,103
Loans receivable, secured		59,330	1,154
Debtors, deposits and prepayments	12	201,857	167,580
Prepaid lease payments	8	21,263	20,141
Amount due from a jointly controlled entity		14,092	13,135
Amounts due from associates		4,252	407
Amount due from a related company		4,531	4,773
Amount due from a minority shareholder		1,452	107
Tax recoverable		11,023	1,889
Pledged bank deposits		182,021	107,339
Deposits with financial institutions		158,682	36,296
Bank balances and cash		1,305,748	408,324
		<hr/> 4,159,821	<hr/> 3,033,504

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2008

	<i>NOTES</i>	30.9.2008 (unaudited) <i>HK\$'000</i>	31.3.2008 (audited) <i>HK\$'000</i>
Current liabilities			
Creditors and accruals	13	262,377	279,855
Customers' deposits received		131,798	349,050
Amounts due to directors		2,559	3,352
Amounts due to related companies		44,361	43,548
Amounts due to associates		14,773	13,760
Amounts due to minority shareholders		28,935	29,665
Financial liabilities designated at fair value through profit or loss	14	370,232	430,123
Derivative financial instruments	11	22,317	141,038
Tax payable		186,416	256,747
Obligations under finance leases		2,275	1,247
Bank and other borrowings, secured	15	1,142,858	1,018,476
		<u>2,208,901</u>	<u>2,566,861</u>
Net current assets		<u>1,950,920</u>	<u>466,643</u>
Total assets less current liabilities		<u>8,586,190</u>	<u>7,019,100</u>
Capital and reserves			
Share capital	16	160,701	161,941
Share premium		2,018,083	2,042,873
Reserves		2,649,564	2,707,863
Equity attributable to equity holders of the Company		4,828,348	4,912,677
Minority interests		44,142	39,467
Total equity		<u>4,872,490</u>	<u>4,952,144</u>
Non-current liabilities			
Amounts due to a minority shareholder		20,794	22,277
Amount due to a jointly controlled entity		12,552	12,552
Deferred taxation		204,870	221,395
Obligations under finance leases		574	574
Bank and other borrowings, secured	15	3,474,910	1,810,158
		<u>3,713,700</u>	<u>2,066,956</u>
		<u>8,586,190</u>	<u>7,019,100</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2008

	Attributable to equity holders of the Company												
	Share capital	Share premium	Capital redemption reserve	Assets revaluation reserve	Special reserve	Other reserve	Exchange reserve	Investment revaluation reserve	Share options reserve	Retained profits	Total	Minority interests	Total
	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000	HKS '000
At 1st April, 2007 (audited)	146,761	1,509,561	253	7,228	869,357	169,352	(40,159)	(225)	1,464	1,358,356	4,021,948	26,148	4,048,096
Revaluation increase	-	-	-	-	-	-	-	39,360	-	-	39,360	-	39,360
Exchange difference on translation of foreign operations	-	-	-	-	-	-	36,365	-	-	-	36,365	1,868	38,233
Net income recognised directly in equity	-	-	-	-	-	-	36,365	39,360	-	-	75,725	1,868	77,593
Transfer to profit or loss on disposal on available-for-sale investments	-	-	-	-	-	-	-	(40,998)	-	-	(40,998)	-	(40,998)
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	255,199	255,199	(425)	254,774
Total recognised income and expense for the period	-	-	-	-	-	-	36,365	(1,638)	-	255,199	289,926	1,443	291,369
Share issued pursuant to scrip dividend scheme	1,868	58,054	-	-	-	-	-	-	-	-	59,922	-	59,922
Shares issued upon exercise of share options	130	2,568	-	-	-	-	-	-	-	-	2,698	-	2,698
Shares issued upon conversion of convertible bonds	11,229	402,866	-	-	-	-	-	-	-	-	414,095	-	414,095
Recognition of the equity-settled share based payments	-	-	-	-	-	-	-	-	486	-	486	-	486
Dividends paid	-	-	-	-	-	-	-	-	-	(126,496)	(126,496)	-	(126,496)
At 30th September, 2007 (audited)	159,988	1,973,049	253	7,228	869,357	169,352	(3,794)	(1,863)	1,950	1,487,059	4,662,579	27,591	4,690,170
Revaluation decrease	-	-	-	-	-	-	-	(51,159)	-	-	(51,159)	-	(51,159)
Exchange difference on translation of foreign operations	-	-	-	-	-	-	118,584	-	-	-	118,584	976	119,560
Net income (expense) recognised directly in equity	-	-	-	-	-	-	118,584	(51,159)	-	-	67,425	976	68,401
Transfer to profit or loss on disposal on available-for-sale investments	-	-	-	-	-	-	-	13,107	-	-	13,107	-	13,107
Profit for the year	-	-	-	-	-	-	-	-	-	177,706	177,706	10,900	188,606
Total recognised income and expense for the year	-	-	-	-	-	-	118,584	(38,052)	-	177,706	258,238	11,876	270,114

