C C LAND HOLDINGS LIMITED

2009

(Incorporated in Bermuda with limited liability) Stock Code: 1224



INTERIM REPORT 2009

Contents

Corporate Information

Directors

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

Non-executive director
Mr. Wong Yat Fai

Independent non-executive directors
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

Audit Committee

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

Remuneration Committee

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

Authorised Representatives

Dr. Lam How Mun Peter
Mr. Leung Chun Cheong

Qualified Accountant

Mr. Leung Chun Cheong

Company Secretary

Ms. Cheung Fung Yee

Website

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Stock Code

1224

Registered Office

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Legal Advisors

Hong Kong
Cheung, Tong & Rosa
Woo Kwan Lee & Lo

Bermuda
Conyers Dill & Pearman

Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
BNP Paribas
Bank of Chongqing Co., Ltd.
Bank of Communications Co., Ltd.
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of East Asia, Limited

Share Registrars and Transfer Offices

Principal share registrar and transfer office
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

On behalf of the Board of Directors (the "Directors" or the "Board") of C C Land Holdings Limited (the "Company"), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009.

BUSINESS REVIEW

The Group's revenue for the six months ended 30 June 2009 decreased by 22.3% from the corresponding period in the previous financial year to HK$373.0 million (six months ended 30 June 2008: HK$479.8 million) as a result of the decrease in revenue from its packaging and luggage business.

During the six months ended 30 June 2009, the property business reported a revenue of HK$171.1 million, representing an increase of 9.1% when compared with the revenue of HK$156.9 million in the corresponding period of the previous year. The loss for the property business was HK$87.8 million (six months ended 30 June 2008: a profit of HK$66.8 million which included a gain on partial disposal of interest in a subsidiary of HK$138.4 million). The loss for the property business is because there was no project completion in the first half of 2009. Zone G of the Verakin New Park City with a GFA of 146,000 sqm is expected to be completed in the second half of 2009.

The revenues of the packaging and luggage business were HK$130.6 million (six months ended 30 June 2008: HK$205.8 million) and HK$70.1 million (six months ended 30 June 2008: HK$116.7 million) respectively. Despite the drastic fall in revenue, the manufacturing business recorded a profit of HK$4.8 million (six months ended 30 June 2008: a loss of HK$2.3 million taking into account a factory closure expenses of HK$2.9 million). The recession of the overseas market caused sales to drop across the board. Reduced raw material costs during the period, coupled with measures and restructuring plans to maximize productivity, efficiency, and strict cost control, were successful in securing a small profit for the manufacturing business.

Other incomes recorded a gain of HK$43.9 million from a gain on disposal of interests in certain land use rights and fair value gains on investment properties (six months ended 30 June 2008: a gain of HK$197.6 million from the gain on disposal of partial interest in a subsidiary, and recovery of receivables and fair value gains on investment properties).

Other expenses recorded an equity-settled share option expense which is non-operational and non-cash in nature amounting to HK$39.3 million (six months ended 30 June 2008: HK$35.4 million) in respect of share options granted to certain directors, eligible employees of the Group and those who had served the Group.

The treasury investment business reported a loss of HK$0.5 million (six months ended 30 June 2008: HK$3.4 million). This was mainly attributable to an unrealized loss on listed securities reflected in the period amounting to HK$9.2 million (six months ended 30 June 2008: HK$2.5 million), which was largely offset by a tax credit of HK$7.7 million from a successful appeal to claim certain investment transactions as non-taxable for previous years.

The increase in marketing and distribution costs, administrative expenses and finance costs are mainly due to the expansion of the property business.

Loss attributable to shareholders for the period amounted to HK$110.7 million (six months ended 30 June 2008: a profit of HK$39.6 million).

After eliminating the effect of equity-settled share option expense which is non-operational and non-cash in nature, the Group's loss attributable to shareholders for the period was HK$71.3 million. Detailed calculations are set out below:

	Property Business HK$'M	Manufacturing Business HK$'M	Treasury Investment Business HK$'M	Corporate Items HK$'M	Group HK$'M
Loss for the period	(87.8)	4.8	(0.5)	(41.1)	(124.6)
Add: non-operational/ non-cash expense — equity-settled share option expense	—	0.1	—	39.2	39.3
	(87.8)	4.9	(0.5)	(1.9)	(85.3)
Attributable to:					
Shareholders of the Group	(74.3)	5.4	(0.5)	(1.9)	(71.3)
Minority interests	(13.5)	(0.5)	—	—	(14.0)
	(87.8)	4.9	(0.5)	(1.9)	(85.3)

Basic loss per share for the period was 5.16 HK cents (six months ended 30 June 2008: basic earnings per share 1.83 HK cents). A diluted loss per share amount is not disclosed as no diluted event took place during the period (six months ended 30 June 2008: diluted earnings per share 1.82 HK cents).

THE PRC PROPERTY DEVELOPMENT AND INVESTMENT BUSINESS

The credit and subprime mortgage issues in the United States caused a significant depression in major economies around the world. China's exports were hit badly, and the economic growth of China started to slow from the fourth quarter of 2008. Through concerted global government efforts to boost the economy and create jobs, the protracted economic downturns in the major economies seem to be on the mend. China's stimulus program, through higher spending on public works and infrastructure, boosting domestic demand and consumption, and job creation, promoted growth. To support the stimulus program, certain pro-active and loose monetary policies have been adopted. The central government also introduced tax reform measures, including tax cuts on housing transaction and increased percentage of tax rebates for various exports. The property industry was seen as a key element in boosting economic growth. Policies were adopted to promote sales of homes, and help was rendered to developers to tie them over a very difficult period. The Chongqing government was one of the first to put out no fewer than 17 measures to support the property market.

The stimulus programmes enabled China's economy to turn around earlier than expected. China's Gross Domestic Products ("GDP") growth in the second quarter of 2009 jumped to 7.9%, an increase of 1.8% over the 6.1% GDP growth in the first quarter of 2009. China achieved a 7.1% GDP growth for the first half of 2009, and expects to achieve an overall 8% growth for 2009.

The Group's focus is on the property development and investment in Western China, predominantly in Chongqing and Sichuan. Figures showed that this region is one of the highest economic growth regions in the PRC. According to the Statistical Information of Chongqing and Chengdu, the GDP growth of Chongqing and Chengdu for the first half of 2009 were 12.5% and 13.5% respectively, outperforming the national average of 7.1%. The fiscal stimulus package has offset the contraction in export activity, upon which western China is relatively less dependent anyway. Contrast to the declines in both the sales volume and selling prices of commodity property in 2008, the flailing real estate market made an about turn from the beginning of 2009. Confidence and positive buying sentiments returned to the homebuyers across the country. For the first half year of 2009, the performance of both the Chongqing and Sichuan property markets is outstanding in terms of area and amount sold as announced by the National Bureau of Statistics of China as follows:

	Growth rate of area sold (%)			Growth rate of sales amount (%)		
	1st half 2009	2nd quarter 2009	1st quarter 2009	1st half 2009	2nd quarter 2009	1st quarter 2009
National	31.7	47.6	8.2	53.0	72.8	23.1
Chongqing	37.6	58.4	13.8	64.3	99.7	23.6
Sichuan	50.7	75.6	19.4	58.1	78.6	29.7

The transaction volume and sales turnover growth in the second quarter for both Chongqing and Sichuan were very impressive compared with other regions.

Amongst all the cities, Chongqing ranked number one in the number of units sold and number two in the most area sold in the country in the first half of 2009. This shows the strong demand for housing in Chongqing which is predominantly end-user driven. As the Chongqing property market started to formally take shape only about 3 years ago, the majority of the buyers are still local first-time home buyers. Coupled with the relative lower base property prices, and the strong economy growth in Chongqing, commodity housing prices have remained highly affordable to the local end-users.

