漢國置業有限公司

Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

2008-09 INTERIM RESULTS

HIGHLIGHTS

- About HK$900 million realized from property sales since late 2007.
- Gearing ratio substantially reduced to 31% as at 30 September 2008 (2007: 71%).
- Our property development project in Guangzhou commenced presale in late November 2008.
- To strengthen our recurring income base and capital value, plan in progress to develop and implement "The Bauhinia" brand name, comprising a chain of 2 serviced apartment operations and 4 hotels with over 600 rooms in Hong Kong, Shenzhen and Guangzhou.

For the six months ended 30 September	**2008** **HK$ Million**	2007 *HK$ Million*	*Increase / Decrease* *HK$ Million*	*+ / -*
1. **Turnover** *(mainly from property sales)*	**147**	86	*+61*	*+71%*
2. **Profit after tax attributable to shareholders** after revaluation on investment properties *(note 1)*	**21**	57	*-36*	*-63%*
3. **Basic earnings per share**	**HK 4.4 cents**	HK 11.9 cents	*-7.5*	*-63%*
As at 30 September	**2008** **HK$ Million**	2007 *HK$ Million*		
4. **Bank borrowings less bank balances**	**684**	1,632	*-948*	*-58%*
5. **Shareholders' funds**	**3,111**	2,666	*+445*	*+17%*
6. **Gearing ratio** *(note 2)*	**31%**	71%	*-40% points*	
7. **Net assets per share attributable to shareholders**	**HK$6.48**	HK$5.55	*+0.93*	*+17%*

Notes:

1. *Drop in profit mainly due to HK$95 million reduction in net revaluation gain on investment properties, partly set off by incremental property sales profits of HK$21 million and decrease in finance and operating costs of HK$35 million.*
2. *Representing ratio of "bank borrowings + convertible bonds – bank balances" to "shareholders' funds".*

FINANCIAL RESULTS

For the six months ended 30 September 2008, the Group's turnover and profit attributable to shareholders were respectively HK$147 million (2007: HK$86 million) and HK$21 million (2007: HK$57 million). Basic earnings per share amounted to 4.4 Hong Kong cents (2007: 11.9 Hong Kong cents). Net assets per share attributable to shareholders as at 30 September 2008 were HK$6.48 (2007: HK$5.55).

INTERIM DIVIDEND

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

BUSINESS REVIEW

1. Disposal of Investment Property

Upon completion of our disposal of **Yien Yieh Commercial Building (鹽業商業大廈)** on 31 July 2008 on a vacant site basis, full consideration of the sales proceeds of HK$335 million was duly received. The Group acquired the property in December 2002 at a tender price of HK$68 million of which 70% was financed by a mortgage loan. Return on equity after transaction and demolition costs was over 10 times on this investment property throughout the 5.5 year period. However, since this property was held as long term investment for rental income, revaluation gains on the property were recognized on an annual basis in previous years' income statements according to Hong Kong accounting standards. Hence, profit on disposal reflected in the current period under review only amounted to HK$21 million.

2. Property Sales and Cash Proceeds

Since mid 2007, we saw an accelerating upward trend in the Hong Kong property market. The Group captured this opportunity and started to restructure our property portfolio and unloaded our properties gradually in order to realize and conserve cash so as to de-leverage the Group's gearing as well as to replenish our land bank at some opportune time. Up to the date of this statement, total cash proceeds from sales of various properties in Hong Kong together with the repatriation of proceeds from sale of **One City Hall** in Toronto, Canada, amounted to approximately HK$900 million. About half of the cash proceeds were received during the period under review. As of 30 September 2008, the Group fully repaid all its revolving bank loans and two property mortgage loans and hence its gearing ratio was substantially reduced to 31% from 71% as of 30 September 2007.

During the past 15 months, properties sold comprising various residential flats we purchased in 2005, over 200 carparking spaces purchased during the SARS period in 2003 and some remaining unsold units from previous development projects. These included 9 ground floor shops at **Kensington Plaza (金威廣場)** in Jordan District and the cash proceeds of HK$71.5 million was fully received upon completion of the sale on 9 July 2008.

3. PRC Projects

Guangzhou, PRC

The Group's residential property development project at Tianhe District, known as **Botanica (寶翠園)**, comprises approximately 40 medium-rise residential blocks with approximately 2,070 units. The Group acquired this development project in 2004. Presale of Phase 1, with a total of 332 residential units mainly ranging from 95 sq.m. to 165 sq.m., commenced in late November 2008.

Benefiting from the economic and property stimulus measures by Central Government, including substantial lowering deed tax to 1% from 1.5% for first time purchasers, lowering mortgage down payment to 20% from 30% and reducing mortgage interest rates to 70% of base lending rates for both first time purchasers and those upgrading their homes coupled with the Central Bank cutting benchmark lending rates by a further 1.08% on 25 November 2008, it is expected that all units at Phase 1 would gradually be sold out within months. Completion of the Phase 1 units is scheduled in mid 2009.

Botanica (寶翠園) is the third project we launched for sale in the PRC after the **Millennium Oasis (城市綠洲花園)** at Futian District in 2000 with 680 units and the **City Square (城市天地廣場)** at Luohu District in 2005 with 2,198 units, both in Shenzhen and were fully sold.

The fourth project we plan to launch in the PRC is **No. 5 Residence (北京路5號公館)** at 5 Beijing Road, previously known as 17-43 Beijing Nan Road, in Yuexiu District, Guangzhou. It comprises 160 residential flats and commercial podium floors with a total gross floor area of 20,300 sq.m. This project was acquired by us in 2004. Presale is expected to be in the first half of 2009 and project completion in by the last quarter of 2009.

Detailed design and planning for our other three projects in Liwan District, Dong Guan Zhuan and Nanhai are still in progress.

Chongqing, PRC

Construction works for our 108,000 sq.m. twin-tower **Cha's Centre (查氏中心)** in Beibuxinqu District are scheduled for completion by end of March 2009. Taking into account the growth potential of property market in the district, the Group considers our medium to long term returns from rental yield and capital gain on the project far outweigh the current sales profits upon realization of its retail podium spaces, office and residential units. The Group intends to hold the property for long term investment purpose.

Shenzhen, PRC

The detailed construction plans of our 128,000 sq.m. super high rise commercial/residential development project **"Hon Kwok City Commercial Centre 漢國城市商業中心"** on Shennanzhong Road, Futian District, are in good progress.

4. Property Investment, Serviced Apartments, Hotel Operations and Management

The Group noted the increasing demand of mid price hotel/guest rooms for short stay visitors and business executives working in Central and Tsimshatsui Districts. As our serviced apartments at **The Bauhinia** only cater to visitors who stay for more than a month, the Group is in the process to convert the office floors to a 42 room hotel on first to fourth floors at **The Bauhinia/Honwell Commercial Centre (寶軒及漢貿商業中心)**, leaving the ground floor for commercial purpose. Building plans for hotel have been approved by the Buildings Department and other relevant government departments concerned. Alteration and renovation works for this hotel as well as our 44 room hotel on the upper floors at **Hon Kwok TST Centre (漢國尖沙咀中心)** in Tsimshatsui District are expected to complete by end of 2009 and mid 2009 respectively.

Parallel to the accommodation solution catering for long and short term stay guests at **The Bauhinia/Honwell Commercial Centre (寶軒及漢貿商業中心)** in Hong Kong, the Group is also in the process to convert the commercial podium at **City Square**, in Shenzhen, to an approximate 180 room hotel, to be named as **City Square Hotel (寶軒酒店)**, pending approval by the relevant government authorities. Once approved, alteration and renovation works are scheduled for completion within 12 months. The Group intends to hold the 64 serviced apartments **("City Suites 寶軒公寓")** which is already in operation, and the planned **City Square Hotel (寶軒酒店)** as long term investment properties for recurrent rental income.

In addition, the Group has also acquired management rights to manage a 170 room hotel in Yuexiu District, Guangzhou. An upgrade and refurbishment program is in progress. Upon completion, it will be renamed **"Bauhinia Guangzhou 寶軒廣州"**, subject to local government's approval.

With two hotels and one serviced apartment operation in Hong Kong, one hotel and one serviced apartment operation in Shenzhen plus a hotel in Guangzhou, operating costs tend to be relatively competitive due to economy of scale. The Group will be in a better position to enhance the rental income and capital value of our existing properties with limited disruption to our cashflow.

OUTLOOK

In July this year, I pointed out in our 2007-08 Annual Report that world-wide economic growth was expected to slow down resulting from the financial crisis in the USA. Following the recent credit crunch and collapse of giant corporations including top investment banks, leading manufacturers and retailers, the global economy has apparently sunk into a quagmire with negative growth, rising unemployment, low consumption, plunging asset and property prices which will lead to a global economic recession in the coming years.

Strategic investment and *prudent management*, being two of our corporate strategies, will enable the Group to survive amid this world-wide financial tsunami. Over the past 23 years, we have only focused on activities related to property development and property investment in which our experience and expertise warrant. The Group did not enter into any contracts on speculative financial derivatives. We strategically did not replenish land bank in the past 18 months, during which property prices in Hong Kong and the PRC remained high. To the contrary, the Group realized approximately HK$900 million from sales of our property stocks and investment properties since 2007. These cash proceeds not only reduced our gearing level, but strengthened our liquidity for us to capture high yield investment opportunities that are likely to arise, both in Hong Kong and the PRC in the months ahead. Coupled with benefit of prevailing downward trend in interest rates, the next two years could provide opportunities for us to replenish our land bank and property investment portfolio.

Since property prices are largely driven by the general economy and market forces, our development property sales profits are inevitably subject to market fluctuation. To safeguard the interest of our shareholders, it is the Group's policy to sell its assets only at a time when we consider opportune to maximize return on our investment. Being a medium sized developer, it is difficult to achieve a steady and continued growth trend in our annual net profits. Nevertheless, we plan to expand our investment property portfolios to strengthen our recurring rental income base and to look for long term capital gain. We have therefore decided to hold our serviced apartments and the planned hotel rooms in City Square, Shenzhen together with Phase 1 of our Chongqing project for long term rental and investment purposes.

Despite drastic reduction in interest rates and other emergency measures by various governments to stablize the general economy and to restore confidence, market sentiments and spending level remain very low. With no exception, Hong Kong will be affected and hopefully not to an extent worse than we had experienced during the 1997 Asian financial turmoil and the outbreak of SARS in 2003. With government intervention and huge self-contained internal market, the economy in Mainland China seems less affected despite drop in exports and retrieval of foreign investment funds. Given uncertainty on the recovery period of the global economic recession, 2009 will be a difficult year for many property developers in Hong Kong and the PRC, and your Company is no exception. However, the Board remains optimistic about the future outlook of the Group.

Finally, I wish to express my sincere thanks and appreciation to all our staff and fellow directors for their dedicated hard work and contributions during this period.

James Sai-Wing Wong
Chairman

Hong Kong, 18 December 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September 2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Revenue	2	**147,392**	86,322
Cost of sales		**(115,560)**	(52,928)
Gross profit		**31,832**	33,394
Other income	3	**26,567**	4,346
Fair value gains/(losses) on investment properties, net		**(56,395)**	115,386
Change in fair value of properties held for sale transferred to investment properties		**38,188**	-
Administrative expenses		**(20,329)**	(24,902)
Other operating income/(expenses), net		**2,364**	(609)
Finance costs	4	**(10,965)**	(41,426)
Share of profits and losses of jointly-controlled entities		**285**	283
Profit before tax	5	**11,547**	86,472
Tax	6	**10,419**	(29,570)
Profit for the period		**21,966**	56,902
Attributable to:			
Equity holders of the Company		**21,058**	56,939
Minority interests		**908**	(37)
		21,966	56,902
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic		**4.38 cents**	11.86 cents
Diluted		**3.83 cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 September 2008 (Unaudited) *HK$'000***	As at 31 March 2008 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**26,067**	26,395
Properties under development		**1,820,082**	1,699,408
Investment properties		**2,084,073**	2,373,878
Interests in jointly-controlled entities		**58,288**	55,880
Total non-current assets		**3,988,510**	4,155,561
CURRENT ASSETS			
Amounts due from jointly-controlled entities		**172,815**	159,417
Tax recoverable		**678**	464
Properties held for sale		**453,221**	523,230
Trade receivables	*8*	**1,272**	5,550
Prepayments, deposits and other receivables		**37,615**	27,806
Cash and cash equivalents		**251,685**	519,226
Total current assets		**917,286**	1,235,693
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*9*	**120,183**	144,836
Interest-bearing bank borrowings		**358,500**	576,999
Amount due to a related company		**679**	44
Customer deposits		**4,085**	38,528
Dividend payable		**60,036**	-
Tax payable		**51,408**	58,126
Total current liabilities		**594,891**	818,533
NET CURRENT ASSETS		**322,395**	417,160
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,310,905**	4,572,721
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**577,682**	851,267
Convertible bonds		**289,481**	279,980
Deferred tax liabilities		**183,462**	190,879
Total non-current liabilities		**1,050,625**	1,322,126
Net assets		**3,260,280**	3,250,595

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	As at 30 September 2008 (Unaudited)	As at 31 March 2008 (Audited)
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**480,286**	480,286
Equity component of convertible bonds	**24,826**	24,826
Reserves	**2,605,636**	2,537,126
Proposed final dividend	**-**	60,036
	3,110,748	3,102,274
Minority interests	**149,532**	148,321
Total equity	**3,260,280**	3,250,595

Notes:

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed interim 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 consolidated financial statements for the year ended 31 March 2008.

Accounting policies

The accounting policies and methods of computation used in the preparation of this unaudited condensed interim consolidated financial statements are consistent with those adopted in the annual consolidated financial statements for the year ended 31 March 2008, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations) that are adopted for the first time for the current period's unaudited condensed interim consolidated financial statements.

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

The adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed interim consolidated financial statements.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 Amendments	Cash Flow Hedge Accounting of Forecast Intergroup Transactions[3]
HKAS 39 Amendments	The Fair Value Option[3]
HKFRS 2 Amendments	Share-based Payment - Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[1]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[2]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2008*
[3] *Effective for annual periods beginning on or after 1 July 2009*
[4] *Effective for annual periods beginning on or after 1 October 2008*

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

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:

(a) Business segments

	Six months ended 30 September 2008 (Unaudited)			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:				
Sales to external customers	**100,061**	**27,512**	**19,819**	**147,392**
Segment results	**46,405**	**(14,711)**	**3,590**	**35,284**
Interest income				**1,713**
Unallocated expenses				**(14,770)**
Finance costs				**(10,965)**
Share of profits and losses of jointly-controlled entities	**285**	**-**	**-**	**285**
Profit before tax				**11,547**
Tax				**10,419**
Profit for the period				**21,966**

	Six months ended 30 September 2007 (Unaudited)			
	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Segment revenue:				
Sales to external customers	38,466	30,508	17,348	86,322
Segment results	(1,091)	138,897	4,152	141,958
Interest income				1,272
Unallocated expenses				(15,615)
Finance costs				(41,426)
Share of profits and losses of jointly-controlled entities	283	-	-	283
Profit before tax				86,472
Tax				(29,570)
Profit for the period				56,902

2. **SEGMENT INFORMATION** *(Continued)*

(b) Geographical segments

	Six months ended 30 September 2008 (Unaudited)			
	Hong Kong	**Mainland China**	**Canada**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:				
Sales to external customers	**141,128**	**2,697**	**3,567**	**147,392**

	Six months ended 30 September 2007 (Unaudited)			
	Hong Kong	Mainland China	Canada	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	84,190	2,132	-	86,322

3. **OTHER INCOME**

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**1,709**	1,190
Interest income from mortgage loans receivable	**4**	82
Exchange gain	**1,051**	-
Gain on disposal of investment properties	**22,085**	2,019
Others	**1,718**	1,055
	26,567	4,346

4. **FINANCE COSTS**

	Six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**38,581**	64,271
Less: Amounts capitalised under property development projects	**(27,616)**	(22,845)
	10,965	41,426

5. PROFIT BEFORE TAX

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

	Six months ended 30 September 2008 (Unaudited) *HK$'000*	Six months ended 30 September 2007 (Unaudited) *HK$'000*
Depreciation	**1,536**	1,347
Employee benefit expense (including directors' remuneration)	**12,720**	11,488
Less: Amounts capitalised under property development projects	**(2,984)**	-
	9,736	11,488

6. TAX

	Six months ended 30 September 2008 (Unaudited) *HK$'000*	Six months ended 30 September 2007 (Unaudited) *HK$'000*
Group:		
Current – Outside Hong Kong	**(463)**	1,244
Deferred	**(9,956)**	28,326
Total tax charge/(credit) for the period	**(10,419)**	29,570

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, if any. The 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 number of ordinary shares assumed to have been issued on the deemed conversion of all convertible bonds into ordinary shares.

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

	2008 (Unaudited) ***HK$'000***	2007 (Unaudited) *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**21,058**	56,939
Interest on convertible bonds, net of tax	**-**	11,126
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**21,058**	68,065 *

	Number of shares	
	2008 (Unaudited)	2007 (Unaudited)
Shares		
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	**480,286,201**	480,286,201
Effect of dilution –number of ordinary shares: Convertible bonds	**70,000,000**	70,000,000
	550,286,201	550,286,201 *

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

8. TRADE RECEIVABLES

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

	As at 30 September 2008 (Unaudited) ***HK$'000***	As at 31 March 2008 (Audited) *HK$'000*
Within 1 month	**962**	5,393
1 to 2 months	**279**	110
2 to 3 months	**31**	47
Total	**1,272**	5,550

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$6,791,000 (as at 31 March 2008: HK$9,211,000). An aged analysis of the trade payables, based on the invoice date, is as follows:

	As at 30 September 2008 (Unaudited) ***HK$'000***	As at 31 March 2008 (Audited) *HK$'000*
Within 1 month	**6,791**	9,211

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK$1,226 million as at 30 September 2008 (as at 31 March 2008: HK$1,708 million), of which approximately 29% of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were HK$252 million as at 30 September 2008 (as at 31 March 2008: HK$519 million). The Group had a total of HK$468 million committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2008 was approximately HK$3,111 million (as at 31 March 2008: HK$3,102 million).

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$974 million over the total shareholders' funds of approximately HK$3,111 million, was 31% as at 30 September 2008 (as at 31 March 2008: 38%).

During the period, completion of disposal of Yien Yieh Commercial Building and the nine ground floor shops at Kensington Plaza have generated net cash proceeds, after repayment of related bank loans and expenses, of approximately HK$350 million to the Group and have further enhanced its financial position.

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 years ended 31 March 2007 and 2008, the Group utilised HK$65 million and HK$141 million respectively for general working capital. During the period under review, the Group have applied the remaining balance of HK$109 million for general working capital.

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2008, 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$2,858 million as at 30 September 2008 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 employees as at 30 September 2008. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

Audit Committee

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 2008 has not been audited, but has been reviewed by the Audit Committee.

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 2008.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 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 2008.

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 2008, 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.

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.

Wendy Yuk-Ying Chan
Company Secretary

Hong Kong, 18 December 2008

As at the date hereof, the directors of the Company are Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Mr. Herman Man-Hei Fung, Mr. Dennis Kwok-Wing Cheung and Mr. