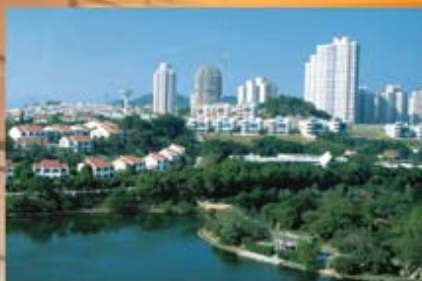




**COSMOPOLITAN**  
INTERNATIONAL HOLDINGS LTD  
四海國際集團有限公司

(incorporated in the Cayman Islands with limited liability)  
(stock code : 120)



interim  
report  
2008



## Contents

- 2 Corporate Information
- 3 Management Discussion and Analysis
- 17 Condensed Consolidated Income Statement
- 18 Condensed Consolidated Balance Sheet
- 20 Condensed Consolidated Statement of Changes in Equity
- 21 Condensed Consolidated Cash Flow Statement
- 22 Notes to the Condensed Consolidated Interim Financial Information

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors:

Mr. Bong Shu Yin, Daniel (*Chairman*)  
Mr. Cheng Sui Sang

#### Non-executive Directors:

Mr. Wang Baoning (*Vice Chairman*)  
Mr. Bong Shu Ying, Francis  
Mr. Ng Kwai Kai, Kenneth  
(*appointed on 12 June 2008*)  
Mr. Leung So Po, Kelvin  
(*appointed on 12 June 2008*)

#### Independent Non-executive Directors:

Mr. Li Ka Fai, David  
Mr. Lee Choy Sang  
Ms. Ka Kit

### AUDIT COMMITTEE

Mr. Li Ka Fai, David (*Chairman*)  
Mr. Lee Choy Sang  
Ms. Ka Kit

### REMUNERATION COMMITTEE

Mr. Bong Shu Yin, Daniel (*Chairman*)  
Mr. Lee Choy Sang  
Mr. Li Ka Fai, David

### SECRETARY

Mr. Cheng Sui Sang

### AUDITORS

SHINEWING (HK) CPA Limited

### REGISTERED OFFICE

P O Box 309, George Town  
Grand Cayman  
Cayman Islands  
British West Indies

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room A, 18th Floor  
211 Johnston Road  
Wanchai  
Hong Kong

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
46th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKERS

Bank of Communications Co., Ltd.  
Industrial and Commercial Bank of  
China (Asia) Limited  
ABN AMRO Bank N.V.  
Deutsche Bank A.G.

## GROUP FINANCIAL RESULTS

For the six months ended 30 September 2008, the Company and its subsidiaries (the "Group") recorded an unaudited consolidated loss attributable to shareholders of approximately HK\$174,965,000, as compared with a net profit of approximately HK\$229,980,000 attained in the six months period ended 30 September 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Company had made a profit warning announcement on 12 December 2008 informing the shareholders that the Group would record losses for the six months ended 30 September 2008, as compared with a profit in the last comparable period, due mainly to the adverse effects brought about by the decline in the global financial markets.

The loss for the period under review was primarily attributable to the followings:-

- 1) The write-off of the net carrying value of HK\$108,506,000 in respect of the remaining placement rights on the convertible bonds due 2009 issued by the Group ("2009 CB"). Due to the significant adverse change in market sentiment and conditions in the last three months, the Directors considered that the net carrying value of the placement rights may unlikely be realized, as this would require the successful procurement of the sale of the 2009 CB before the expiry date on 13 February 2009, and have therefore adopted a prudent policy to write off such asset.
- 2) There was net reduction of HK\$47,281,000 in fair value of financial instruments mark-to-market as at 30 September 2008, as compared with a net gain of HK\$228,282,000 for the last comparable period, mainly due to reduction in the market value of financial instruments.
- 3) Interest income declined due to reduction in general interest rate for bank deposits.
- 4) Finance costs increased to HK\$16,025,000 from HK\$7,994,000 during the period under review, due to more interest expenses accrued on additional outstanding convertible bonds.
- 5) The administrative and operating expenses increased to HK\$8,276,000 from HK\$5,385,000, mainly due to increase in compliance costs and professional fees.

- 6) There was a sharing of the results of the loss of jointly controlled entities as the Group acquired 50% interest in a jointly controlled company which holds the Chengdu Project in February 2008.

However, this was partly compensated by other income increasing from HK\$141,000 for the six months ended 30 September 2007 to HK\$3,914,000 for the period under review due to increase in interest income of financial products and dividend income.

The turnover of the Group for the six months ended 30 September 2008 was HK\$3,276,000 which was less than that of last comparative period. The reduction in turnover was mainly attributable to the reduced disposal in marketable securities.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

## **REVIEW OF OPERATIONS**

The principal activities of the Group continue to be investments in properties encompassing both development projects and property investments, securities investments and other investments.

In view of the continued uncertainty in the global financial markets and in the world-wide economies, the cash position of the Group was maintained at a healthy level as at 30 September 2008. The Group will exercise caution in assessing the expansion of its business and investment portfolio.

### **Property Investments**

#### **Chengdu Project**

Xindu District, Chengdu City, Sichuan Province, the PRC

This development project is operated through a joint venture that is 50% owned by each of the Group and Regal Hotels International Holdings Limited. The site was acquired at a public land auction held in October 2007 and the land use right consideration of RMB213.1 million has been fully settled in July 2008.

The project site is composed of two separate land parcels. One of the parcels is planned to be developed into a hotel and commercial complex with aggregate gross floor area of about 180,000 square meters above ground together with about 50,000 square meters of commercial, auxiliary services and car park areas below ground. The other parcel is planned for residential development with aggregate gross floor area of about 315,000 square meters. The Planning Permits for Construction Land for the proposed development have been obtained and details of planning works are in progress.

### **Xinjiang Project**

Miquan-Dongshan District, Urumqi City, Xinjiang Uygur Autonomous Region, the PRC

The sale and purchase agreement of the project was signed and completed in May 2008 between the Group and the vendor and the relevant announcement was made on 21 May 2008. Details of the project have also been set out in the last annual report to shareholders published in July 2008. Due to the recent change in government policy, the development on the Phase 2 Land for ecological improvement and land swap will not be expected to proceed and the Group will focus its resources to enhance the value of the project in respect of the Phase 1 Land.

Landscape work improvement in respect of the Phase 1 Land for an area of about 3,400 mu has been completed and the Group is now in the process of applying for the land title certificate in respect of the corresponding construction area.

### **Rainbow Lodge**

The Group acquired in January 2007 ten duplex residential apartments and fourteen car parks in Rainbow Lodge located at No. 9 Ping Shan Lane, Yuen Long, New Territories, Hong Kong for a total consideration of HK\$70 million. In view of the slowdown in the local property market, the Group is planning to relaunch the leasing of the apartment units but the Group may also consider selling part of the units if the price offered is satisfactory.

### **Shanxi Project**

As announced on 16 May 2008, the Group had entered into a letter of intent with Shanxi Broadcasting and Culture Industry Development Limited Company on a joint venture of a cultural-themed development project with a site area of approximately 8,000 mu at Taiyuan City, Shanxi Province, the PRC, which is proposed to comprise a composite development of office, residential, commercial (including film production), cultural area, tourist and recreation area. Negotiation is in progress but so far no definitive agreement has been reached.

### **Dalian Project**

The Company announced on 15 August 2008 that the Group had entered into a co-operative letter of intent with Dalian High-Tech Industrial Zone Administrative Committee to establish a joint venture in relation to the development of Lingshui Bay Development Project in Dalian City, Liaoning Province, the PRC with a total site area of about 156 hectares. The Group is still in the course of negotiation with regard to the definitive agreement of the project.

## **Securities Investments**

The Group continues to maintain an investment portfolio of listed and unlisted assets in Hong Kong. Total financial assets at fair value stood at HK\$126,869,000 at 30 September 2008, as compared with HK\$308,755,000 at 31 March 2008. A provision of HK\$47,281,000 for financial instruments value mark-to-market and write-off for the net carrying value of the placement rights of HK\$108,506,000 in relation to the 2009 CB were made for the period under review. Please refer to the earlier paragraph of this interim report regarding this write-off of placement rights, details of which were disclosed in our last annual report published in July 2008.

### **Partial exercise and partial release of the placement rights in respect of the 2009 CB**

In August 2008, Sinofair Investment Limited, a wholly-owned subsidiary of the Company, entered into the agreement with Lendas Investments Limited ("Lendas") (the bondholder of the 2009 CB) in respect of the partial exercise, the partial release of the placement rights and the extension of the lock-up period for the 2009 CB. As a result of the partial exercise and partial release, a total of HK\$18 million 2009 CB are no longer subject to the placement rights, and the lock-up period was further extended to 13 February 2009. For details, please refer to the Company's announcement dated 18 August 2008.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

Current assets and current liabilities of the Group as at 30 September 2008 were HK\$352,709,000 and HK\$130,009,000, respectively (31 March 2008: HK\$618,836,000 and HK\$130,607,000, respectively). Cash and bank balances (net of pledged deposits) stood at HK\$223,130,000 as at 30 September 2008 in comparison with HK\$304,513,000 as at 31 March 2008.

The Group's gearing ratio as at 30 September 2008, based on the net borrowings (represented by convertible bond borrowings net of cash and bank balances) as a percentage of the net assets after deducting goodwill and minority interests was at 77% (31 March 2008: 11%).

As at 30 September 2008, part of the bank deposits of the Group in the amount of HK\$475,000 was charged to banks to secure general banking facilities granted to the Group.

During the period under review, the Group did not use any financial instruments for hedging purposes and there was no hedging instrument outstanding as at 30 September 2008.

During the period under review, there was no change to the share capital of the Company.

### **CONTINGENT LIABILITIES**

There was no outstanding contingent liabilities of the Group as at 30 September 2008.

### **CAPITAL COMMITMENT**

The Group had capital commitment of HK\$75,184,000 outstanding as at 30 September 2008.



## OUTLOOK

Most economies have been adversely affected by the credit crunch and financial tsunami which have sent negative repercussions world-wide in the past few months. At present, the results of the massive fiscal and monetary measures put in place by many governments to stabilize and stimulate the economies are yet uncertain. The economy of Hong Kong has likewise been adversely affected, causing rising unemployment and falling consumer and business confidence. In the PRC, under the support of a relatively strong domestic economy and the introduction of more robust fiscal and monetary measures, overall economic growth is anticipated to further continue, despite possible slowdown that some economists may forecast. Business prospects of the PRC and Hong Kong are still comparatively promising in the medium to long term, particularly in the real estate sector.

The investments in the Chengdu Project and the Xinjiang Project in the PRC are expected to contribute substantially to the Group's business expansion. At the same time, the Group is also assessing investment opportunities that may become available at more favourable terms in Hong Kong and the PRC under the current economic downturn. Overall, the Directors remain cautiously optimistic on the long term prospect of the Group.

## HUMAN RESOURCES

As at 30 September 2008, the Group had two Executive Directors, four Non-executive Directors and three Independent Non-executive Directors. There are sixteen full time employees working in Hong Kong and the PRC. The Group will ensure each employee is fairly compensated and their contributions are rewarded within a general framework of the Group's salary and bonus scheme and are compatible with market norm.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2008.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

According to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), as at 30 September 2008, none of the Directors nor their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 September 2008, the following substantial shareholders (not being a Director or chief executive of the Company) has an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Name	Number of shares held	Percentage of the Company's share capital
Giant Sino Group Limited ( <i>Note 1</i> )	872,415,218	46.01%
Prosperity Investment Holdings Limited ( <i>Note 2</i> )	152,531,078	8.04%
Winart Investments Limited ( <i>Note 3</i> )	180,000,000	9.49%
Fountain Sky Limited ( <i>Note 3</i> )	66,800,000	3.52%
United Gold Investments Limited ( <i>Note 4</i> )	175,000,000	9.23%
Mr. Wan Chuen Chung, Joseph	70,806,092	3.73%

Save as disclosed herein, there was no other person who, as at 30 September 2008, had an interest or share position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

### Notes:

1. Giant Sino Group Limited is a wholly owned subsidiary of Space Capital Investments Limited, which in turn is owned as to 28% by Mr. Bong Shu Yin, Daniel (being the Chairman of the Company and an Executive Director) and as to 28% by Mr. Wang Baoning (being the Vice Chairman of the Company and a Non-executive Director). Space Capital Investments Limited is deemed to be interested in the 872,415,218 shares held by Giant Sino Group Limited.
2. Prosperity Investment Holdings Limited is interested in 112,531,078 shares held by itself and, in addition, it is deemed to be interested in 40,000,000 shares held by its wholly owned subsidiary. Prosperity Investment Holdings Limited is a company whose shares are listed on the main board of the stock exchange (stock code: 310) which is owned as to 52.23% by Favor Hero Investments Limited, which is in turn wholly owned by Mr. Lam Kwing Wai, Alvin Leslie. Each of Favor Hero Investments Limited and Mr. Lam Kwing Wai, Alvin Leslie is deemed to be interested in the 152,531,078 shares held by Prosperity Investments Holdings Limited and its wholly owned subsidiary under Part XV of the SFO.

3. Winart Investments Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg Holdings Limited ("Paliburg").

Fountain Sky Limited is a wholly owned subsidiary of Regal Hotels (Holdings) Limited, which is in turn a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels International Holdings Limited ("Regal Hotels"). Regal Hotels is the listed associate of, owned as to 46.56% as at 30 September 2008 by Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg.

Paliburg is the listed subsidiary of, owned as to 55.24% as at 30 September 2008 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City International Holdings Limited ("Century City"), which is a listed company controlled by, and owned as to 53.75% as at 30 September 2008 by Mr. Lo Yuk Sui.

Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui is deemed to be interested in the shares held by Winart Investments Limited and Fountain Sky Limited under Part XV of the SFO.

4. United Gold Investments Limited is a wholly owned subsidiary of Yield High Investments Limited, which is in turn wholly owned by Mr. Luk Yan. Each of Yield High Investments Limited and Mr. Luk Yan is deemed to be interested in the 175,000,000 shares held by United Gold Investments Limited under Part XV of the SFO.

Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2009 issued by Sinofair Investment Limited, a wholly-owned subsidiary of the Company (“Convertible Bonds due 2009”)

Name	Underlying shares of the Company pursuant to Convertible Bonds due 2009 issued	Conversion price per share (subject to adjustment)	Conversion period	Approximate % of issued share capital of the Company
Lendas Investments Limited (Notes 1 and 2)	642,857,143	HK\$0.07	16 March 2007 to 15 February 2009	33.90%
International Securities Investments Limited (Note 3)	157,142,857	HK\$0.07	16 March 2007 to 15 February 2009	8.29%

Notes:

1. Lendas Investments Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, owned as to 55.24% as at 30 September 2008 by Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and owned as to 53.75% as at 30 September 2008 by Mr. Lo Yuk Sui. Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui is deemed to be interested in the underlying shares of the Company pursuant to the Convertible Bonds due 2009 under Part XV of the SFO.
2. Lendas Investments Limited has undertaken with the Company that it would not exercise the conversion rights attached to the Convertible Bonds due 2009 during the period from 2 March 2007 to 2 March 2008 (the “Lock-up Period”) which has been extended to 2 September 2008 pursuant to an agreement dated 29 February 2008 and would not sell or transfer the Convertible Bonds due 2009 to other parties during the Lock-up Period. Pursuant to another agreement dated 13 August 2008, the Lock-up Period has been further extended to 13 February 2009.
3. The interest in 157,142,857 underlying shares is held by International Securities Investments Limited, a company incorporated in Samoa with limited liability, which in turn is wholly owned by Capital Builder Investments Limited, a company incorporated in the British Virgin Islands, which in turn is wholly owned by Ms. Mak Wai Chun (“Ms. Mak”). Ms. Mak is the spouse of Mr. Wan Chuen Chung, Joseph (“Mr. Wan”). Each of Mr. Wan and Ms. Mak is deemed to be interested in 157,142,857 underlying shares held by International Securities Investments Limited.

Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2010 issued by Fancy Gold Limited, a wholly-owned subsidiary of the Company ("Convertible Bonds due 2010")

Name	Underlying shares of the Company pursuant to Convertible Bonds due 2010 issued	Conversion price per share (subject to adjustment)	Conversion period	Approximate % of issued share capital of the Company
Valuegood International Limited (Note 1)	690,000,000	HK\$0.205	16 July 2007 to 2 May 2010	36.39%
United Gold Investments Limited (Note 2)	10,000,000	HK\$0.205	16 July 2007 to 2 May 2010	0.53%

Notes:

1. Valuegood International Limited is a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels is the listed associate of, owned as at 46.56% as at 30 September 2008 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, owned as to 55.24% as at 30 September 2008 by Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and owned as to 53.75% as at 30 September 2008 by Mr. Lo Yuk Sui. Each of Regal International (BVI) Holdings Limited, Regal Hotels, Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui is deemed to be interested in the underlying shares of the Company pursuant to the Convertible Bonds due 2010 held by Valuegood International Limited under Part XV of the SFO.
2. United Gold Investments Limited is a wholly owned subsidiary of Yield High Investments Limited, which is in turn wholly owned by Mr. Luk Yan. Each of Yield High Investments Limited and Mr. Luk Yan is deemed to be interested in the underlying shares of the Company pursuant to Convertible Bonds due 2010 held by United Gold Investments Limited under Part XV of the SFO.

Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2013 issued by Apex Team Limited, a wholly-owned subsidiary of the Company (“Convertible Bonds due 2013”)

Name	Underlying shares of the Company pursuant to Convertible Bonds due 2013 issued	Conversion price per share (subject to adjustment)	Conversion period	Approximate % of issued share capital of the Company
Time Crest Investments Limited (Note 1)	166,666,666	HK\$0.60	29 February 2008 to 31 January 2013	8.79%
Well Mount Investments Limited (Note 1)	166,666,666	HK\$0.60	14 days after the date of issue (Note 3) to 31 January 2013	8.79%
Jumbo Pearl Investments Limited (Note 2)	166,666,666	HK\$0.60	29 February 2008 to 31 January 2013	8.79%
Sun Joyous Investments Limited (Note 2)	166,666,666	HK\$0.60	14 days after the date of issue (Note 3) to 31 January 2013	8.79%

Notes:

- Each of Time Crest Investments Limited and Well Mount Investments Limited is a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels is the listed associate of, owned as to 46.56% as at 30 September 2008 by Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, owned as to 55.24% as at 30 September 2008 by Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City, which is a listed company controlled by, and owned as to 53.75% by Mr. Lo Yuk Sui. Each of Regal International (BVI) Holdings Limited, Regal Hotels, Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui is deemed to be interested in the underlying shares of the Company pursuant to the Convertible Bonds due 2013 held by Time Crest Investments Limited and Well Mount Investments Limited under Part XV of the SFO.

2. Each of Jumbo Pearl Investments Limited and Sun Joyous Investments Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, owned as to 55.24% as at 30 September 2008 by Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and owned as to 53.75% as at 30 September 2008 by Mr. Lo Yuk Sui. Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui is deemed to be interested in the underlying shares of the Company pursuant to the Convertible Bonds due 2013 held by Jumbo Pearl Investments Limited and Sun Joyous Investments Limited under Part XV of the SFO.
3. As at 30 September 2008, Well Mount Investments Limited and Sun Joyous Investments Limited have not exercised their options to subscribe for the relevant Convertible Bonds due 2013.

## CORPORATE GOVERNANCE

### Code of Corporate Governance Practices

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the six months ended 30 September 2008, except that:

- (1) The roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual; and
- (2) The Non-executive Directors and the Independent Non-executive Directors should be appointed for specific terms.

The deviation in item (1) above is due to the practical necessity and effective management on account of the Group's corporate operating structure.

Although the Non-executive Directors and the Independent Non-executive Directors of the Company were not appointed for specific terms, arrangements have been put in place such that all Directors would retire and are subject to re-election, either in accordance with the articles of association of the Company or on a voluntary basis, at least once every three years.

### 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") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by Directors. Upon specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2008.

## REVIEW OF RESULTS

The Audit Committee of the Company currently comprises Mr. Li Ka Fai, David (Chairman of the Committee), Mr. Lee Choy Sang and Ms. Ka Kit, all of them are Independent Non-executive Directors of the Company.

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2008.



## REMUNERATION COMMITTEE

A remuneration committee was established by the Company on 20 December 2005. The remuneration committee, presently comprising the Chairman, Mr. Bong Shu Yin, Daniel and two Independent Non-executive Directors, namely, Mr. Li Ka Fai, David and Mr. Lee Choy Sang. The remuneration committee holds at least one meeting every year. The principal responsibilities of the remuneration committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Directors and members of the senior management. The remuneration and the employment contracts of any newly appointed Directors and any compensation of removal and dismissal of Directors have to be reviewed and approved by the remuneration committee.

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	NOTES	Unaudited Six months ended 30 September 2008 HK\$'000	Unaudited Six months ended 30 September 2007 HK\$'000
<b>Turnover</b>	3	<b>3,276</b>	63,321
Direct cost		<b>(2,934)</b>	(52,437)
Gross profit		<b>342</b>	10,884
Interest income		<b>1,849</b>	3,965
Other income		<b>3,914</b>	141
Administrative and operating expenses		<b>(8,276)</b>	(5,385)
Changes in fair value of financial instruments, net	4	<b>(47,281)</b>	228,282
Share of results of jointly controlled entities		<b>(1,321)</b>	—
Write-off of derivative financial assets		<b>(108,506)</b>	—
Finance costs		<b>(16,025)</b>	(7,994)
(Loss) / profit before taxation	5	<b>(175,304)</b>	229,893
Income tax expenses	6	—	—
<b>(Loss) / profit for the period</b>		<b>(175,304)</b>	229,893
<b>Attributable to:</b>			
Equity holders of the Company		<b>(174,965)</b>	229,980
Minority interests		<b>(339)</b>	(87)
		<b>(175,304)</b>	229,893
<b>Dividends</b>	7	—	—
<b>(Loss) / earnings per share</b>	8		
- Basic		<b>HK(9.23) cents</b>	HK14.41 cents
- Diluted		<b>N/A</b>	HK7.57 cents

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2008

	NOTES	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
<b>Non-current assets</b>			
Property and equipment	9	444	574
Investment properties		75,000	75,000
Landscaping and related costs	10	14,752	—
Goodwill		6,795	—
Club membership		360	360
Interests in jointly controlled entities		174,851	84,069
		<b>272,202</b>	<b>160,003</b>
<b>Current assets</b>			
Accounts receivable	11	—	—
Prepayments, deposits and other receivables		2,235	5,568
Held-for-trading investments	12	117,259	55,630
Derivative financial assets	13	9,610	213,074
Available-for-sale investments		—	40,051
Pledged bank deposits		475	—
Cash and bank balances		223,130	304,513
		<b>352,709</b>	<b>618,836</b>
<b>Current liabilities</b>			
Accounts payable	14	1,700	1,444
Accrued liabilities and other payables		3,833	2,812
Derivative financial liabilities	15	41,033	45,000
Income tax payable		22,265	22,265
Amounts due to minority shareholders		3,352	3,378
Convertible bonds		57,826	55,708
		<b>130,009</b>	<b>130,607</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
NOTES		
<b>Net current assets</b>	<b>222,700</b>	488,229
<b>Total assets less current liabilities</b>	<b>494,902</b>	648,232
<b>Non-current liability</b>		
Convertible bonds	302,860	288,953
	<b>192,042</b>	359,279
<b>Capital and reserves</b>		
Share capital	1,896	1,896
Reserves	184,094	356,564
<b>Equity attributable to equity holders of the Company</b>	<b>185,990</b>	358,460
<b>Minority interests</b>	<b>6,052</b>	819
	<b>192,042</b>	359,279

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Attributable to equity holders of the Company

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange fluctuation reserve	Contributed surplus (Note)	Convertible bonds reserve	Retained profits/ losses (Accumulated)	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008 (audited)	1,896	111,051	209	28,309	1,372	26,801	86,788	102,034	358,460	819	359,279
Exchange difference arising on translation of overseas operation	—	—	—	—	85	—	—	—	85	102	187
Exchange difference arising on share of exchange reserve of jointly controlled entities	—	—	—	—	2,410	—	—	—	2,410	—	2,410
Acquisition of interest in subsidiaries	—	—	—	—	—	—	—	—	—	5,470	5,470
Loss for the period	—	—	—	—	—	—	—	(174,965)	(174,965)	(339)	(175,304)
At 30 September 2008 (unaudited)	<u>1,896</u>	<u>111,051</u>	<u>209</u>	<u>28,309</u>	<u>3,867</u>	<u>26,801</u>	<u>86,788</u>	<u>(72,931)</u>	<u>185,990</u>	<u>6,052</u>	<u>192,042</u>
At 1 April 2007 (audited)	1,596	47,917	209	28,309	362	26,801	61,912	24,986	192,092	1,062	193,154
Exchange difference arising on translation of overseas operation	—	—	—	—	(29)	—	—	—	(29)	—	(29)
Recognition on equity component of the convertible bonds	—	—	—	—	—	—	13,380	—	13,380	—	13,380
Profit for the period	—	—	—	—	—	—	—	229,980	229,980	(87)	229,893
At 30 September 2007 (unaudited)	<u>1,596</u>	<u>47,917</u>	<u>209</u>	<u>28,309</u>	<u>333</u>	<u>26,801</u>	<u>75,292</u>	<u>254,966</u>	<u>435,423</u>	<u>975</u>	<u>436,398</u>

## Note:

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group reorganisation in 1991, net of subsequent distributions. Under the Companies Law of Cayman Islands, the contributed surplus is distributed under certain specific circumstances.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	<b>Unaudited Six months ended 30 September 2008 HK\$'000</b>	Unaudited Six months ended 30 September 2007 HK\$'000
Net cash generated from / (used in) operating activities	<b>22,998</b>	(2,899)
Net cash used in investing activities	<b>(104,590)</b>	(12,234)
Net cash generated from financing activities	<b>—</b>	205,000
Net (decrease) / increase in cash and cash equivalents	<b>(81,592)</b>	189,867
Cash and cash equivalents at beginning of the period	<b>304,513</b>	36,349
Effect of foreign exchange rate changes	<b>209</b>	(61)
Cash and cash equivalents at end of the period, representing cash and bank balances	<b>223,130</b>	226,155

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

## 1. GENERAL

The Company is an exempted limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section of this interim report.

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2008 ("Interim Financial Information") are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activities of the Company and its subsidiaries ("the Group") are property investment, property development, investment in listed and unlisted securities and other investments.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Information has been prepared under the historical costs basis except for certain financial instruments, which are measured at fair values, as appropriate.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Interim Financial Information does 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 March 2008.

The accounting policies used in the Interim Financial Information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

In the current interim period, the Group had applied, for the first time, interpretations and amendments to HKFRS issued by the HKICPA, which are effective on 1 July 2008 or for the Group's financial year beginning on 1 April 2008. The adoption of these interpretations and amendments has 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.

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 1 & 32 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items <sup>3</sup>



## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRSs (Amendment)	Improvement to HKFRSs except for the amendment to HKFRS 5 <sup>1</sup>
	Amendment to HKFRS 5 <sup>3</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combination <sup>3</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Interpretation (“INT”) 13	Customer Loyalty Programmes <sup>2</sup>
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

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

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

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

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

The 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 1 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 or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

#### **Business segments**

The Group comprises the following main business segments:

- (a) Securities trading – invest in listed and unlisted securities;
- (b) Property investment and development – invest in properties for their rental income potential and property development; and
- (c) Others – provide information technology service.

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

Segment information about these businesses is presented below.

	Securities trading		Property investment and development		Others		Total	
	Unaudited		Unaudited		Unaudited		Unaudited	
	Six months ended 30 September 2008	Six months ended 30 September 2007	Six months ended 30 September 2008	Six months ended 30 September 2007	Six months ended 30 September 2008	Six months ended 30 September 2007	Six months ended 30 September 2008	Six months ended 30 September 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	3,243	63,316	—	—	33	5	3,276	63,321
Segment results	(43,494)	4,085	(734)	—	(307)	(1,163)	(44,535)	2,922
Interest income							1,849	3,965
Other income							47	141
Change in fair value of derivative financial instruments							—	235,081
Write-off of derivative financial assets							(108,506)	—
Unallocated expenses							(6,813)	(4,222)
Finance costs							(16,025)	(7,994)
Share of results of jointly controlled entities			(1,321)				(1,321)	—
(Loss) / profit for the period							(175,304)	229,893

#### 4. CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS, NET

	<b>Unaudited Six months ended 30 September 2008 HK\$'000</b>	Unaudited Six months ended 30 September 2007 HK\$'000
(Decrease) / increase in fair value of financial assets	<b>(47,805)</b>	228,288
Decrease / (increase) in fair value of financial liabilities	<b>524</b>	(6)
	<b><u>(47,281)</u></b>	<b><u>228,282</u></b>

#### 5. (LOSS) / PROFIT BEFORE TAXATION

(Loss) / profit before taxation is stated after charging / (crediting):

	<b>Unaudited Six months ended 30 September 2008 HK\$'000</b>	Unaudited Six months ended 30 September 2007 HK\$'000
Depreciation on property and equipment	<b>301</b>	260
Operating lease charges on rented premises	<b>162</b>	339
Exchange gains, net	<b>(127)</b>	(111)
	<b><u>(127)</u></b>	<b><u>(111)</u></b>

## **6. INCOME TAX EXPENSES**

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on estimated assessable profits, however, Hong Kong Profits Tax has not been provided for in the Interim Financial Information as all group entities did not derive any assessable profits for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No tax is payable for other jurisdictions as the subsidiaries did not derive any assessable profits for both periods.

## **7. DIVIDENDS**

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

## 8. (LOSS) / EARNINGS PER SHARE

The calculation of the basic and diluted (loss) / earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>Unaudited Six months ended 30 September 2008 HK\$'000</b>	Unaudited Six months ended 30 September 2007 HK\$'000
(Loss) / earnings		
(Loss) / earnings for the purpose of basic (loss) / earnings per share ((loss) / profit for the period attributable to equity holders of the Company)	<b>(174,965)</b>	229,980
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds (net of tax)	<b>7,369</b>	7,994
(Loss) / earnings for the purpose of diluted (loss) / earnings per share	<b>(167,596)</b>	237,974
	<b>2008 '000</b>	2007 '000
Numbers of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) / earnings per share	<b>1,896,300</b>	1,596,300
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>1,500,000</b>	1,548,634
Weighted average number of ordinary shares for the purpose of diluted (loss) / earnings per share	<b>3,396,300</b>	3,144,934

The diluted loss per share for the period is not presented as it is not applicable and has the effect of reducing the loss per share.

## 9. PROPERTY AND EQUIPMENT

During the period, the property and equipment of the Group was increased approximately by HK\$29,000 on acquisition of property and equipment and HK\$164,000 on acquisition of subsidiaries.

## 10. LANDSCAPING AND RELATED COSTS

The landscaping and related costs represented the costs incurred by a subsidiary of the Company for the contractual rights to perform and complete the landscaping works over a parcel of land in Xinjiang Uygur Autonomous Region, the PRC. The subsidiary has entered into contracts with the relevant government authorities that upon completion (and having been certified by the relevant government authorities) of such landscaping works in respect of 70% area of the land, it will be entitled to apply for the land use rights in respect of the remaining 30% area of such land, free from payment of any land consideration or land premium, for usual commercial and residential development uses (please refer to note 18 for more details).

## 11. ACCOUNTS RECEIVABLE

The Group normally allows an average credit period of 30 to 60 days to its trade customers. The Group extends the normal credit term to 120 days to certain major and reputable customers.

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
Accounts receivable	1,115	1,090
Less: Allowance for bad and doubtful debts	<b>(1,115)</b>	(1,090)
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

The Group seeks to maintain strict control on its outstanding receivables and overdue balances are reviewed regularly by senior management. There is no significant concentration of credit risk. Accounts receivables are not interest bearing.

## 12. HELD-FOR-TRADING INVESTMENTS

	<b>Unaudited</b> <b>30 September</b> <b>2008</b> <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
Equity securities listed in Hong Kong	<b>117,259</b>	55,630

## 13. DERIVATIVE FINANCIAL ASSETS

The derivative financial assets of the Group are not for the hedging purpose. Derivative financial assets as at 30 September 2008 and 31 March 2008 comprise:

	<b>Unaudited</b> <b>30 September</b> <b>2008</b> <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
Equity linked notes	<b>6,259</b>	24,493
Range accrual notes	<b>3,351</b>	3,581
Placement rights in respect of convertible bonds due 2009	—	185,000
	<b>9,610</b>	213,074

## 14. ACCOUNTS PAYABLE

The Group's accounts payable at the balance sheet date has aged over 120 days.



## 15. DERIVATIVE FINANCIAL LIABILITIES

The derivative financial liabilities of the Group are not for the hedging propose. Derivative financial liabilities as at 30 September 2008 and 31 March 2008 comprise:

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
Forward contracts on listed equity securities in Hong Kong	665	4,414
Options to subscribe for convertible bonds due 2013	<b>40,368</b>	40,586
	<b>41,033</b>	45,000

## 16. OPERATING LEASE COMMITMENT

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
Within one year	302	510
In the second to fifth year inclusive	6	—
	<b>308</b>	510

Operating lease payments represent rental payable by the Group for certain of its office premises. The leases were negotiated for a term of two years and with fixed rentals.

## 17. CAPITAL COMMITMENT

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
Capital commitments contracted but not provided for in respect of providing financing to a jointly controlled entity	<b>75,184</b>	164,879

## 18. ACQUISITIONS OF SUBSIDIARIES

On 19 May 2008, the Group acquired 60% of issued share capital of Advanced Industry Limited ("AIL") for a consideration of up to HK\$65,000,000.

AIL is a limited company incorporated in the British Virgin Islands. AIL acts as an investment holding company whose only asset is the entire issued share capital of Xinjiang Libao Ecological Development Co., Ltd 新疆麗寶生態開發有限公司 (the "PRC Company") which is a wholly foreign owned enterprise established in the PRC set up for the purpose of acquiring and holding the land use right of and developing parcels of land. At the time of acquisition of AIL, the PRC Company had entered into certain agreements with the government authority in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC. Pursuant to such agreements, the PRC Company has certain contractual rights to perform and complete the landscaping works over the land. The land is situated at Miquan-Dongshan District, Urumqi City, Xinjiang Uygur Autonomous Region, the PRC (the "Land"). One parcel of the Land would have a total construction area of approximately 2,400 mu ("Phase 1 Land"), and the other two parcels of the Land would have an aggregate construction area of approximately 6,000 mu ("Phase 2 Land"), subject to, among others, the successful conclusion of definitive agreements by the PRC Company with the relevant government authorities to the effect that the PRC Company could apply for the landscaping and land development of the Phase 2 Land. All costs and expenses incurred of and incidental to the completion of the landscaping work for a total site area of about 3,400 mu of the Phase 1 Land were solely borne by the vendor. The cost and expenses for the landscaping work of the remaining area of the Land will be solely borne by AIL, of which the Group owns 60% equity interest. Upon completion (and having been certified by the relevant government authorities) of such landscaping works in respect of 70% area of each parcel of the Land, the PRC Company will be entitled to apply for the land use rights in respect of the remaining 30% area of each parcel of the Land, free from payment of any land consideration or land premium, for usual commercial and residential development uses pursuant to the provisions of the relevant sale and purchase agreement between the Group and the vendor in respect of the acquisition of the 60% issued shares of AIL (the "Agreement").

## 18. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

The consideration for the acquisition of the 60% issued shares of AIL of up to HK\$65,000,000 was provided under the Agreement and subject to the terms and conditions thereof. A consideration of HK\$15 million has been paid to the vendor upon signing of the Agreement. Please refer to the Company's announcement dated 21 May 2008 for further details.

Pursuant to the Agreement, further consideration for an aggregate amount of up to HK\$50,000,000 should be payable in stages by the Group only upon fulfillment of the relevant milestones as stated in and subject to the terms and conditions of the Agreement; otherwise, the Group has no such payment obligation to the vendor.

The Group was recently informed by the vendor that due to the changes in government policies in the Xinjiang Uygur Autonomous Region, the PRC Company shall no longer be able to conclude any definitive agreements with the relevant government authorities for landscaping and land development in respect of the Phase 2 Land. Under these circumstances, the milestones in relation to the Phase 2 Land can no longer be fulfilled. According to a legal opinion provided by the Group's legal counsels, and pursuant to the terms and conditions of the Agreement, the Group will not have payment obligations for the remaining milestones for an aggregate amount of up to HK\$50,000,000. Accordingly, the total consideration for acquisition of the 60% issued shares of AIL is adjusted downward to HK\$15,000,000.

The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK\$6,795,000.

In the opinion of the Directors, the fair value of the identifiable assets and liabilities of AIL acquired during the six months ended 30 September 2008 have no significant difference from their respective carrying amounts.

## 18. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	<b>Acquiree's carrying amount and fair value</b>
	<i>HK\$'000</i>
Net assets acquired	
Property, plant and equipment	164
Landscaping and related costs	13,459
Prepayment and other receivable	33
Cash and cash equivalents	19
	<hr/>
	13,675
Minority interest	(5,470)
Goodwill	6,795
	<hr/>
	15,000
	<hr/> <hr/>
Satisfied by:	
Cash	15,000
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	(15,000)
Cash and cash equivalents acquired	19
	<hr/>
	(14,981)
	<hr/> <hr/>

AIL caused HK\$734,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2008, total group revenue for the period would have no change, and loss for the period would have been HK\$736,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is it intended to be a projection of future results.

## 19. LITIGATION

A summons dated 18 October 2007 issued in the Supreme Court of the State of New York, County of New York has been sent to Cosmopolitan Properties and Securities Limited (“CPSL”), a wholly owned subsidiary of the Company, requiring CPSL to answer a complaint lodged by Eric Edward Hotung, C.B.E. (“Eric Hotung”) in which CPSL was named as a joint defendant with Sean Eric Mclean Hotung (“Sean Hotung”) and Gabrielle Hotung-Davidsen, which related to two properties in the Osborne apartment block in New York that are currently registered in the name of CPSL holding in trust for Eric Hotung. CPSL has filed defence against the said complaint and denied allegation of any wrongdoings therein in its capacity as a trustee and is prepared and willing to abide by the Order of the Supreme Court of the State of New York with respect to the declaratory relief sought by the plaintiff relating to the two properties under the aforesaid litigation. In conjunction with this litigation, there were unrelated cross-claims filed by Sean Hotung, a defendant in this litigation, against CPSL and the Company (which is not a party to this litigation) for some specified amount of US\$10.8 million and other claims on account and inquiry related to certain events alleged to have occurred in Hong Kong many years ago. The Company has sought initial legal advice and considers that such cross-claims were not supported by valid legal grounds. On 17 July 2008, the Supreme Court of the State of New York had also ruled that Eric Hotung has the sole and unencumbered right to transfer ownership/title of the apartments in question. Having considered the legal advice obtained, the Company’s management considers that the aforesaid litigation (including the cross-claims referred to above) should have no material adverse impact on the financial position of the Group.