



Hon Kwok Land Investment Company, Limited

Stock Code : 160

Interim Report 2007/2008

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CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong (*Chairman*)
Madeline May-Lung Wong
Herman Man-Hei Fung (*Vice-Chairman*)
Dennis Kwok-Wing Cheung
Zuric Yuen-Keung Chan
Daniel Chi-Wai Tse*
Kenneth Kin-Hing Lam*
Chang Hsin-Kang*
(*appointed on 15 November 2007*)
Patrick Yen-Tse Tsai*
(*resigned on 15 November 2007*)

* *Independent non-executive directors*

AUDIT COMMITTEE

Kenneth Kin-Hing Lam
Daniel Chi-Wai Tse
Chang Hsin-Kang
(*appointed on 15 November 2007*)
Patrick Yen-Tse Tsai
(*resigned on 15 November 2007*)

REMUNERATION COMMITTEE

Herman Man-Hei Fung
Daniel Chi-Wai Tse
Kenneth Kin-Hing Lam
(*appointed on 15 November 2007*)
Patrick Yen-Tse Tsai
(*resigned on 15 November 2007*)

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
The Bank of East Asia, Limited
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITORS

Ernst & Young

REGISTRARS

Tricor Tengis Limited
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Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

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STOCK CODE

SEHK 160

WEBSITE

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

CHAIRMAN'S STATEMENT

CONSOLIDATED RESULTS

The Group's turnover and profit attributable to shareholders of the Company for the six months ended 30 September 2007 were HK\$86 million (2006: HK\$261 million) and HK\$57 million (2006: HK\$109 million), respectively. Earnings per share were HK\$0.12 (2006: HK\$0.27).

The decrease in turnover was mainly due to minimal turnover contribution from our property development activities during the period. For the same period last year, there was a turnover contribution of HK\$205 million from the sales of remaining units of City Square (城市天地廣場), a residential and commercial project in the Luohu District of Shenzhen.

The profit in prior period included a gain of HK\$51 million derived from the buyout of minority interests in a subsidiary. The excess of the attributable net assets of the subsidiary over the purchase consideration was recognized as an income in the accounts. Excluding this, the prior period's profit would have been HK\$58 million, versus a net profit of HK\$57 million in the current period. Profit in both periods included revaluation gain from an increase in fair values of investment properties at period end. The gain, net of deferred taxation, amounted to HK\$87 million in the period (2006: HK\$57 million).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

BOARD CHANGES

On 1 January 2007, Mr. Zuric Yuen-Keung Chan was re-designated as an executive director of the Company. Further, Professor Chang Hsin-Kang was appointed whereas Mr. Patrick Yen-Tse Tsai resigned as an independent non-executive director of the Company, both with effect from 15 November 2007. Pursuant to the board changes, Professor Chang Hsin-Kang was appointed as a member of the audit committee whereas Mr. Kenneth Kin-Hing Lam was appointed as the chairman of the audit committee and a member of the remuneration committee both on 15 November 2007 to fill the casual vacancy arising from the resignation of Mr. Patrick Yen-Tse Tsai.

Taking this opportunity, the Board would like to express its sincere gratitude to Mr. Patrick Yen-Tse Tsai for his guidance and valuable contributions to the Company since 1998 and welcome the appointment of Mr. Zuric Yuen-Keung Chan and Professor Chang Hsin-Kang.

CHAIRMAN'S STATEMENT *(Continued)*

CLUB LOAN

On 22 November 2007, the Group raised a club loan facility of HK\$280 million with a syndicate of banks. The facility, consists of a HK\$140 million term loan and a HK\$140 million revolving credit, has a tenor of 36 months. The Group intends to use the loan proceeds for general working capital purpose, including property acquisition.

REVIEW OF OPERATIONS

Property development

Mainland China

In the prior period, the Group recorded turnover of HK\$205 million from sales of residential and office units in City Square (城市天地廣場), which have subsequently been fully sold out prior to 31 March 2007. The remaining assets in City Square (城市天地廣場) are 64 serviced apartment units and a commercial podium, for which the Group is retaining them for investment purpose. As a result, there have been almost no sales activities in the current period. The upcoming projects to be launched to the market for pre-sale in year 2008 are Phase I of Long Dong Cun Project in the Tianhe District of Guangzhou, comprising 8 residential towers with a total saleable area of about 46,000 square meters, and Phase I of Beijing Road Project in the Yuexiu District of Guangzhou, comprising a residential tower with a total saleable area of about 22,000 square meters. Both phases of the projects, at the stage of renovation, are scheduled for completion in the second half of 2008.

On 11 May 2007, the Group entered into agreements to purchase two pieces of adjacent land in Chongqing for HK\$102 million. The first land, in which the Group acquired a 100% interest, is a property under construction with two office towers built atop of a commercial podium yielding a total gross floor area of about 108,000 square meters. The project, which construction works have now been completed up to the main roof, is estimated for completion in March 2009. The second land, in which the Group acquired a 50% interest, is a bare land to be constructed into a commercial, hotel and serviced apartment development with a planned gross floor area of about 134,000 square meters. The acquisitions constituted connected transactions to the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), as one of the vendors was a company controlled by Mr. James Sai-Wing Wong, the Chairman of the Group. The acquisitions were approved by the independent shareholders of the Company and completed on 4 July 2007.

CHAIRMAN'S STATEMENT *(Continued)***REVIEW OF OPERATIONS** *(Continued)**Canada*

The Group has almost sold out all the condominium units in Phase I of the Toronto project known as One City Hall, in which the Group has a 75% interest. Legal formalities to hand over the sold units to the purchasers were completed in November 2007. The Group would recognize substantial turnover from this project, which currently estimated to be no less than CAD 120 million, in the second half of the current financial year.

Phase II of the Toronto project, in which the Group has a 50% interest, is under submission for an increase in gross floor area.

Hong Kong

As previously reported to our shareholders, the Group purchased a portfolio of 86 strata-title residential units in year 2005. During the period, the Group commenced realizing these residential units and has up to the date hereof disposed 41 units at profit for an aggregate consideration of HK\$117 million. Sales of the remaining units remain promising in view of the current buoyant property market. Total sales recognized during the period, including sales of HK\$18 million attributable to the remaining units in past-completed projects, amounted to HK\$37 million (2006: HK\$3 million).

Property investment*Assets disposal*

The Group realized its investment in the carparks at Provident Centre (和富中心), North Point and disposed so far 186 carparks from 1 April 2007 up to the date hereof for an aggregate consideration of HK\$110 million. Basing on the date of the formal sale and purchase agreement, the Group recognized 14 of these as current period's disposal and booked a gain of HK\$2 million. The Group intends to continue the sale of the remaining carparks and profit derived therefrom will be recognized in the current financial year. Apart from the carparks at Provident Centre (和富中心), the Group also owns 141 carparks at the Lido Garden (麗都花園), Sham Tseng and Shining Court (順寧居), Cheung Sha Wan for rental income.

Rental operation

During the period, the Group's investment properties consisted of The Bauhinia Apartments/Honwell Commercial Centre (寶軒及漢貿商業中心), Yien Yieh Commercial Building (鹽業商業大廈), Hon Kwok Jordan Centre (漢國佐敦中心), Hon Kwok TST Centre (漢國尖沙咀中心), the carparks at Provident Centre (和富中心), Lido Garden (麗都花園) and Shining Court (順寧居), all of which are in Hong Kong, and the commercial podium of City Square (城市天地廣場) in Mainland China. These properties produced a rental income of HK\$31 million to the Group (2006: HK\$39 million).

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

The drop in rental income was mainly attributable to Plaza Ampang, a commercial complex in Malaysia, being disposed in December 2006 and the vacation of tenants in the Yien Yieh Commercial Building (鹽業商業大廈) for redevelopment works. The Yien Yieh Commercial Building (鹽業商業大廈) is currently under demolition for redevelopment into a modern commercial/retail development scheduled for completion in December 2010. The Group intends to retain the new Yien Yieh Commercial Building (鹽業商業大廈) for investment purpose and considers that the redevelopment is well merited, as the benefit from increase in rental income and capital value of the property from full utilization of the permitted plot ratio for the site and modernized facilities of the property upon completion would far outweigh the redevelopment cost and opportunity loss of rental over the redevelopment period.

Property management and others

The Group managed a portfolio of about 1,700 car parks in Hong Kong and earned a rental income of HK\$13 million in the period (2006: HK\$11 million). Other revenue of HK\$4 million (2006: HK\$3 million) was derived mainly from the lease out of unsold assets.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK\$2,180 million as at 30 September 2007 (as at 31 March 2007: HK\$2,119 million), of which approximately 37% of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were HK\$277 million as at 30 September 2007 (as at 31 March 2007: HK\$459 million). The Group had a total of HK\$458 million committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2007 was approximately HK\$2,666 million (as at 31 March 2007: HK\$2,599 million). The increase was mainly due to current period's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$1,903 million over the total shareholders' funds of approximately HK\$2,666 million, was 71% as at 30 September 2007 (as at 31 March 2007: 64%).

Subsequent to the period end, the Group entered into an agreement in November 2007 with a syndicate of banks on a 3-year club loan facility of HK\$280 million. The facility provides additional financial resources to the Group for its property activities in Hong Kong and Mainland China.

CHAIRMAN'S STATEMENT *(Continued)***FINANCIAL REVIEW** *(Continued)***Use of proceeds from share placement**

In November 2006, the Group issued 80 million new shares at a price of HK\$4.05 per share and generated net cash proceeds of HK\$315 million for general working capital of the Group, including acquisition of landbank. During the year ended 31 March 2007, the Group utilized HK\$65 million for general working capital, applied HK\$130 million for temporary repayment of bank borrowings with the balance of HK\$120 million being retained as cash and bank balances at year-end. During the period under review, the Group further utilized HK\$131 million for general working capital, including the acquisition of the Chongqing land.

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2007, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of HK\$4,356 million as at 30 September 2007 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 320 people as at 30 September 2007. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

OVERVIEW

Earlier this month, the People's Bank of China announced the increase of the reserve requirement ratio for commercial banks for the 10th time this year by 1 percentage point to a historical high of 14.5%. Interest rate for loans has, since the beginning of this year, been raised five times with the one-year benchmark rate now at 7.29%. More rate hikes and increases in bank reserve requirement are expected to follow, especially when the consumer price index in November this year has jumped to the 11-year high of 6.9% year-on-year. The Central Government also announced a further tightening of monetary policy in 2008. Bank credits are therefore expected to be significantly reduced to curb excessive loan growth and prevent the economy from being overheated. These together with other austerity

CHAIRMAN'S STATEMENT *(Continued)*

OVERVIEW *(Continued)*

measures which may be targeting at high property prices has increased the short-term uncertainties on China real estate market. Yet, the Group remains optimistic on the prospects of the market, as there are not many places in the world the economy of which is enjoying such unprecedented growth. The ongoing urbanization, rising household income, increasing number of middle-class households and the continued appreciation of Renminbi are the pillars supporting the market in the medium to long term. Despite the short-term uncertainties in the market, the Group is confident that development projects on hand will meet or may excel management expectations.

Banks in Hong Kong lowered their prime interest rates by 25 basis point on 13 December 2007, the fourth time this year, to follow suit on the recent interest rate cut in the United States. It is expected that the Federal Funds rate will ease further in the hope that the United States economy can get through the difficult times caused by the softening property market and subprime woes. The interest rates for Hong Kong Dollar, being pegged to the United States Dollar, are likely to be a downward trend in the foreseeable future. Against an inflationary environment caused mainly by the weakening of United States Dollar and hence the Hong Kong Dollar against Renminbi, it is widely believed that Hong Kong will enter into an era of negative real lending rate. This has stimulated the investment demand for property assets, which the Group shall stand to benefit from the quality assets it owns in Hong Kong. The Group, with additional financial resources through various fund raising exercises and in-depth market knowledge, will be aware of any opportunities that may further increase our investment holdings in Hong Kong.

Taking this opportunity, I would like to thank the Board and all staff for their contributions and look forward to their continued support in the future.

James Sai-Wing Wong
Chairman

Hong Kong, 14 December 2007

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the interests and short positions of the directors of the Company 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 under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Directors' interests in the ordinary shares of the Company

Name of director	Note	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1	Corporate	252,726,553	52.62
Madeline May-Lung Wong	1	Corporate	252,726,553	52.62

All the interests stated above represent long positions.

(b) Directors' interests in the ordinary shares of associated corporations

Name of director	Notes	Name of associated corporation	Nature of interest	Number of ordinary shares held	Percentage of the associated corporation's issued share capital
James Sai-Wing Wong	2	Chinney Investments, Limited ("Chinney Investments")	Corporate	306,959,324	55.67
	3	Chinney Holdings Limited ("Chinney Holdings")	Corporate	9,900,000	99.00
		Chinney Holdings	Personal	100,000	1.00
		Lucky Year Finance Limited ("Lucky Year")	Personal	10,000	50.00
Madeline May-Lung Wong	2	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
Zuric Yuen-Keung Chan		Chinney Contractors Company Limited	Personal	2,645	13.95

All the interests stated above represent long positions.

GENERAL INFORMATION *(Continued)*DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. These shares are beneficially held by Chinney Investments, which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are directors and have beneficial interests therein.
2. These shares are beneficially held by Chinney Holdings. By virtue of note 1, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.
3. These shares are beneficially held by Lucky Year. By virtue of note 1, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.

Save as disclosed herein, as at 30 September 2007, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under section 352 of the SFO, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Investments	1 & 2	Directly beneficially owned	252,726,553	52.62
Chinney Holdings	1 & 2	Through a controlled corporation	252,726,553	52.62
Lucky Year	1 & 2	Through a controlled corporation	252,726,553	52.62
DJE Investment S.A.	1 & 3	Directly beneficially owned	33,618,000	7.00
Dr. Jens Ehrhardt Kapital AG	1 & 3	Through a controlled corporation	33,618,000	7.00
Dr. Jens Alfred Karl Ehrhardt	1 & 3	Through a controlled corporation	33,618,000	7.00
Morgan Stanley	1 & 4	Directly beneficially owned	37,764,000	7.86

GENERAL INFORMATION *(Continued)***SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** *(Continued)*

Notes:

1. All the interests stated above represent long positions.
2. Chinney Investments, Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of share by virtue of section 316 of the SFO.
3. DJE Investment S.A., Dr. Jens Ehrhardt Kapital AG and Dr. Jens Alfred Karl Ehrhardt are deemed to be interested in the same parcel of shares by virtue of section 316 of the SFO.
4. In June 2006, a wholly-owned subsidiary of the Company issued 3.5% convertible guaranteed bonds due 2011 (the "Bonds") with a principal sum of HK\$280 million. The bondholders have the right to convert the Bonds into shares of the Company at a conversion price, subject to adjustment in certain events, of HK\$4 per share. Morgan Stanley subscribed for a principal sum of HK\$145 million of the Bonds and was regarded to be interested in 36,250,000 shares of the Company at the issue date of the Bonds. The Bonds are freely transferable and there has been no conversion of the Bonds since issuance.

Based on the last corporate substantial shareholder notice, Morgan Stanley disclosed it held a long position of 37,764,000 shares of the Company as at 23 March 2007.

Save as disclosed herein, as at 30 September 2007, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2007.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 22 November 2007, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower entered into the facilities agreement ("Facilities Agreement") relating to a HK\$280 million transferable term and revolving loan facilities ("Loan Facilities") with a syndicate of banks. The Loan Facilities have a term of 36 months commencing from the date of the Facilities Agreement and will be used as general working capital of the Company and its subsidiaries.

Pursuant to the Facilities Agreement, it shall be an event of default if (i) Chinney Investments ceases to remain as the single largest shareholder of the Company or ceases to hold (whether directly or indirectly) not less than 30 per cent of the effective shareholding in the Company; or (ii) Mr. James Sai-Wing Wong, the Chairman of both the Company and Chinney Investments, ceases to hold a controlling shareholding interest in Chinney Investments.

GENERAL INFORMATION *(Continued)*

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES *(Continued)*

If an event of default under the Facilities Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the Loan Facilities to be immediately due and payable.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2007.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2007, except for the following deviations:

1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, Mr. James Sai-Wing Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

GENERAL INFORMATION *(Continued)***CORPORATE GOVERNANCE** *(Continued)*

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considered that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

3. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the remuneration committee on 16 December 2005 with certain deviations from the CG Code provisions. Pursuant to the terms of reference, the remuneration committee should review (as opposed to determine) and make recommendations to the Board on the remuneration of directors (as opposed to directors and senior management).
4. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.
5. CG Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit and remuneration committees or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

GENERAL INFORMATION *(Continued)*

CORPORATE GOVERNANCE *(Continued)*

Mr. James Sai-Wing Wong, the Chairman of the Company, and the members of the audit committee of the Company were unable to attend the annual general meeting of the Company held on 14 September 2007 (the “AGM”) as they had other business engagements. Mr. Herman Man-Hei Fung, the Vice-Chairman of the Company, took the chair of the AGM. The Board believed that Mr. Herman Man-Hei Fung together with the executive directors of the Company who attended the AGM were competent to answer the shareholders’ queries.

Audit committee

The Company has established an audit committee comprising Mr. Kenneth Kin-Hing Lam, Dr. Daniel Chi-Wai Tse and Professor Chang Hsin-Kang. On 15 November 2007, Mr. Patrick Yen-Tse Tsai resigned as the member and chairman of the audit committee, Mr. Kenneth Kin-Hing Lam was appointed as the chairman and Professor Chang Hsin-Kang was appointed as member of the audit committee of the Company subsequently.

Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group’s financial reporting process and internal control. The Company’s interim results for the six months ended 30 September 2007 has not been audited, but has been reviewed by the audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue	2	86,322	261,148
Cost of sales		(52,928)	(181,885)
Gross profit		33,394	79,263
Other income	3	4,346	9,406
Fair value gains on investment properties, net		115,386	68,981
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary		–	51,179
Administrative expenses		(24,902)	(25,500)
Other operating expenses		(609)	(1,626)
Finance costs	4	(41,426)	(45,099)
Share of profits and losses of jointly-controlled entities		283	161
Profit before tax	5	86,472	136,765
Tax	6	(29,570)	(24,456)
Profit for the period		56,902	112,309
Attributable to:			
Equity holders of the Company		56,939	108,991
Minority interests		(37)	3,318
		56,902	112,309
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic		11.86 cents	27.23 cents
Diluted		N/A	24.85 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		25,656	25,490
Properties under development		1,764,408	1,533,280
Investment properties		2,161,117	2,034,341
Investment deposits		54,356	187,847
Interests in jointly-controlled entities		47,896	34,189
Total non-current assets		<u>4,053,433</u>	<u>3,815,147</u>
CURRENT ASSETS			
Amounts due from jointly-controlled entities		151,687	141,539
Tax recoverable		58	62
Properties held for sale		1,099,279	1,015,450
Trade receivables	8	19,886	25,753
Prepayments, deposits and other receivables		155,401	32,378
Pledged deposits		–	41,400
Cash and cash equivalents		276,597	417,903
Total current assets		<u>1,702,908</u>	<u>1,674,485</u>
CURRENT LIABILITIES			
Amounts due to minority shareholders		6,404	18,077
Trade payables and accrued liabilities	9	174,224	207,874
Interest-bearing bank borrowings		805,972	514,566
Amount due to a related company		47	28
Customer deposits		300,384	195,825
Dividend payable		60,036	–
Tax payable		55,629	70,899
Total current liabilities		<u>1,402,696</u>	<u>1,007,269</u>
NET CURRENT ASSETS		<u>300,212</u>	<u>667,216</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,353,645</u>	<u>4,482,363</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,102,632	1,342,295
Convertible bonds		270,948	262,361
Deferred tax liabilities		178,710	147,348
Total non-current liabilities		<u>1,552,290</u>	<u>1,752,004</u>
Net assets		<u><u>2,801,355</u></u>	<u><u>2,730,359</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

		As at	As at
		30 September	31 March
		2007	2007
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	10	480,286	480,286
Equity component of convertible bonds		24,826	24,826
Reserves		2,160,919	2,033,928
Proposed final dividend		–	60,036
		2,666,031	2,599,076
Minority interests		135,324	131,283
Total equity		2,801,355	2,730,359

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Equity component								Total	Minority interests	Total
	Issued capital	Share premium account	Special capital reserve	Capital redemption reserve	Exchange fluctuation reserve	of convertible bonds	Retained profits	Proposed final dividend			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2006	400,239	161,410	223,480	10	(34,469)	-	1,260,134	44,026	2,054,830	293,487	2,348,317
Exchange realignments	-	-	-	-	29,063	-	-	-	29,063	5,447	34,510
Profit for the period	-	-	-	-	-	-	108,991	-	108,991	3,318	112,309
Final dividend in respect of previous financial year	-	-	-	-	-	-	-	(44,026)	(44,026)	-	(44,026)
Issue of convertible bonds	-	-	-	-	-	24,826	-	-	24,826	-	24,826
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	(60,910)	(60,910)
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	614	614
At 30 September 2006	400,239	161,410	223,480	10	(5,406)	24,826	1,369,125	-	2,173,684	241,956	2,415,640
At 1 April 2007	480,286	396,352	-	10	112,587	24,826	1,524,979	60,036	2,599,076	131,283	2,730,359
Exchange realignments	-	-	-	-	70,052	-	-	-	70,052	4,078	74,130
Profit/(loss) for the period	-	-	-	-	-	-	56,939	-	56,939	(37)	56,902
Final dividend in respect of previous financial year	-	-	-	-	-	-	-	(60,036)	(60,036)	-	(60,036)
At 30 September 2007	480,286	396,352	-	10	182,639	24,826	1,581,918	-	2,666,031	135,324	2,801,355

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(52,637)	(25,987)
Net cash outflow from investing activities	(26,923)	(8,394)
Net cash outflow from financing activities	(77,459)	(19,835)
Net decrease in cash and cash equivalents	(157,019)	(54,216)
Cash and cash equivalents at beginning of the period	417,903	406,454
Effects of foreign exchange rate changes, net	15,713	8,223
Cash and cash equivalents at end of the period	<u>276,597</u>	<u>360,461</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	276,597	284,527
Non-pledged time deposits	–	78,431
Bank overdrafts	–	(2,497)
	<u>276,597</u>	<u>360,461</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2007 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Listing Rules.

The unaudited condensed consolidated interim 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 March 2007.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) issued by the HKICPA that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these new and revised accounting standards has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

2. SEGMENT INFORMATION

The Group is principally engaged in property development, property investment and property related activities. An analysis of the Group's revenue and results by business segments and revenue by geographical segments is as follows:

Business segments

	Property development		Property investment		Others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2007	2006	2007	2006	2007	2006	2007	2006
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	<u>38,466</u>	<u>207,971</u>	<u>30,508</u>	<u>39,388</u>	<u>17,348</u>	<u>13,789</u>	<u>86,322</u>	<u>261,148</u>
Segment results	<u>(1,091)</u>	<u>41,684</u>	<u>138,897</u>	<u>97,271</u>	<u>4,152</u>	<u>1,601</u>	<u>141,958</u>	<u>140,556</u>
Interest income							1,272	4,114
Unallocated gains							-	196
Unallocated expenses							(15,615)	(14,342)
Excess over the cost of a business combination on acquisition of minority interests in a subsidiary							-	51,179
Finance costs							(41,426)	(45,099)
Share of profits and losses of jointly-controlled entities	283	165	-	-	-	(4)	283	161
Profit before tax							86,472	136,765
Tax							(29,570)	(24,456)
Profit for the period							<u>56,902</u>	<u>112,309</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

2. SEGMENT INFORMATION (Continued)

Geographical segments

	Hong Kong		Mainland China		Malaysia		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<hr/>								
Segment revenue:								
Sales to external customers	<u>84,190</u>	<u>50,323</u>	<u>2,132</u>	<u>204,991</u>	<u>-</u>	<u>5,834</u>	<u>86,322</u>	<u>261,148</u>

3. OTHER INCOME

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Bank interest income	1,190	1,567
Interest income from mortgage loans receivable	82	97
Other interest income	-	2,450
Other property management income	-	1,843
Gain on disposal of investment properties	2,019	2,341
Others	1,055	1,108
	<u>4,346</u>	<u>9,406</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)***4. FINANCE COSTS**

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and convertible bonds wholly repayable within five years	64,271	61,139
Less: Amounts capitalised under property development projects	(22,845)	(16,040)
	41,426	45,099

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,347	1,273
Employee benefits expense (including directors' remuneration)	11,488	10,946

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)***6. TAX**

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Group:		
Current – Outside Hong Kong	1,244	12,402
Deferred	28,326	12,054
	<hr/>	<hr/>
Total tax charge for the period	29,570	24,456
	<hr/> <hr/>	<hr/> <hr/>

The Group companies provide for tax on the basis of their income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

No Hong Kong profits tax has been provided as the Group companies did not have assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company and the number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all convertible bonds into ordinary shares.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

The calculation of basic and diluted earnings per share are based on:

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	56,939	108,991
Interest on convertible bonds, net of tax	11,126	5,572
Bond issue expenses written off, net of tax	–	(5,989)
	<u>68,065*</u>	<u>108,574</u>
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	<u>68,065*</u>	<u>108,574</u>
	Number of shares	
	2007 (Unaudited)	2006 (Unaudited)
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	480,286,201	400,238,501
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	70,000,000	36,721,311
	<u>550,286,201*</u>	<u>436,959,812</u>

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period. Therefore, no diluted earnings per share amount is disclosed.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

8. TRADE RECEIVABLES

An aged analysis of the trade receivables, based on the invoice/contract date, is as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within 1 month	19,353	25,311
1 to 2 months	279	269
2 to 3 months	153	46
Over 3 months	101	127
Total	<u>19,886</u>	<u>25,753</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK\$1,922,000 (as at 31 March 2007: HK\$1,216,000). An aged analysis of the trade payables, based on the invoice date, is as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within 1 month	<u>1,922</u>	<u>1,216</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)***10. SHARE CAPITAL**

There were no movements in the authorised, issued and fully paid share capital of the Company in the current interim period.

Pursuant to a court order dated 17 October 2000, the nominal value of the shares of the Company was adjusted from HK\$0.50 to HK\$0.10 by way of a capital reduction. The authorised share capital of the Company was restored to its original amount of HK\$1,750,000,000 by the creation of an additional 14,000,000,000 new shares of HK\$0.10 each at the same time.

As a result of the capital reduction, a credit of HK\$533,658,876 based on the 1,334,147,191 shares of the Company then in issue was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

- (a) shall not be treated as a realised profit; and
- (b) shall, for so long as the Company remains a listed company (as defined in the Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof, provided always that the amount standing to the credit of the special capital reserve may be reduced (i) by the aggregate of any increase in the issued share capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

In prior years, new shares were issued upon a rights issue and share placements, which resulted in whole sum of HK\$533,658,876 previously credited to the special capital reserve were being released and credited to the retained profits.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

11. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 September 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within one year	16,274	16,504
In the second to fifth year, inclusive	7,581	12,926
	<u>23,855</u>	<u>29,430</u>

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within one year	18,449	14,460
In the second to fifth year, inclusive	10,988	10,894
	<u>29,437</u>	<u>25,354</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)***12. CAPITAL COMMITMENTS**

As at 30 September 2007, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to HK\$121,648,000 (as at 31 March 2007 (audited): HK\$211,754,000).

The Group's share of the jointly-controlled entities' authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties, which are not included in the above, amounted to HK\$6,662,000 (as at 31 March 2007 (audited): HK\$4,356,000).

13. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Commissions paid to the ultimate holding company	1,313	1,313

(b) Compensation of key management personnel of the Group

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	5,398	4,234
Post-employment benefits	320	281

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)***13. RELATED PARTY TRANSACTIONS** *(Continued)*

- (c) Upon the maturity of the cash security arrangement in favour of the Company in July 2006, Lucky Year had extended the arrangement for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to bank loans of HK\$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement. Please refer to paragraph (a) above for commission paid in the current period.
- (d) On 11 May 2007, a wholly-owned subsidiary of the Group, Cheerworld Group Limited, as purchaser, entered into a sale and purchase agreement with Enhancement Investments Limited (“Enhancement”), Galantine Management Limited and Sharp-View Group Inc, as vendors, for the acquisition of the entire issued share capital of Unity Wise International Limited and the assignment of related shareholders’ loans to the Group at an aggregate cash consideration of HK\$90,000,000. On the same date, Cheerworld Group Limited, as purchaser, entered into another sale and purchase agreement with Enhancement, as vendor, for the acquisition of 50% of the issued share capital of Ample Joy International Limited and the assignment of related shareholder’s loan to the Group at an aggregate cash consideration of HK\$12,000,000. Both acquisitions constituted discloseable and connected transactions to the Company under the Listing Rules as Enhancement is a connected person of the Company under the Listing Rules by virtue of the fact that it is a company controlled by Mr. James Sai-Wing Wong, a director and substantial shareholder of the Company. These two acquisitions were completed on 4 July 2007.
- (e) The balance with the related company is unsecured, interest-free and repayable on demand.

14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 14 December 2007.