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2008

	Attributable to equity holders of the Company												
	Share capital	Share premium	Capital redemption reserve	Assets revaluation reserve	Special reserve	Other reserve	Exchange reserve	Investment revaluation reserve	Share options reserve	Retained profits	Total	Minority interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Share issued pursuant to scrip dividend scheme	1,289	50,686	-	-	-	-	-	-	-	-	51,975	-	51,975
Shares issued on exercise of share options	765	16,870	-	-	-	-	-	-	-	-	17,635	-	17,635
Shares issued on conversion of convertible bonds	499	19,436	-	-	-	-	-	-	-	-	19,935	-	19,935
Share issue expenses	-	(64)	-	-	-	-	-	-	-	-	(64)	-	(64)
Repurchase of own shares	(600)	(17,104)	-	-	-	-	-	-	-	-	(17,704)	-	(17,704)
Recognition of the equity-settled share based payments	-	-	-	-	-	-	-	-	376	-	376	-	376
Dividends paid	-	-	-	-	-	-	-	-	-	(80,293)	(80,293)	-	(80,293)
At 31st March, 2008 (audited)	161,941	2,042,873	253	7,228	869,357	169,352	114,790	(39,915)	2,326	1,584,472	4,912,677	39,467	4,952,144
Revaluation decrease	-	-	-	-	-	-	-	(66,949)	-	-	(66,949)	-	(66,949)
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(67,600)	-	-	-	(67,600)	1,353	(66,247)
Net loss recognised directly in equity	-	-	-	-	-	-	(67,600)	(66,949)	-	-	(134,549)	1,353	(133,196)
Transfer to profit or loss on disposal of available-for-sale investments	-	-	-	-	-	-	-	41,175	-	-	41,175	-	41,175
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	34,809	34,809	3,322	38,131
Total recognised income and expense for the period	-	-	-	-	-	-	(67,600)	(25,774)	-	34,809	(58,565)	4,675	(53,890)
Repurchase of own shares	(1,240)	(24,790)	-	-	-	-	-	-	-	-	(26,030)	-	(26,030)
Recognition of the equity-settled share based payments	-	-	-	-	-	-	-	-	266	-	266	-	266
At 30th September, 2008 (unaudited)	160,701	2,018,083	253	7,228	869,357	169,352	47,190	(65,689)	2,592	1,619,281	4,828,348	44,142	4,872,490

Special reserve of the Group represented the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the group reorganisation in 1991.

Other reserve of the Group represented share premium attributable to subsidiaries pursuant to the group reorganisation in 1991.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2008

	Six months ended	
<i>Note</i>	30.9.2008	30.9.2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	(219,200)	624,323
Net cash used in investing activities		
Purchase of property, plant and equipment	(59,405)	(31,274)
Purchase of subsidiaries, net of bank balances and cash equivalents acquired	22 –	(70,099)
Purchase of investment properties	(3,062)	–
Proceeds from disposal of property, plant and equipment	43	178
Proceeds from disposal of investment properties	88,000	–
Purchase of available-for-sale investments	(543,515)	(957,035)
Proceeds from disposal of available-for-sale investments	509,132	1,143,639
Increase in prepaid lease payments	(260,446)	(130,405)
Deposit paid on acquisition of properties	(130,280)	(429,218)
(Increase) decrease in pledged bank deposits	(74,682)	39,630
Dividend received from associates	5,556	8,386
Increase in deposit with financial institutions	(122,386)	(53,663)
Dividend received from listed investments	3,488	2,311
Interest received	3,634	4,393
Advance to minority shareholders	(1,345)	–
	(585,268)	(473,157)
Net cash from (used in) financing activities		
Proceeds from issue of shares, net of issue expenses	–	2,942
Repurchase of own shares	(26,030)	–
Repurchase of convertible bonds	(28,830)	–
New bank and other borrowings raised	3,237,876	5,245,373
Repayment of bank and other borrowings	(1,407,850)	(5,152,960)
Repayment of obligations under finance leases	(1,172)	(339)
Repayment to a director	(793)	(4,531)
Advance from (repayment to) related companies	1,055	(14,852)
Repayment to minority shareholders	(2,213)	(13,484)
Dividends paid	–	(66,574)
Interest paid	(68,976)	(76,351)
	1,703,067	(80,776)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September, 2008*

	<i>Note</i>	Six months ended	
		30.9.2008 (unaudited) HK\$'000	30.9.2007 (audited) HK\$'000
Net increase in cash and cash equivalents		898,599	70,390
Cash and cash equivalents at beginning of the period		408,324	257,442
Effect of foreign exchange rate changes		(1,175)	6,493
Cash and cash equivalents at end of the period		<u>1,305,748</u>	<u>334,325</u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		1,305,748	334,511
Bank overdrafts		–	(186)
		<u>1,305,748</u>	<u>334,325</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2008.

In the current interim period, the Group has applied, for the first time, the following amendments, new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st April, 2008.

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

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

¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st July, 2009

⁴ Effective for annual periods beginning on or after 1st July, 2008

⁵ Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKAS 1 results in change in a presentation of primary statements of financial statements and HKFRS 8 results in a change in the basis of reporting of segment information. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

3. TURNOVER AND SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three major operating divisions-property development and investment, hotel operations, and financial products investment. These divisions are the basis on which the Group reports its primary segment information. Other operations include sale of boiler products and interest income from deposits and loan receivables.

Principal activities are as follows:

Property development and investment – properties development, letting and sale

Hotel operations – hotel operations and management

Financial products investments – investment and trading in securities

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

Six months ended 30th September, 2008

	Property development and investment <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Financial products investments <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	507,194	318,232	33,803	2,022	–	861,251
Inter-segment sales	19,612	–	–	–	(19,612)	–
Total revenue	<u>526,806</u>	<u>318,232</u>	<u>33,803</u>	<u>2,022</u>	<u>(19,612)</u>	<u>861,251</u>

Inter-segment sales are charged at mutually agreed price.

RESULTS

Segment results	137,935	106,437	(107,759)	(962)		135,651
Unallocated corporate expenses						(22,179)
Decrease in fair value of financial liabilities designated at fair value through profit or loss	–	–	31,061	–		31,061
Share of results of associates	2,882	–	–	2,013		4,895
Share of results of jointly controlled entities	–	–	–	(1,452)		(1,452)
Finance costs						(46,613)
Profit before taxation						101,363
Income tax expenses						(63,232)
Profit for the period						<u>38,131</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

4. INCOME TAX EXPENSE

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
The income tax expense comprises:		
Current period:		
Hong Kong	11,270	36,804
PRC Enterprises Income Tax	67,767	1,317
Other jurisdictions	11	208
	79,048	38,329
Underprovision in prior periods:		
Hong Kong	708	3,410
Other jurisdictions	–	1,835
	708	5,245
Deferred taxation		
Current period	(4,250)	5,914
Attributable to a change in tax rate	(12,274)	–
	(16,524)	5,914
	63,232	49,488

Hong Kong Profits Tax, PRC Enterprises Income Tax and taxation arising in other jurisdictions are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th September 2008.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The tax charge for the year includes land appreciation tax of HK\$39,066,000 (six months ended 30.9.2007: Nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

On 16 March 2007, the PRC government promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% from 1st January 2008.

5. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Amortisation of investment in a jointly controlled entity (included in share of results of jointly controlled entities)	1,452	1,452
Amortisation of prepaid lease payments	5,870	5,162
Allowance for loans receivable	–	3,900
Allowance for bad and doubtful debts	4,630	3,071
Depreciation on property, plant and equipment	28,259	27,625
Share of taxation of associates (included in share of results of associates)	(37)	427
Dividend income from listed investments	(3,488)	(2,311)
Bank interest income	(3,634)	(4,393)
	<u> </u>	<u> </u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

6. DIVIDENDS

A final dividend of HK\$8 cents per share for the year ended 31st March, 2007 amounting to HK\$126,496,000 was paid to the shareholders during the six months ended 30th September, 2007.

Subsequent to 30th September, 2008, the directors declared an interim dividend of HK1 cent (30th September, 2007: HK5 cents) per share payable to the shareholders of the Company whose names appear in the Register of Members on 12th January, 2009.

Shareholders have an option to receive new shares of the Company in lieu of cash for the interim dividend declared for the period and the final dividend paid during the period.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share	34,809	255,199
Effect of convertible bonds – decrease in fair value of financial liabilities designated as at fair value through profit or loss	(31,061)	–
Earnings for the purpose of diluted earnings per share	3,748	255,199

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

	Six months ended	
	30.9.2008	30.9.2007
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,613,961	1,505,868
Effect of dilutive potential ordinary shares		
– convertible bonds	134,312	–
– share options	–	9,228
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,748,273</u>	<u>1,515,096</u>

The computation of diluted earnings per share for the six months ended 30th September, 2008 does not assume the conversion of outstanding share options, since the exercise price of the Company's option was higher than the average market price for shares for the period.

The computation of diluted earnings per share for the six months ended 30th September, 2007 does not assume the conversion of convertible bonds, since their conversion would result in an increase in earnings per share for the prior period.

8. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

The investment properties with a fair value of HK\$88,000,000 was disposed of during the period.

The Group acquired certain investment properties, property, plant and machinery and prepaid lease payments amounting to HK\$3,062,000, HK\$100,377,000 and HK\$260,446,000 (six months ended 30.9.2007: Nil, HK\$161,624,000 and HK\$130,405,000) respectively.

The fair value of the investment properties in Hong Kong, the PRC, Malaysia, Singapore and Australia at 30th September, 2008 and 31st March, 2008 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, Raine & Horne International Zaki + Partners Sdn. Bhd. and Jones Lang LaSalle Property Consultants Pte Ltd., independent qualified professional valuers not

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

connected with the Group, respectively. DTZ Debenham Tie Leung Limited, is member of the Hong Kong Institute of Surveyors (“HKIS”) and Raine & Horne International Zaki + Partners Sdn. Bhd. and Jones Lang LaSalle Property Consultants Pte Ltd. are members of Royal Institution of Chartered Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

9. AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2008	31.3.2008
	HK\$'000	HK\$'000
Listed equity securities:		
Hong Kong	54,287	40,089
Overseas	325	29,271
	54,612	69,360
Unlisted securities:		
Equity securities	33,718	26
Debt securities with fixed interest rates	11,346	24,416
Investment funds	33,661	72,101
	78,725	96,543
	133,337	165,903
Analysed for reporting purposes as:		
Non-current assets	99,676	93,802
Current assets	33,661	72,101
	133,337	165,903

Available-for-sale investments are stated at fair value, except that the unlisted equity securities are measured at cost less impairment where applicable as the directors are of the opinion that their fair values cannot be measured reliably.

The fair value of the listed equity securities are determined based on the quoted market bid prices available on the relevant stock exchange. The fair value of the debt securities are determined in accordance with generally accepted pricing models based on discounted cash flow. The fair value of the investment funds are determined with reference to the value of the underlying assets of the funds.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

The fair value of available-for-sale investments have decreased by HK\$66,949,000 which is debited to the investment revaluation reserve (six months ended 30.9.2007: increased by HK\$39,360,000 and credited to the investment revaluation reserve).

10. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represents unlisted equity-linked notes of aggregate principal amount of HK\$210,833,000 (31.3.2008: HK\$536,438,000) with fixed coupon interest rates and remaining time to maturity ranging from six months to two years. The notes contain terms enabling the issuers either to deliver the underlying equity securities on maturity if the market prices of underlying securities are lower than their respective predetermined reference prices or cash settlement of the principal and interest if market price of the underlying securities are higher than their respective predetermined reference prices.

The equity linked notes which contain a host contract and an embedded derivative are designated as financial assets at fair value through profit or loss and are measured at fair value. They are classified into current and non-current based on the maturity date of the respective notes.

During the year, the Group took delivery of the listed equity securities on maturity of certain notes. The Group also requested for early termination of certain notes by net cash settlement based on the fair values of the respective notes at the date of termination. The loss in fair value arising on notes either matured or terminated in the current period amounts to HK\$48,028,000 (six months ended 30.9.2007: HK\$13,879,000).

The fair values of the equity-linked notes are determined based on valuation provided by the issuers, and are determined using generally accepted pricing models based on discounted cashflow using prices or rates from observable current market transactions. The loss in fair value of the outstanding contracts at 30th September, 2008 amounting to HK\$49,387,000 (six months ended 30.9.2007: gain of HK\$18,025,000) is debited to the condensed consolidated income statement.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended 30th September, 2008***11. DERIVATIVE FINANCIAL INSTRUMENTS**

The amount represents forward contracts to purchase certain listed equity securities with contracted amount of HK\$56,011,000 (31.3.2008: HK\$627,208,000) with remaining time to maturity ranging from one to three months. The Group has an obligation under the contracts to purchase the designated securities at a series of predetermined reference prices on specified dates with intervals of weekly or monthly up to December 2008. The contracts will be terminated if the market prices of the underlying securities are higher than their respective predetermined strike prices.

During the period, the Group took delivery of the listed equity securities as required. The Group also requested for early termination of certain contracts by cash settlement which was determined based on the then market value of the underlying securities and the quantity of securities obligated to purchase over the remaining time to maturity.

The fair value of the contracts are based on valuation provided by the counterparty and are determined using option pricing model. The gain in fair values of these contracts amounting to HK\$21,650,000 (six months ended 30.9.2007: HK\$221,000) was credited to the condensed consolidated income statement.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

The debtors, deposits and prepayments include trade debtors of approximately HK\$37,234,000 (31.3.2008: HK\$49,202,000). The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade debtors, based on the invoice date, at the balance sheet dates:

	30.9.2008	31.3.2008
	HK\$'000	HK\$'000
0-60 days	30,108	42,069
61-90 days	4,059	1,454
Over 90 days	3,067	5,679
	37,234	49,202

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

13. CREDITORS AND ACCRUALS

The creditors and accruals included trade creditors of HK\$111,691,000 (31.3.2008: HK\$131,144,000).

The following is an aged analysis of trade creditors at the balance sheet dates:

	30.9.2008	31.3.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	40,604	21,804
61-90 days	414	670
Over 90 days	70,673	108,670
	111,691	131,144

14. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.9.2008	31.3.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Convertible bond listed in Hong Kong denominated in:		
– Hong Kong dollars (note i)	368,324	428,175
– United States dollars (note ii)	1,908	1,948
	370,232	430,123

- (i) On 10th December 2004, the Company issued zero coupon convertible bonds with a principal amount of HK\$754,000,000 (the “HK\$ Bonds”) maturing on 10th December, 2009. The holders of the HK\$ Bonds are entitled to convert the HK\$ Bonds into ordinary shares of the Company at an initial conversion price of HK\$4.10 (subsequently adjusted to HK\$2.96 and subsequent to the balance sheet date at 30th September, 2008 from HK\$2.96 to HK\$2.81) per share, during the period from 11th January, 2007 to 10th November, 2009, or to require the Company to redeem all or some of the HK\$ Bonds on 10th December, 2008 at 104.58% of their principal amount. The Company may redeem in full the remaining HK\$ Bonds on or at any time after 10th June, 2007 and prior to 10th December, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the HK\$ Bonds will be redeemed at 111.84% of their principal amount and on maturity.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

At 30th September 2008, HK\$364,680,000 (31.3.2008: HK\$394,680,000) of the principal amount of HK\$ Bonds was outstanding. During the period, the Company repurchased HK\$30,000,000 HK\$ Bonds at a price of HK\$28,830,000 but no conversion rights were exercised by the holders of the HK\$ Bonds.

- (ii) On 13th April 2004, the Company issued zero coupon convertible bonds with a principal amount of US\$66,989,000 (the "US\$ Bonds") and maturing on 13th April, 2009. The holders of the US\$ Bonds are entitled to convert the US\$ Bonds into ordinary shares of the Company at an initial conversion price of HK\$2.25 (subsequently adjusted to HK\$2.00 and subsequent to the balance sheet date at 30th September, 2008 from HK\$2.00 to HK\$1.899) per share during the period from 13th May, 2004 to 14th March, 2009, or to require the Company to redeem in full the US\$ Bonds on 13th April, 2007 at 102.01% of their principal amount. The Company may redeem in full the remaining US\$ Bonds, on or at any time after 13th April, 2007 and prior to 13th April, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the US\$ Bonds will be redeemed at 105.10% of their principal amount on maturity.

During the period ended 30th September, 2008, no conversion rights were exercised by the holders of the US\$ Bonds.

The fair values of convertible bonds which contain a liability component and an embedded conversion option are determined based on the respective fair value of the components. The fair value of the liability component is determined based on discounted cash flow using the Company's current borrowing rate and the fair value of conversion options is based on the black-scholes model.

The change in the fair value of convertible bonds includes the effects of the decrease in fair value of the liability component which is affected by the market interest rate, credit spread of the Group and the time to maturity and decrease in the fair value of the conversion option. The decrease in fair value of HK\$ Bonds and US\$ Bonds during the period amounting to HK\$31,021,000 and HK\$40,000 was recognised in condensed consolidated income statement.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

15. BANK AND OTHER BORROWINGS

	30.9.2008 <i>HK\$'000</i>	31.3.2008 <i>HK\$'000</i>
The borrowings comprise:		
Bank loans	4,001,456	2,467,647
Mortgage loans	401,546	208,283
Other loans	276,983	152,704
	4,679,985	2,828,634
Less: front-end fee	(62,217)	–
	<u>4,617,768</u>	<u>2,828,634</u>
Analysed for reporting purposes as:		
Non-current liabilities	3,474,910	1,810,158
Current liabilities	1,142,858	1,018,476
	<u>4,617,768</u>	<u>2,828,634</u>

During the period, the Group obtained new bank loans and other loans of approximately HK\$3,108,946,000 (six months ended 30.9.2007: HK\$554,767,000) and HK\$128,930,000 (six months ended 30.9.2007: HK\$4,690,606,000) respectively and repaid bank loans and other loans of approximately HK\$1,403,199,000 (six months ended 30.9.2007: HK\$561,996,000) and HK\$4,651,000 (six months ended 30.9.2007: HK\$4,590,964,000) respectively.

The Group's bank loans and mortgage loans are secured, with repayment terms ranging from one to eight years and bear interest at floating rates. The range of effective interest rates for the year on the Group's bank borrowings are 2% to 5.25% (2007: 3% to 7.25%). Other loans are secured, repayable on demand and bear floating interest rate range from 1.07% to 8.25% (2007: 1.07% to 10.75%) per annum.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Share capital <i>HK\$ '000</i>
Authorised	2,000,000,000	200,000
Issued and fully paid:		
At 1st April, 2007	1,467,608,319	146,761
Issue of shares in lien of cash dividends at HK\$3.21	18,677,554	1,868
Issue of shares on conversion of convertible bonds at HK\$2.96	112,286,644	11,229
Issue of shares on exercise of share options at HK\$2.075	1,300,000	130
At 30th September, 2007	1,599,872,517	159,988
Issue of shares in lien of cash dividends at HK\$4.03	12,889,436	1,289
Issue of shares on conversion of convertible bonds at HK\$2.96	4,999,999	499
Issue of shares on exercise of share options at HK\$3.29	7,650,000	765
Repurchase of shares	(6,000,000)	(600)
At 31st March, 2008	1,619,411,952	161,941
Repurchase of shares	(12,397,000)	(1,240)
At 30th September, 2008	1,607,014,952	160,701

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

During the period, 30th September, 2008, the Company via its subsidiary repurchased certain of its own shares as follows:

Month of repurchase	No. of ordinary share of HK\$0.01 each <i>HK\$</i>	Price per share		Aggregate consideration paid <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
April 2008	1,825,000	3.00	2.72	5,178,000
May 2008	904,000	2.80	2.62	2,468,000
June 2008	600,000	2.58	2.55	1,536,000
July 2008	4,320,000	2.00	1.82	8,460,000
August 2008	3,748,000	1.90	1.70	6,906,000
September 2008	1,000,000	1.51	1.43	1,482,000

The above share were cancelled upon repurchase and, accordingly the issued share capital of the Company was reduced by the nominal value of these shares and the premium paid on repurchase was charged to share premium.

17. SHARE OPTIONS

The Company has a share option scheme, with share options granted on 21st October, 2004 at an initial exercise price at HK\$2.075 per share and on 25th August, 2006 at an initial exercise price at HK\$3.290 per share, subject to vesting periods ranging from 21st October, 2004 to 31st December, 2008 and 25th August, 2006 to 31st December, 2009 respectively. The movement of the number of share options under a share option scheme for eligible employees of the Group during the current period are as follows:

	30.9.2008	31.3.2008
	'000	'000
At beginning of the period	18,550	27,500
Exercised during the period	–	(8,950)
Forfeited during the period	(400)	–
At end of the period	<u>18,150</u>	<u>18,550</u>

The estimated fair value of the options granted determined at the date of grant using the Binominal model was approximately HK\$2,961,000. The Group recognised a total share option expense of approximately HK\$266,000 (six months period ended 30th September, 2007: HK\$486,000) during the period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

18. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged the following assets:

- (a) The Group's completed properties for sale, investment properties, property, plant and equipment and prepaid lease payments with an aggregate carrying amount of approximately HK\$5,460,403,000 (31.3.2008: HK\$4,989,610,000), bank deposits with an carrying amount of approximately HK\$182,021,000 (31.3.2008: HK\$107,339,000) and available-for-sales investments with an carrying amount of Nil (31.3.2008: HK\$764,000), were pledged to Group's bankers and loan creditors to secure banking and loan facilities granted to the Group to the extent of approximately HK\$5,253,948,000 (31.3.2008: HK\$3,626,111,000) of which HK\$4,403,002,000 (31.3.2008: HK\$2,675,930,000) were utilised.
- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments, and deposits with financial institutions with an aggregate carrying amount of approximately HK\$256,184,000 (31.3.2008: HK\$192,598,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$677,852,000 (31.3.2008: HK\$732,771,000), of which HK\$276,983,000 (31.3.2008: HK\$152,704,000) were utilised.

19. CONTINGENT LIABILITIES

The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC amounting to HK\$153,207,000 (31.3.2008: HK\$354,419,000). The director considered that the fair values of the guarantee at their initial recognition are insignificant because of the short maturity periods of the loan and low default rates of mortgage loans.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

20. COMMITMENTS

	30.9.2008 <i>HK\$'000</i>	31.3.2008 <i>HK\$'000</i>
Capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of:		
Hotel properties and hotel properties under development	714,686	611,695
Others	965	14,164
	<u>715,651</u>	<u>625,859</u>
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties	90,000	73,636
	<u>805,651</u>	<u>699,495</u>
Expenditure contracted but not provided for in the condensed consolidated financial statements in respect of properties for sales	<u>665,493</u>	<u>719,850</u>

21. RELATED PARTIES TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties:

Related party	Nature of transaction	Six months ended	
		30.9.2008 <i>HK\$'000</i>	30.9.2007 <i>HK\$'000</i>
Associates	Building management fee expenses	2,616	1,950
Jointly controlled entities	Rental income	<u>1,200</u>	<u>1,200</u>

These transactions have been entered into on terms agreed by parties concerned.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

Details of the balances with related parties as at the balance sheet date are set out in the condensed consolidated balance sheet and relevant notes to the condensed consolidated financial statements.

The remuneration of directors and other members of key management during the year was as follows:

	Six months ended	
	30.9.2008	30.9.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	5,884	5,693
Post-employment benefits	36	176
	5,920	5,869

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

22. ACQUISITION OF A SUBSIDIARY

On 26th September 2007, the Group acquired the entire issued share capital of Merlin Labuan Sdn Bhd (“MLSB”) which is engaged in hotel operation, at a consideration of HK\$72,960,000, together with the assignment of the shareholders’ loans at its carrying amount, pursuant to the Novation Agreement dated 26th September, 2007. The fair value of net assets acquired were as follows:

	Carrying amount <i>HK\$ '000</i>	Fair value adjustment <i>HK\$ '000</i>	Fair value <i>HK\$ '000</i>
Net assets acquired:			
Property, plant and equipment	108,528	–	108,528
Prepaid lease payments	12,403	15,869	28,272
Inventories	445	–	445
Debtors, deposits and prepayments	3,578	–	3,578
Bank balances and cash	2,861	–	2,861
Creditors and accruals	(4,584)	–	(4,584)
Shareholders’ loans	(321,239)	–	(321,239)
	<u>(198,008)</u>	<u>15,869</u>	<u>(182,139)</u>
Assignment of shareholders’ loans			<u>321,239</u>
			139,100
Discount on acquisition recognised in the consolidated income statement			<u>(66,140)</u>
Consideration satisfied by cash			<u>72,960</u>
Net cash outflow arising on acquisition:			
Cash consideration			(72,960)
Bank balances and cash acquired			<u>2,861</u>
			<u>(70,099)</u>

The acquisitions have been accounted for using the purchase method.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

The discount arising on acquisitions represents excess of acquirer's interest in the net fair value of assets attributable by the bargain purchase with the shareholders of the acquiree.

23. POST BALANCE SHEET EVENT

- 1) On 1st October, 2008, the Group acquired certain subsidiaries incorporated in Malaysia with principal activities of hotel operation from a director. The consideration was satisfied by the issue of the zero coupon convertible bond (the "New Bonds") with a principal amount of HK\$331,445,000 and maturing five years after the date of issue. The holders of the New Bonds are entitled to convert the bonds into ordinary shares of the Company at an initial conversion price of HK\$4.3 per share (subject to adjustment) until maturity. The outstanding New Bonds will be redeemed at 100% of the principal amount on maturing.

The seller is in the process of finalising the financial information of the subsidiaries and is impracticable to disclose their financial information and their impacts on the Company.

- 2) In November 2008, the Group acquired certain lands in Australia at a consideration of approximately A\$33,100,000 (equivalent to HK\$165,200,000). The lands are intended to hold for sales after completion of development.
- 3) Subsequent to the period end, the Company repurchased a total of HK\$278,000,000 in principal amount of the HK\$ Bonds at prices ranging from 88.83% to 96.10% giving a total consideration of HK\$222,440,900.
- 4) Due to the recent global financial crisis, foreign currencies in particular, the Australia dollars and the value of the Group's financial instruments have decreased substantially subsequent to balance sheet date. Should the Group's derivative and non-derivative financial assets and liabilities at 30th September, 2008 not been disposed of as at 30th November, 2008, the latest practicable date prior to approval of the condensed consolidated financial statements, the profits and net assets of the Group would have been decreased by approximately HK\$18,000,000 and HK\$29,000,000 respectively, and the Group's net assets would have been decreased by approximately HK\$51,000,000 due to the fluctuation of Australia dollars.