During the six months ended 30 June 2009, the Group recognized sales of a total of approximately 26,987 sqm of GFA, contributing to a revenue of HK$161.1 million (six months ended 30 June 2008: 47,500 sqm and HK$150.8 million). The revenues were mainly from sales of 210 residential units of No. 1 Peak Road, which was completed in late 2008. The average selling price ("ASP"), net of business tax, achieved was RMB5,450 per sqm of GFA. When comparing with the ASP of RMB5,136 per sqm achieved in 2008 for the same project, No. 1 Peak Road, the ASP increased by about 6%. This proves the Group's outstanding property project quality is resilient to property market downturn and has the ability to enjoy price increases even in a weak property market. The gross profit margin for No. 1 Peak Road is 15% based on the book cost but would be 43% if excluding the fair value adjustment arising from the acquisition in late 2006.

There were 12 projects in different stages of development as at 30 June 2009. Apart from Zone G of the Verakin New Park City which will be completed in the second half year of 2009, all other projects are expected to be completed in 2010 or thereafter.

The total construction area expected to be completed in the second half year of 2009 and the year 2010 are approximately 146,000 sqm and 250,000 sqm respectively.

During the period, the Group's contracted sales reached a total of approximately 101,200 sqm of properties, which generated sales of RMB557.3 million (six months ended 30 June 2008: 51,200 sqm and RMB227.4 million), representing an increase of 98% and 145% respectively over the same period last year. As at 30 June 2009, the contracted but unrecognized sales was about RMB791 million. The recognition of these sales will depend on the time of completion of construction, the issuance of occupation permits and delivery to the buyers. Because of the premium quality of our projects and the improved property market, the property selling price in the six months period up to 30 June 2009 has increased by about 10-15% from the end of last year. Our projects have received numerous awards from recognized institutions and were selling at the highest prices in their respective districts.

The breakdown for the contracted sales during the period is as follows:

Project	Usage	Approximate Contracted Sales Area (sqm)	Approximate Contracted Sales Revenue (RMB'000)	Approximate Contracted ASP Before Business Tax (RMB)
No.1 Peak Road	Residential	28,200	174,800	6,200/sqm
Verakin New Park City — Zone G & H	Residential	18,600	65,800	3,540/sqm
Sky Villa	Residential	16,200	181,700	11,220/sqm
	Car Park	3,300	6,400	70,000/unit
i-City	Residential	34,900	128,600	3,680/sqm
Total		101,200	557,300	

Property Development

Chongqing Projects

Verakin New Park City (同景國際城) — A high-end multi-phased residential and commercial project with a total GFA of about 1.6 million sqm. Main construction works for Zone G has been completed while Zone H is in the stage of construction. Zone G will provide about 146,000 sqm of residential and commercial property. Zone H is a town-house project with a GFA of about 26,000 sqm. Pre-sales of Zone G and Zone H commenced in the third and fourth quarters of 2008 respectively. About 65% of Zone G's residential properties have been presold. Zone G and H are expected to be completed in the second half of 2009 and in the first half of 2010 respectively. Foundation work for Zone I with a GFA of about 150,000 sqm has been completed. Zone I will be launched to the market in early 2010.

Mansions on the Peak (御府) — Foundation work has been completed. Construction work of the super-structure is expected to start in the second half of 2009. The development carries 46 villas with a total GFA of about 52,000 sqm and is expected to be completed in the second half of 2011.

Nos. 3, 6, and 8 Peak Road — The development would provide a planned GFA of about 550,000 sqm made up of mostly residential and a few commercial units. The design plan needed to be revised to comply with the government's requirement to lower the heights of several buildings adjacent to the nearby local governmental villa estate occupied by senior officials. Construction work is expected to commence in the second half of 2009.

Lot # 10-1 — A landmark development in our Yubei main land bank that provides a planned GFA of about 394,000 sqm, comprising an investment-grade shopping mall, a 5-star hotel with an associated serviced apartment block, several office towers, residential units and retail spaces. The master plan has been approved by the local authority. Construction of the 4 residential towers with a GFA of about 143,000 sqm commenced in the second quarter of 2009 and is expected to be completed by 2011.

The Group also formed a strategic partnership with New World China Land Limited ("NWCL"), a leading property developer and hotel operator in China, in jointly developing the five-star luxury hotel and serviced apartment project on this lot. The equity interest of this jointly-developed project will be held as to 80% by the Group and 20% by NWCL. The hotel and serviced apartment project has an aggregate GFA of approximately 81,000 sqm and is scheduled to be completed by the year 2012.

i-City (愛都會) — A three-phased development project near the new Yubei train terminal, providing a GFA of about 309,000 sqm of mixed residential and commercial property. Construction of the first phase of a GFA of about 63,000 sqm is in progress. Pre-sales were launched in December 2008, and almost all units were sold. Construction of the second phase of a GFA of about 130,000 sqm commenced in the second quarter of 2009, and presales would soon be launched. The first phase and the second phase of the project are expected to be completed in 2010 and 2011 respectively.

Phoenix County (梧桐郡) — A high-end residential townhouse and high-rise apartments project near the new Yubei train terminal with a total GFA of about 413,000 sqm. The foundation work is in progress. The construction of the first phase with a GFA of about 82,000 sqm will start in the fourth quarter of 2009 and is expected to be completed in 2011.

Riverside, Wanzhou (濱江壹號) — Located in the Jiangnan New District in Wanzhou, the project will be developed into an integrated complex, consisting of commercial facilities, an office building and high-end residential property with a total GFA of about 397,000 sqm. Foundation for the first phase of residential property with a GFA of about 73,000 sqm was started in December 2008. The construction work started in the second quarter of 2009. Phase I pre-sales is expected to take place in October, 2009.

Jiangbei Project — A 25% equity interest joint venture project along the north bank of the city center section of the Jialing River with a total GFA of about 1,020,000 sqm is planned to be developed into a high-end residential and commercial complex. The preliminary plans of the project are in the process of revision.

Chengdu Projects

Sky Villa (四海逸家) — A residential project located in the Jinjiang District with a total GFA of about 413,000 sqm. Construction of the first phase with a construction area of about 88,000 sqm consisting of three towers is in progress. Pre-sales started from September 2008 and the current ASP increased to RMB13,000 per sqm from the initial RMB10,500. The first phase is expected to be completed and delivered in 2010.

Wen Jiang Project — A suburban high-end project in Chengdu with a total GFA of about 865,000 sqm is planned for the development of villas, townhouses, and low-rise apartment blocks. Construction work for Phase I with a GFA of about 47,000 sqm is scheduled to commence in the first half of 2010.

Chengnan Project — A villa and townhouse project with a total GFA of about 217,000 sqm in Shuangliu County, Chengdu. The project is just 8 minutes away from the southern extension of the Chengdu South Renmin Road. Shuangliu County is a highly developed transportation hub and presently the sole aviation hub in Chengdu. It is the largest air traffic centre in Western China. The Project is close to the Sichuan University district along a river bank and will be developed in phases. Construction of Phase I is expected to commence as early as November 2009.

Kunming Project

Silver Lining (雲都國際) — This pilot project in Kunming has a total GFA of about 62,000 sqm, comprising of residential, serviced apartments and commercial property. Foundation work has started.

As of 30 June 2009, details of the projects held for development are as follows:

Locations/ Project Names	**Expected Completion Date**	**GFA** (sqm)	**Group's Interest**
Chongqing, Yubei District			
— Phoenix County	2011 or after	413,000	100%
— i-City	2010 or after	309,000	100%
— Mansions on the Peak	2011	52,000	100%
— 10-1	2011 - 2012	394,000	100%
— 15, 16 & 17-1	2012 or after	813,000	100%
— 9	2012 or after	365,000	100%
— 19	2012 or after	383,000	100%
— 4	2012 or after	597,000	100%
— 3-1	2012 or after	301,000	100%
— Others	2012 or after	131,000	100%
Chongqing, Jiangbei Project	2012 or after	1,020,000	25%
Chongqing, Nan'an District			
— Verakin New Park City	2009 - 2017	1,477,000	51%
Chongqing, Wanzhou District			
— Riverside, Wanzhou	2010 or after	397,000	100%
Chongqing, Tongnanxian	2012 or after	867,000	100%
Chongqing, Shapingba District, U-City	2012 or after	356,000	100%
Chengdu, Dujiangyan District, Xujia Town	2011 or after	61,000	100%
Chengdu, Dujiangyan District, Yutang Town	2012 or after	187,000	60%
Chengdu, Jintang County	2012 or after	2,226,000	60%
Chengdu, Jinjiang District			
— Sky Villa	2010 - 2012	413,000	50%
Chengdu, Wen Jiang Project	2011 or after	865,000	50%
Chengdu, Shuangliu County, Chengnan Project	2011 or after	217,000	50%
Meishan, Pengshan County			
— Binjiang New Town	2012 or after	1,000,000	60%
Sichuan, Dazhou, Tongchuan District	2011 or after	364,000	100%
Kunming — Silver Lining	2011	62,000	70%
Total		13,270,000	

Land Bank

The Group's land bank strategy is to keep a land bank portfolio sufficient for 7 to 8 years of development. Land bank replenishment is prudently controlled and only land with extremely attractive development potential will be considered. During the first half of 2009, the Group acquired 3 land lots totalling approximately 760,000 sqm at a total consideration of RMB834 million. Details of the newly acquired land lots are as follows:

1. **Yutang Town, Dujiangyan District, Chengdu** — In January 2009, the Group secured at auction a land lot with a GFA of about 187,000 sqm at a total consideration of RMB126 million with an average price of RMB678 per sqm in Yutang Town, Dujiangyan District, Chengdu. The acquired site is part of the land lots put up for sale in land auctions by the PRC authority associated with the land development rights assigned to the Group in 2007. The Group has a 60% equity interest in this land site.

2. **Chengnan, Chengdu** — In May 2009, the Group acquired a 100% interest in a company which owns a piece of land in Wenxing Town, Shuangliu County, Chengdu, at a consideration of RMB474 million through its 50% owned joint-venture entity which owns the Sky Villa Project. The land lot has a GFA of about 217,000 sqm for villa and townhouse development. The accommodation value was RMB2,184 per sqm GFA.

3. **U-City, Shapingba District, Chongqing** — In June 2009, the Group acquired through auction 3 new land lots in the Xiyong University City area, Shapingba District, Chongqing with a GFA of approximately 356,000 sqm, at a consideration of RMB234 million with an accommodation value of RMB657 per sqm GFA.

As of 30 June 2009, the Group had land bank reserves of approximately 13.3 million sqm GFA (attributable GFA amounts to about 9.6 million sqm) held for development. The average land cost is about RMB1,100 per sqm. The Group's land bank covers Chongqing, Chengdu, the Sichuan Province, and Kunming. Within our land bank, the land lots located at the Yubei District, Chongqing, are of the utmost importance due to their excellent location, and the maturity of the neighbourhood. A large portion of our trophy investments properties will be developed on these land lots. The Group's land bank has a well-diversified portfolio. The breakdown by usage is as follows:

Usage	Completed Properties held for Investment GFA (sqm)	Properties held for Own Use GFA (sqm)	Completed Properties held for Sale GFA (sqm)	Land held for Development GFA (sqm)		Total GFA (sqm)	Percentage
				Total	Attributable		
Commercial	28,000	9,000	5,000	725,000	577,000	767,000	5.7
Residential	4,000		21,000	8,800,000	6,147,000	8,825,000	65.7
Office				768,000	753,000	768,000	5.7
Hotel & serviced apartment				595,000	460,000	595,000	4.4
Townhouse & villa				1,211,000	795,000	1,211,000	9.0
Others (Car-park spaces and other auxiliary facilities)	52,000	11,000	38,000	1,171,000	918,000	1,272,000	9.5
Total	84,000	20,000	64,000	13,270,000	9,650,000	13,438,000	100.0

Out of the 21,000 sqm completed residential properties held for sale, about 89% have been sold and are pending delivery.

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

Locations	Total GFA (sqm)	Attributable GFA (sqm)	Percentage
Chongqing	7,875,000	6,386,000	59.3
Sichuan			
— Chengdu	3,969,000	2,256,000	30.0
— Pengshan	1,000,000	600,000	7.5
— Dazhou	364,000	364,000	2.7
Yunnan			
— Kunming	62,000	44,000	0.5
Total	13,270,000	9,650,000	100.0

Investment Properties

The rental income from the investment properties amounts to HK$6.4 million for the period ended 30 June 2009 (six months ended 30 June 2008: HK$5.9 million), representing an increase of 8.5%. As of 30 June 2009, the Group's investment properties consists of 84,467 sqm GFA (30 June 2008: 73,666 sqm). The portfolio comprises of properties of diversified usage: Commercial (33.5%), Residential (4.6%) and Car-park and auxiliary facilities (61.9%). The Group recorded a fair value gain of HK$9.5 million (six months ended 30 June 2008: HK$25.9 million) for the investment properties during the period.

The Group will carefully select prime investment properties that yield respectable returns to add to the Group's portfolio. The portfolio of investment properties will generate stable recurrent income and cash flow to the Group which will achieve a better balance in revenue and stability in income streams in years to come.

Investment Properties under Development

With the recently awarded Special Economic Zone status for Chongqing and Chengdu, which translates into massive Central Government's spending in Chongqing's infrastructures, preferential tax policies, and other supportive measures, we expect many large overseas corporations to be attracted to the region. A new Third New District is expected to be created in the Chongqing's New North Zone in the vicinity of the Group's main land bank. This district will enjoy the same privileges which have been accorded to Pudong of Shanghai, and the Binhai District of Tianjin. In addition, in early 2009, Chongqing was chosen as the first and only inland free-trade zone where enterprises can enjoy a lot of tax privileges both for import and export.

In the 11th Five Year Plan, the Chongqing Municipal Government encourages intensive development in urban areas, and the northern part of Chongqing is the ideal site for the new city centre. Being the "North Window" of Chongqing, the Yubei District is strategically important in the whole development blueprint of Chongqing. The Group's core land bank in the Yubei District is situated right at the heart of the Yubei District of Chongqing, a district where the regional government administration offices, major highway junctions and a new rail transportation hub are located. It takes only 20 minutes by car from the Chongqing Airport to the Yubei District. Plans have been drawn to build more runways to expand the airport with a budget of RMB20 billion in anticipation of the rising status of Chongqing to lead Western China into the future. The Group's land bank in this area has been earmarked for development as separate but interlinked projects, consisting of hotels, commercial and residential complexes. Internationally renowned architects and designers have been enlisted to take care of these projects. In view of the prime location of these projects, the Group intends to keep the trophy commercial properties for rental purposes and is expected to build up the investment property portfolio in the coming four years. Once completed, this portfolio will form a solid base of recurrent rental income and cash flow for the Group.

MANUFACTURING BUSINESS

In September 2008, the global economy began to deteriorate dramatically. The US and European economies deteriorated further in the following months as consumer spending slumped and manufacturing output declined correspondingly, which was partly attributable to major customers implementing inventory reduction programs.

To respond to the sudden change in market conditions, the management reacted swiftly and decisively to restructure individual companies' cost bases to accommodate demand declines. Production and administration costs were also reduced so that the Group's cost base was in line with current sales demand.

The Group's packaging and luggage businesses suffered steep declines in sales. Thanks to the restructuring measures, the packaging business remained profitable. The luggage business was able to attain breakeven operational results, with the net loss for the period related solely to an isolated customer claim against unsatisfactory product quality. The result was achieved despite continuing cost and adverse market pressures during the period. We considered that the restructuring should position these businesses to benefit from future market improvements.

Segmental contribution to the Group for the packaging and luggage business amounted to a profit of HK$7.7 million and a loss of HK$2.9 million respectively.

Packaging Business

The revenue for the six months ended 30 June 2009 decreased by 36.5% from the same period last year to HK$130.6 million. A rapid deterioration of the world economy and sharp reduction in consumer demand resulted in the decline in sales.

Geographically, Europe continued to be the largest market in the six months period ended 30 June 2009. Revenue from this market was HK$70.8 million, a decrease of 18.8% from the same period last year, representing 54.2% of total revenue. In Hong Kong and the USA, sales revenue decreased by 50.6% and 60.0% to HK$34.4 million and HK$15.7 million respectively, representing 26.3% and 12.0% respectively of total revenue.

The packaging business implemented cost reduction measures including reduction in labour cost to keep operational costs at low levels. We continued to trim production to match supply with demand. These measures contributed to improvements in the gross profit margin during the period. The net profit for the period ended 30 June 2009 was HK$7.7 million, despite the decline in sales. This was an excellent performance given the weak consumer sentiments throughout most of the period.

Luggage Business

In response to the difficult market conditions since the first half of 2008, all areas in the luggage business implemented forceful programs for cost reduction, and improving productivity. A production facility was closed down to avoid risk of over-capacity. As a result, the luggage business returned to profitability in the second half of 2008. However, the USA is still the major market for the luggage business. Economic activity in the US shrank so much since last winter, that individuals were cutting their spending as job losses continued to rise. The luggage business initially achieved steady sales in the last quarter 2008 and in January 2009, but sales quickly went down owing to the severe contraction of the US market. Revenue of the luggage business dropped by 39.9% over the same period last year to HK$70.1 million. With strict cost control measures in place, and improvements in gross operating profit margin, the luggage business recorded an operational profit of HK$0.6 million, and a net loss of HK$2.9 million due to a customer claim during the period. The net loss represented a decrease of HK$9.3 million or 76.2% compared to the HK$12.2 million losses recorded in the same period of the previous financial period.

The weak economic data may indicate a pessimistic economic outlook in the US market for the second half year. Growth in the second half year is not expected, even though the pace of economic decline may slow in the coming months. The luggage business will endeavor to increase its market share and improve product design to attain growth.

Other Businesses

The share of loss from the 30% owned associated company, Technical International Holdings Limited, amounted to HK$2.0 million (six months ended 30 June 2008: HK$2.1 million). The market is likely to remain challenging in the second half of the financial year. Consumer demand is expected to remain weak. We are looking forward to improvement in the second half of the financial year due to positive seasonal factors and contributions from new product categories.

TREASURY INVESTMENT BUSINESS

The Group's treasury investments segment recorded a loss for the period of HK$0.5 million (six months ended 30 June 2008: HK$3.4 million). This was largely due to an unrealized loss on listed investments reflected in the period, which was partially offset by a tax credit of HK$7.7 million relating to a successful tax appeal claiming certain investment transactions as non-taxable for previous years.

To aim at strategic investment with growth potential, and in view of the shrinking interest returns on deposits, the Group invested in a portfolio of listed securities and an unlisted investment fund. Part of the portfolio has been disposed of subsequent to the reporting period at a profit of approximately HK$3.8 million.

PROSPECTS

The PRC Property Development and Investment Business

The financial crisis in 2008 caused severe depression in the global economy and has severely impaired the supply of credit. Businesses were unable to get trade credits to purchase from abroad. Combined with a collapse in consumer confidence, China's exports fell. Through concerted efforts, major countries have succeeded in stabilizing the banking industry and economic activity. China also moved swiftly to adopt a stimulus package to stimulate domestic demand to offset the slump in exports. The stimulus plans succeeded to inspire confidence and boost domestic demands. To help stimulate economic growth, the government has put in place a loose monetary policy, granted discounts in mortgage interest rates to first-time homebuyers, lowered minimum capital requirement for housing project, and adopted other concessionary policies by local governments such as waivers of transaction duties, and providing home purchase subsidies. China's economy grew at an annual rate of 7.9% in the second quarter 2009, up from 6.1% in the first quarter. The supportive measures and policies have also triggered growth in property sales volumes and prices across the country. The Group remains cautiously optimistic about the market conditions in 2009 and the next year.

Chongqing has been designated as a strategic hub in central and western China in the development of the western region of China. In April 2009, the Chongqing Development and Reform Commission (重慶市發展和改革委員會) announced investment of approximately RMB0.85 trillion in the coming years in infrastructure projects of Chongqing. This will provide employment, facilitate the process of urbanization, which in turn support the continued economic growth in Chongqing and its neighbouring regions, particularly Sichuan. The outperforming economy growth in Western China has provided strong support for the property market in this region. The inventory level in Chongqing as at the end of June 2009 would last for only a few months. This is another factor favourable to developers. The Group made use of the slowdown in 2008 to build up a solid corporate infrastructure in preparation for rapid expansion upon the return of the market. The new construction areas in the first half of 2009 amounted to approximately 310,000 sqm and they are to be launched to the market in late 2009 and 2010. The Group believes that the period of two and a half years since its transformation into a listed property developer at the end of 2006 was necessary to build up its land banks, project teams, and to streamline its operations in preparation for serious expansion.

Manufacturing Business

Though there were signs of stabilization, the economic downturn was more protracted than widely believed. The International Monetary Fund estimated that global output would fall in 2009, and predicted that recovery in developed economies would be delayed until the second half of 2010. Given that unemployment may continue to rise, consumers are likely to continue to cut spending. Buying sentiments will remain weak for the year, but is expected to moderately improve as economic activities stabilised.

However, after months of decline in sales, manufacturing activity in the United States and Europe has started to rise from July this year. With improved consumers' confidence, increased spending may lead to a surge in demand for packaging products. As industry consolidation has strengthened further our market lead, the packaging business may perform much better than expected in the second half year. We expect less margin pressure as it is partially offset by lower raw material costs. We will continue to improve efficiency of production processes and contain costs to come out from these difficult times.

The luggage business deteriorated since last winter as historically it relied a large proportion of sales on USA customers. The US economy underwent contraction in the first half year, but there are initial signs of stabilization in recent weeks. Market sentiments in Europe have not improved though since unemployment in the area has increased in the period. In response, we closed the production facility in Dongguan in mid-2008 to trim production capability and to secure better utilization of the Suzhou plant. Manufacturing fixed costs have been further reduced to counter the anticipated decrease in customers demand. Given the recent improvement in the luggage business, and the widening of our customer base from our marketing efforts, the Group is confident the luggage business will turn the corner in line with the recovery of the world economy. To drive growth for the luggage business, we will continue to pursue the strategy based on improved product design, geographic expansion and operational efficiencies.

FINANCIAL REVIEW

Investments

At 30 June 2009, the Group held a portfolio of listed and unlisted securities, a convertible note (issued by a company listed on the Stock Exchange) and an unlisted investment fund with a carrying value of HK$866.0 million (31 December 2008: HK$190.9 million). The amount of dividends, interest and other income from investments for the period was HK$4.9 million (six months ended 30 June 2008: HK$1.6 million).

Borrowings and Financial Leverage

At 30 June 2009, the Group had cash and bank balances of HK$1,477.2 million (31 December 2008: HK$2,005.6 million), which included HK$1.0 million (31 December 2008: HK$328.2 million) of deposits pledged to banks.

At 30 June 2009, the Group's total borrowings amounted to HK$2,664.1 million (31 December 2008: HK$2,769.2 million). The Group's net borrowings were HK$1,186.9 million (31 December 2008: HK$763.6 million), and total equity was HK$9,255.3 million (31 December 2008: HK$9,275.6 million). The Group's net gearing ratio, calculated by net borrowings of HK$1,186.9 million divided by total equity, was approximately 12.8% as at 30 June 2009 (31 December 2008: 8.2%).

The Group's bank borrowings as at 30 June 2009 are summarized as follows:

Currency of Bank Loans	**Total**	**Due within One Year**	**Due more than One Year but not exceeding Two Years**	**Due more than Two Years but not exceeding Five Years**
	HK$'M	HK$'M	HK$'M	HK$'M
RMB	900.9	708.1	68.0	124.8
HK$	1,745.7	188.6	1,557.1	—
US$	17.5	17.5	—	—
	2,664.1	914.2	1,625.1	124.8

Secured debt accounted for approximately 33.8% of total borrowings as at 30 June 2009 (31 December 2008: 29.0%).

Interest expenses (before capitalisation) for the period was HK$46.2 million (six months ended 30 June 2008: HK$58.7 million) at an average interest rate of 3.52% (six months ended 30 June 2008: 6.19%) per annum.

Contingent Liabilities/Financial Guarantees

At 30 June 2009, the Group had the following contingent liabilities/financial guarantees:

a. Guarantees given to a bank in connection with the Group's appropriate share of the facilities granted to a jointly-controlled entity in the amount of HK$113.4 million (31 December 2008: Nil).

b. Guarantees given to banks in connection with facilities granted to an associate in the amount of HK$13.5 million (31 December 2008: HK$13.5 million).

c. Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group and its jointly-controlled entity's property units in the amount of HK$383.3 million (31 December 2008: HK$343.7 million) and HK$48.9 million (31 December 2008: HK$8.3 million) respectively.

Pledge of Assets

At 30 June 2009, the Group has pledged the followings:

a.	Leasehold properties as security for general banking facilities granted to the Group.	HK$5.8 million
b.	Fixed deposits as security for general banking facilities granted to the Group.	HK$1.0 million
c.	Properties under development, prepaid land lease payments, completed properties held for sale and investment properties pledged to secure banking facilities granted to the Group.	RMB3,744.3 million

Exchange Risks

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

EVENTS AFTER THE REPORTING PERIOD

a. On 28 July 2009, the Group placed 428,000,000 new shares to independent investors at a price of HK$5.92 per share, raising approximately HK$2,478 million to fund core business expansion including future acquisitions of land bank, land and property development, and for general working capital and corporate purposes.

b. On 31 August 2009, the Group entered into a shareholders' agreement (the "Shareholders' Agreement") with Verakin Group Company Limited ("Verakin Group") for a change to the ratio of their respective equity interest in Chongqing Verakin Real Estate Company Limited ("Chongqing Verakin"), a 51%-owned subsidiary of the Group. Pursuant to the Shareholders' Agreement, the Group will acquire an additional 10% equity interest in Chongqing Verakin from Verakin Group at a cash consideration of RMB25,000,000 (the "Consideration"). Under the Shareholders' Agreement, Verakin Group is also granted a buy-back option of this 10% equity interest in Chongqing Verakin, which is exercisable within 3 years from the date of the Shareholders' Agreement and subject to the fulfillment of certain conditions. The exercise price for the repurchase of the 10% equity interest shall be equal to the sum of the Consideration plus a premium of 1% per month on the Consideration calculated for the period from the completion date to the date of completion of the repurchase and, if any, additional capital contributions made by the Group as a result of its increased equity interest during that period.

EMPLOYEES

At 30 June 2009, the Group had approximately 4,060 employees. The Group remunerates its staff based on their merit, qualification and competence. The Group has also established an incentive bonus scheme to reward individual employees based on their performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. Other benefits include contributions to a provident fund scheme, mandatory provident fund, and medical insurance.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

Disclosure of Interests

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2009, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interests in the Company (long positions)

	Interest in shares		Interest in underlying shares pursuant to		
Name of directors	Personal interest	Corporate interest	share options [3]	Aggregate interest	Approximate percentage [4]
Mr. Cheung Chung Kiu		1,294,165,207 [1 & 2]		1,294,165,207	60.34
Dr. Lam How Mun Peter	11,000		39,039,000	39,050,000	1.82
Mr. Tsang Wai Choi	3,314,000			3,314,000	0.15
Mr. Leung Chun Cheong	534,000		1,500,000	2,034,000	0.09
Mr. Leung Wai Fai			3,000,000	3,000,000	0.14
Ms. Poon Ho Yee Agnes	104,000		2,000,000	2,104,000	0.10
Dr. Wong Kim Wing	250,000		2,000,000	2,250,000	0.10
Mr. Wu Hong Cho			1,800,000	1,800,000	0.08

Notes:

1. 254,239,636 of such shares were held through Regulator Holdings Limited ("Regulator"), an indirect wholly-owned subsidiary of Yugang International Limited ("Yugang", which was owned by Chongqing Industrial Limited ("Chongqing"), Timmex Investment Limited ("Timmex") and Mr. Cheung Chung Kiu in aggregate as to 44.06%). Mr. Cheung Chung Kiu was deemed to be interested in the same number of shares held by Regulator by virtue of his indirect shareholding interests in Chongqing. As Mr. Cheung Chung Kiu had 100% beneficial interest in Timmex, he was also deemed to be interested in the same number of shares held by Timmex through Regulator.

   1,039,925,571 of such shares were held through Thrivetrade Limited ("Thrivetrade"), a company wholly-owned by Mr. Cheung Chung Kiu. Accordingly, he was also deemed to be interested in the same number of shares in which Thrivetrade was interested.

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

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

4. Percentage which the aggregate long position in the shares or underlying shares represents to the issued share capital of the Company as at 30 June 2009.

Save as disclosed above, as at 30 June 2009, the Company had not been notified of any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

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

Details of the options to subscribe for shares of the Company granted under the Scheme and their movement during the period are set out below:

Name or category of participants	Number of share options: At 1 January 2009	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	At 30 June 2009	Date of grant [1]	Exercise period	Exercise price [2] *HK$ per share*	Closing price immediately before the date of grant *HK$ per share*
Directors										
Lam How Mun Peter	2,000,000	–	–	–	–	2,000,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	1,939,000	–	–	–	–	1,939,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	6,000,000	–	–	–	–	6,000,000	16-02-2007	01-01-2008 to 15-02-2017	4.81	4.67
	2,000,000	–	–	–	–	2,000,000	19-04-2007	01-01-2008 to 18-04-2017	5.26	5.40
	2,000,000	–	–	–	–	2,000,000	19-04-2007	01-01-2009 to 18-04-2017	5.26	5.40
	4,000,000	–	–	–	–	4,000,000	27-04-2007	01-01-2008 to 26-04-2017	5.37	5.40
	1,800,000	–	–	–	–	1,800,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	1,800,000	–	–	–	–	1,800,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	–	17,500,000	–	–	–	17,500,000	07-05-2009	07-05-2009 to 06-05-2019	3.27	3.47
	21,539,000	17,500,000	–	–	–	39,039,000				
Leung Chun Cheong	500,000	–	–	–	–	500,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	–	–	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	–	–	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	1,500,000	–	–	–	–	1,500,000				
Leung Wai Fai	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	–	–	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	–	–	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	3,000,000	–	–	–	–	3,000,000				
Poon Ho Yee Agnes	500,000	–	–	–	–	500,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	500,000	–	–	–	–	500,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	–	–	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	–	–	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	2,000,000	–	–	–	–	2,000,000				
Wong Kim Wing	1,000,000	–	–	–	–	1,000,000	10-07-2008	03-01-2009 to 28-10-2017	5.27	5.20
	1,000,000	–	–	–	–	1,000,000	10-07-2008	03-01-2010 to 28-10-2017	5.27	5.20
	2,000,000	–	–	–	–	2,000,000				
Wu Hong Cho	400,000	–	–	–	–	400,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	400,000	–	–	–	–	400,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	–	–	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	–	–	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	1,800,000	–	–	–	–	1,800,000				

Share Options *(Continued)*

Name or category of participants	Number of share options: At 1 January 2009	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	At 30 June 2009	Date of grant [1]	Exercise period	Exercise price [2] *HK$ per share*	Closing price immediately before the date of grant *HK$ per share*
Employees										
In aggregate	1,525,000	–	–	–	–	1,525,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	2,650,000	–	–	–	–	2,650,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	200,000	–	–	–	–	200,000	19-04-2007	01-01-2008 to 18-04-2017	5.26	5.40
	500,000	–	–	–	–	500,000	19-04-2007	01-01-2009 to 18-04-2017	5.26	5.40
	2,150,000	–	–	–	–	2,150,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	2,150,000	–	–	–	–	2,150,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	200,000	–	–	–	–	200,000	10-07-2008	30-01-2009 to 28-10-2017	5.27	5.20
	200,000	–	–	–	–	200,000	10-07-2008	30-01-2010 to 28-10-2017	5.27	5.20
	280,000	–	–	–	–	280,000	10-07-2008	18-02-2009 to 01-11-2017	5.27	5.20
	280,000	–	–	–	–	280,000	10-07-2008	18-02-2010 to 01-11-2017	5.27	5.20
	800,000	–	–	–	–	800,000	10-07-2008	28-03-2009 to 02-01-2018	5.27	5.20
	800,000	–	–	–	–	800,000	10-07-2008	28-03-2010 to 02-01-2018	5.27	5.20
	80,000	–	–	–	–	80,000	10-07-2008	01-04-2010 to 24-03-2018	5.27	5.20
	80,000	–	–	–	–	80,000	10-07-2008	01-04-2011 to 24-03-2018	5.27	5.20
	11,895,000	–	–	–	–	11,895,000				
Others										
In aggregate	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	1,000,000	–	–	–	–	1,000,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	–	–	–	–	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	–	–	–	–	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	3,000,000	–	–	–	–	3,000,000				
Total	46,734,000	17,500,000	–	–	–	64,234,000				

Notes:

1. Vesting period of share options begins from the date of grant until the commencement of exercise period.

2. Exercise price of share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

Discloseable Interests and Short Positions of Shareholders under SFO

As at 30 June 2009, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares held (long positions)	Approximate percentage[3]
Regulator	Beneficial interest	254,239,636[1]	11.85
Yugang International (B.V.I.) Limited ("Yugang-BVI")	Interest of controlled corporation	254,239,636[1]	11.85
Yugang	Interest of controlled corporation	254,239,636[1]	11.85
Chongqing	Interest of controlled corporation	254,239,636[1]	11.85
Palin Holdings Limited ("Palin")	Interest of controlled corporation	254,239,636[1]	11.85
Thrivetrade	Beneficial interest	1,039,925,571[2]	48.49

Notes:

1. The interests held by Regulator, Yugang-BVI, Yugang, Chongqing and Palin respectively as shown above refer to interests in the same block of shares. Regulator is a direct wholly-owned subsidiary of Yugang-BVI which is in turn a direct wholly-owned subsidiary of Yugang. Yugang was owned by Chongqing, Timmex and Mr. Cheung Chung Kiu in aggregate as to 44.06%. Chongqing, Timmex and Palin are controlled by Mr. Cheung Chung Kiu. The said interests were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under the paragraph "Interests in the Company (long positions)" of the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

2. These shares were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under the paragraph "Interests in the Company (long positions)" of the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

3. Percentage which the aggregate long position in the shares represents to the issued share capital of the Company as at 30 June 2009.

Save as disclosed above, as at 30 June 2009, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under Section 336 of the SFO.

Corporate Governance and Other Information

Code on Corporate Governance Practices

During the period under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save for a slight deviation from Code Provision A.4.1 of the Code, which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing non-executive directors of the Company are appointed for a specific term. Nevertheless, the length of tenure of non-executive directors is governed by the Company's Bye-laws which require every director to retire by rotation at the annual general meeting at least once every three years. A retiring director is eligible for re-election. This stipulation is consistent with the requirements of Code Provision A.4.1 of the Code. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are on terms no less exacting than the required standard set out in the Code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (as amended from time to time) as its own codes of conduct regarding securities transactions by directors. Following specific enquiries made, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

Disclosure under Rules 13.18 and 13.21 of the Listing Rules

In accordance with the requirement of Rule 13.21 of the Listing Rules, details of all loan facilities, which existed during the period, including conditions relating to specific performance of the controlling shareholders of the Company are reported below.

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

As at 30 June 2009, the outstanding loan balance was HK$1,755,000,000.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee has discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited interim financial statements for the six months ended 30 June 2009.

Appreciation

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

By order of the Board
Lam How Mun Peter
Deputy Chairman & Managing Director

Hong Kong, 18 September 2009

Consolidated Income Statement

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (Unaudited) HK$'000	 2008 (Unaudited) HK$'000
REVENUE	3, 4	**372,976**	479,831
Cost of sales		**(305,879)**	(444,242)
Gross profit		**67,097**	35,589
Other income and gains	4	**50,845**	225,017
Selling and distribution costs		**(27,584)**	(25,139)
Administrative expenses		**(115,593)**	(106,703)
Other expenses		**(48,720)**	(81,917)
Finance costs		**(14,591)**	(18,687)
Share of profits and losses of:			
Jointly-controlled entities		**(8,178)**	(8,361)
Associates		**(1,979)**	(2,098)
PROFIT/(LOSS) BEFORE TAX	5	**(98,703)**	17,701
Tax	6	**(25,930)**	6,559
PROFIT/(LOSS) FOR THE PERIOD		**(124,633)**	24,260
Attributable to:			
Equity holders of the parent		**(110,672)**	39,620
Minority interests		**(13,961)**	(15,360)
		(124,633)	24,260
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**(5.16)HK cents**	1.83HK cents
Diluted		**N/A**	1.82HK cents

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE PERIOD	**(124,633)**	24,260
Exchange differences on translation of foreign operations	**3,717**	644,502
Fair values changes on available-for-sale investments	**120,085**	(220,114)
Deferred tax	**(29,686)**	49,886
	90,399	(170,228)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**94,116**	474,274
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(30,517)**	498,534
Attributable to:		
Equity holders of the parent	**(16,795)**	461,372
Minority interests	**(13,722)**	37,162
	(30,517)	498,534

Consolidated Statement of Financial Position

As at 30 June 2009

	Notes	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**282,319**	286,668
Investment properties		**259,892**	250,294
Prepaid land lease payments		**2,194,398**	2,222,536
Interests in jointly-controlled entities		**1,294,824**	1,210,921
Interests in associates		**768**	2,747
Convertible note receivable — loan portion		**34,526**	34,212
Available-for-sale investments		**736,447**	150,757
Properties under development	9	**6,545,547**	6,901,012
Interests in land use rights for property development	9	**582,965**	389,098
Total non-current assets		**11,931,686**	11,448,245
CURRENT ASSETS			
Properties under development	9	**1,381,173**	851,486
Completed properties held for sale		**227,355**	352,682
Land development rights		**—**	166,270
Prepaid land lease payments		**58,090**	58,066
Inventories		**56,117**	74,941
Trade and bills receivables	10	**70,505**	116,126
Prepayments, deposits and other receivables		**397,521**	551,522
Equity investments at fair value through profit or loss		**95,019**	5,855
Conversion option derivative		**—**	31
Tax recoverable		**19,419**	20,140
Deposits with brokerage companies		**3,722**	906
Pledged time deposits		**1,000**	328,167
Restricted bank balances		**61,676**	11,940
Cash and cash equivalents		**1,414,521**	1,665,469
Total current assets		**3,786,118**	4,203,601
CURRENT LIABILITIES			
Trade payables	11	**535,959**	521,135
Other payables and accruals		**673,700**	478,630
Loans from minority shareholders of subsidiaries		**35,568**	48,463
Interest-bearing bank and other borrowings	12	**914,177**	940,566
Tax payable		**47,131**	25,648
Due to a related party		**20,000**	20,000
Consideration payable on acquisition of subsidiaries		**1,100**	3,100
Total current liabilities		**2,227,635**	2,037,542
NET CURRENT ASSETS		**1,558,483**	2,166,059

	Note	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,490,169**	13,614,304
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**1,749,932**	1,828,646
Deferred tax liabilities		**1,895,668**	1,898,014
Total non-current liabilities		**3,645,600**	3,726,660
Net assets		**9,844,569**	9,887,644
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**214,463**	214,463
Reserves		**9,040,794**	9,018,254
Proposed dividend		**–**	42,893
		9,255,257	9,275,610
Minority interests		**589,312**	612,034
Total equity		**9,844,569**	9,887,644

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to equity holders of the parent										
	Issued capital (Unaudited) HK$'000	**Share premium account (Unaudited) HK$'000**	**Surplus account (Unaudited) HK$'000**	**Exchange fluctuation reserve (Unaudited) HK$'000**	**Available-for-sale investment revaluation reserve (Unaudited) HK$'000**	**Retained profits (Unaudited) HK$'000**	**Share option reserve (Unaudited) HK$'000**	**Proposed final dividend (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**	**Minority interests (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
At 1 January 2009	**214,463**	**7,087,594***	**90,554***	**968,798***	**55,377***	**680,803***	**135,128***	**42,893**	**9,275,610**	**612,034**	**9,887,644**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(110,672)**	**–**	**–**	**(110,672)**	**(13,961)**	**(124,633)**
Other comprehensive income for the period	**–**	**–**	**–**	**3,478**	**90,399**	**–**	**–**	**–**	**93,877**	**239**	**94,116**
Total comprehensive loss for the period	**–**	**–**	**–**	**3,478**	**90,399**	**(110,672)**	**–**	**–**	**(16,795)**	**(13,722)**	**(30,517)**
Final 2008 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,893)**	**(42,893)**	**–**	**(42,893)**
Acquisition of minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,550)**	**(6,550)**
Dividend paid to a minority shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,450)**	**(2,450)**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**–**	**–**	**39,335**	**–**	**39,335**	**–**	**39,335**
At 30 June 2009	**214,463**	**7,087,594***	**90,554***	**972,276***	**145,776***	**570,131***	**174,463***	**–**	**9,255,257**	**589,312**	**9,844,569**

* These reserve accounts comprise the consolidated reserves of HK$9,040,794,000 (31 December 2008: HK$9,018,254,000) in the consolidated statement of financial position.

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

	Six months ended 30 June	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**105,817**	(1,374,615)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**(189,954)**	64,537
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**(167,064)**	679,167
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(251,201)**	(630,911)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	**1,665,469**	1,947,116
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**253**	104,752
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**1,414,521**	1,420,957
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,115,282**	669,287
Non-pledged time deposits with original maturity of less than three months when acquired	**299,239**	751,670
	1,414,521	1,420,957

1. BASIS OF PREPARATION

The Company is incorporated in Bermuda with limited liability and whose shares are publicly traded on the Stock Exchange. The principal activities of the Group are described in note 3 to the condensed consolidated financial statements.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2009 were authorised for issue in accordance with a resolution of the directors on 18 September 2009.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Listing Rules.

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

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2008 and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs, and Interpretations) issued by HKICPA, except that the Group has in the current period applied, for the first time, the following new HKFRS.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	*Financial Instruments: Disclosures*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

Apart from the above, the Group has also adopted *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* Improvements to *HKFRSs* contain amendments to HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The adoption of these new interpretations and amendments has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements, except for the followings:

(a) HKFRS 8 *Operating Segments*

HKFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The adoption of HKFRS 8 did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments as previously identified under HKAS 14 *Segment Reporting*.

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. HKAS 1 (Revised) also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 2 Amendments	*Group Cash-settled Share-based Payment Transactions*[3]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: *Recognition and Measurement — Eligible Hedged Items*[1]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers*[2]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for transfer of assets from customers received on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 January 2010.

In addition, improvements to HKFRSs were issued in May 2009 by HKICPA which contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendices to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Summary details of the business segments are as follows:

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

Business segments

The following tables present revenue and profit information regarding the Group's business segments for the six months ended 30 June 2009 and 2008.

For the six months ended 30 June 2009 — unaudited

	Sale of packaging products HK$'000	Sale of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	**130,580**	**70,068**	**1,255**	**171,073**	**372,976**
Segment results	**8,766**	**(2,576)**	**(8,147)**	**(33,111)**	**(35,068)**
Unallocated corporate income					**16,948**
Unallocated corporate expenses					**(55,835)**
Share of profits and losses of:					
Jointly-controlled entities				**(8,178)**	**(8,178)**
Associates					**(1,979)**
Finance costs					**(14,591)**
Loss before tax					**(98,703)**
Tax					**(25,930)**
Loss for the period					**(124,633)**

3. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2008 — unaudited

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

Geographical segments

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

	Six months ended 30 June	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
PRC	**180,701**	165,965
Europe	**85,019**	114,136
North and South America	**51,642**	102,101
Hong Kong	**36,487**	73,378
Others	**19,127**	24,251
	372,976	479,831

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Revenue		
Sale of goods	**200,648**	322,577
Sale of properties	**161,059**	150,753
Gross rental income	**6,393**	5,946
Gain/(loss) on disposal of listed equity investments at fair value through profit or loss, net	**—**	(1,089)
Dividend income from listed investments	**2,971**	619
Dividend income from unlisted investments	**841**	—
Others	**1,064**	1,025
	372,976	479,831
Other income and gains		
Interest income on bank deposits	**3,488**	16,776
Other interest income	**698**	5,944
Fair value gains on investment properties	**9,496**	25,872
Gain on disposal of interests in land use rights	**34,400**	—
Gain on partial disposal of an interest in a subsidiary	**—**	138,392
Gain on disposal of items of property, plant and equipment	**90**	131
Gain on disposal of investment properties	**—**	1,966
Write-back of impairment of trade receivables	**291**	1,687
Write-back of impairment of other receivables	**—**	31,688
Others	**2,382**	2,561
	50,845	225,017

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Cost of inventories sold	**167,338**	291,513
Cost of properties sold	**136,297**	150,860
Depreciation	**10,049**	10,333
Less: Amount capitalised	**(165)**	(100)
	9,884	10,233
Amortisation of prepaid land lease payments	**29,044**	14,845
Employee benefits expense (including directors' remuneration):		
— Salaries, wages and pensions	**44,342**	38,161
— Equity-settled share option expense	**38,738**	32,470
— Retirement benefit scheme contributions	**2,537**	1,422
	85,617	72,053

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Current charge for the period		
Hong Kong	**1,275**	682
Mainland China	**22,641**	—
	23,916	682
Under/(over)provision in prior periods		
Hong Kong	**(7,625)**	198
Mainland China	**—**	(3,877)
	(7,625)	(3,679)
Land appreciation tax charge for the period	**42,452**	—
Deferred tax	**(32,813)**	(3,562)
	25,930	(6,559)

7. DIVIDEND

During the six months ended 30 June 2009, a final dividend of HK$0.02 per share for 2008, amounting to approximately HK$42,893,000 (six months ended 30 June 2008: HK$0.05 per share for 2007, amounting to approximately HK$108,315,000) was declared and paid to the shareholders. The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

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

The calculation of the basic loss per share for the six months ended 30 June 2009 is based on the unaudited consolidated net loss from ordinary activities attributable to equity holders of the parent of HK$110,672,000 (six months ended 30 June 2008: net profit of HK$39,620,000) and the weighted average of 2,144,633,258 (six months ended 30 June 2008: 2,166,589,950) ordinary shares in issue during the period.

A diluted loss per share amount for the current period is not disclosed as no diluted events existed during the period.

The calculation of diluted earnings per share amount for the prior period is based on the profit for that period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the total of the number of ordinary shares in issue during that period of 2,166,589,950, as used in the basic earnings per share calculation, and the weighted average number of 10,614,048 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

During the six months ended 30 June 2009, the Group incurred approximately HK$6,800,000 (six months ended 30 June 2008: HK$14,346,000) on the acquisition of items of property, plant and equipment.

During the six months ended 30 June 2009, the Group incurred approximately HK$240,507,000 (six months ended 30 June 2008: HK$493,416,000) on the additions of properties under development.

During the six months ended 30 June 2009, the Group incurred approximately HK$27,441,000 (six months ended 30 June 2008: 294,403,000) on the additions of interests in land use rights for property development.

10. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days, extending up to 105 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the due date and net of provisions, is as follows:

	30 June 2009			31 December 2008		
	Neither past due nor impaired (Unaudited) HK$'000	**Past due but not impaired (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**	Neither past due nor impaired (Audited) HK$'000	Past due but not impaired (Audited) HK$'000	Total (Audited) HK$'000
Less than 1 month	**47,496**	**10,125**	**57,621**	83,738	20,453	104,191
1 to 2 months	**–**	**4,909**	**4,909**	–	3,528	3,528
2 to 3 months	**–**	**1,177**	**1,177**	–	1,572	1,572
Over 3 months	**–**	**6,798**	**6,798**	–	6,835	6,835
	47,496	**23,009**	**70,505**	83,738	32,388	116,126

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Within 1 month	**94,161**	278,246
1 to 2 months	**13,328**	15,299
2 to 3 months	**6,432**	6,572
Over 3 months	**422,038**	221,018
	535,959	521,135

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2009 (Unaudited)			31 December 2008 (Audited)		
	Contractual interest rate	**Maturity**	**HK$'000**	Contractual interest rate	Maturity	HK$'000
Current						
Discounted bills with recourse	**Bank's funding rate + (1.375% to 1.5%)**	**2009**	**17,540**	HIBOR + (1.2% to 1.5%)/ LIBOR + 1.2%	2009	29,356
Bank loans — secured	**RMB base lending rate/ RMB base lending rate x (1 + 5% to 10%)**	**2009 — 2010**	**708,087**	RMB base lending rate/ RMB base lending rate x (1 + 5% to 20%)/ 7.56%/ HIBOR + 1.5% / Prime rate	2009	723,024
Bank loans — unsecured	**HIBOR + 1.4%**	**2010**	**188,550**	HIBOR + 1.4%	2009	188,186
			914,177			940,566
Non-current						
Bank loans — secured	**RMB base lending rate/ RMB base lending rate x (1 + 5%)**	**2010 — 2011**	**192,846**	RMB base lending rate/ RMB base lending rate x (1 + 5%)	2010	79,375
Bank loans — unsecured	**HIBOR + 1.4%**	**2011**	**1,557,086**	HIBOR + 1.4%	2010-2011	1,749,271
			1,749,932			1,828,646
			2,664,109			2,769,212
Analysed into:						
Bank and other borrowings repayable:						
Within one year or on demand			**914,177**			940,566
In the second year			**1,625,149**			268,296
In the third to fifth years, inclusive			**124,783**			1,560,350
			2,664,109			2,769,212

13. COMMITMENTS

The Group had the following commitments in respect of property development expenditure at the end of the reporting period:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Contracted, but not provided for	**1,871,048**	1,513,183

The Group had the following share of commitments of jointly-controlled entities in respect of property development expenditure at the end of the reporting period:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Contracted, but not provided for	**1,422,698**	1,320,029

14. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Guarantees given to banks in connection with facilities granted to an jointly-controlled entity	**113,439**	—
Guarantees given to banks in connection with facilities granted to associates	**13,500**	13,500

15. FINANCIAL GUARANTEES

At the end of the reporting period, the Group had the following financial guarantees:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Guarantees in respect of mortgage facilities provided for certain customers	**383,273**	343,730

The Group also had the following share of financial guarantees of a jointly-controlled entity:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Guarantees in respect of mortgage facilities provided for certain customers	**48,900**	8,308

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

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group and the jointly-controlled entity are responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks and the banks are entitled to take over the legal title and possession of the related properties. The guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the fair value of the guarantees is not significant and in the case of default on payments, the net realisable value of the related properties will exceed the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore no provision has been made in the financial statement for the guarantees.

16. SHARE-BASED PAYMENTS

The following share options were outstanding during the period:

Date of grant of share options*	Number of share options At 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2009	Exercise period of share options	Exercise price of share options HK$ per share	Closing price of the Company's shares** HK$ per share
11-12-2006	6,425,000	–	–	–	6,425,000	01-01-2008 to 10-12-2016	4.95	4.90
11-12-2006	7,989,000	–	–	–	7,989,000	01-01-2009 to 10-12-2016	4.95	4.90
16-02-2007	6,000,000	–	–	–	6,000,000	01-01-2008 to 15-02-2017	4.81	4.67
19-04-2007	2,200,000	–	–	–	2,200,000	01-01-2008 to 18-04-2017	5.26	5.40
19-04-2007	2,500,000	–	–	–	2,500,000	01-01-2009 to 18-04-2017	5.26	5.40
27-04-2007	4,000,000	–	–	–	4,000,000	01-01-2008 to 26-04-2017	5.37	5.40
10-07-2008	6,450,000	–	–	–	6,450,000	10-07-2008 to 07-08-2017	5.27	5.20
10-07-2008	6,450,000	–	–	–	6,450,000	01-07-2009 to 07-08-2017	5.27	5.20
10-07-2008	1,000,000	–	–	–	1,000,000	03-01-2009 to 28-10-2017	5.27	5.20
10-07-2008	1,000,000	–	–	–	1,000,000	03-01-2010 to 28-10-2017	5.27	5.20
10-07-2008	200,000	–	–	–	200,000	30-01-2009 to 28-10-2017	5.27	5.20
10-07-2008	200,000	–	–	–	200,000	30-01-2010 to 28-10-2017	5.27	5.20
10-07-2008	280,000	–	–	–	280,000	18-02-2009 to 01-11-2017	5.27	5.20
10-07-2008	280,000	–	–	–	280,000	18-02-2010 to 01-11-2017	5.27	5.20
10-07-2008	800,000	–	–	–	800,000	28-03-2009 to 02-01-2018	5.27	5.20
10-07-2008	800,000	–	–	–	800,000	28-03-2010 to 02-01-2018	5.27	5.20
10-07-2008	80,000	–	–	–	80,000	01-04-2010 to 24-03-2018	5.27	5.20
10-07-2008	80,000	–	–	–	80,000	01-04-2011 to 24-03-2018	5.27	5.20
07-05-2009	–	17,500,000	–	–	17,500,000	07-05-2009 to 06-05-2019	3.27	3.47
	46,734,000	17,500,000	–	–	64,234,000			

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

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

The fair value of share options granted during the period was HK$26,024,000 (six months ended 30 June 2008: HK$7,688,000). The Group recognised a share option expense of HK$39,335,000 during the six months ended 30 June 2009 (six months ended 30 June 2008: HK$35,444,000).

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

Dividend yield (%)	0.61
Expected volatility (%)	72.46
Risk-free interest rate (%)	2.118

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

17. PLEDGE OF ASSETS

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

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Property, plant and equipment	**5,828**	5,907
Investment properties	**91,365**	89,834
Prepaid land lease payments	**769,412**	563,177
Properties under development	**3,326,607**	2,929,008
Completed properties held for sale	**60,139**	—
Time deposits	**1,000**	328,167

18. RELATED PARTY TRANSACTIONS

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

(a) **Transactions with related parties**

	Six months ended 30 June	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Rental expenses paid to a related company	**—**	1,063

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

	Six months ended 30 June	
	2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Short term employee benefits	**8,601**	7,913
Equity-settled share option expense	**32,637**	20,775
Total compensation paid to key management personnel	**41,238**	28,688

(c) At 30 June 2009, the Group executed guarantees amounting to HK$113,439,000 (31 December 2008: Nil) to bank as security for banking facility granted to its jointly-controlled entity.

(d) At 30 June 2009, the Group executed guarantees amounting to HK$13,500,000 (31 December 2008: HK$13,500,000) to banks as securities for banking facilities granted to its associates.

(e) Provision of buildings to a related party for the operation of a school at nil rental

The Group's buildings and prepaid land lease payments with an aggregate carrying amount of approximately HK$16,023,000 (31 December 2008: HK$16,478,000) were provided to a family member of a director for the operation of a school free of charge.

19. EVENTS AFTER THE REPORTING PERIOD

(a) On 28 July 2009, Thrivetrade Limited ("Thrivetrade"), a substantial shareholder of the Company, entered into a Top-up Placing and Subscription Agreement with J.P. Morgan Securities (Asia Pacific) Limited and Citigroup Global Markets Asia Limited (collectively the "Placing Agents") and the Company and pursuant to which, Thrivetrade agreed to place, through the Placing Agents, an aggregate of 428,000,000 existing ordinary shares of the Company to certain private investors at a price of HK$5.92 each and subscribe for an aggregate of 428,000,000 new ordinary shares of the Company at a price of HK$5.92 each. The Top-up Placing and Subscription Agreement was completed on 6 August 2009, and the Group raised approximately HK$2,478,000,000.

(b) On 31 August 2009, the Group entered into a shareholders' agreement (the "Shareholders' Agreement") with Verakin Group Company Limited ("Verakin Group") for a change to the ratio of their respective equity interests in Chongqing Verakin Real Estate Company Limited ("Chongqing Verakin"), a 51%-owned subsidiary of the Group. Pursuant to the Shareholders' Agreement, the Group will acquire an additional 10% equity interest in Chongqing Verakin from Verakin Group at a cash consideration of RMB25,000,000 (the "Consideration"). Under the Shareholders' Agreement, Verakin Group is also granted a buy-back option of this 10% equity interest in Chongqing Verakin, which is exercisable within 3 years from the date of the Shareholders' Agreement and subject to the fulfillment of certain conditions. The exercise price for the repurchase of the 10% equity interest shall be equal to the sum of the Consideration plus a premium of 1% per month on the Consideration calculated for the period from the completion date to the date of completion of the repurchase and, if any, additional capital contributions made by the Group as a result of its increased equity interest during that period.

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 18 September 2009.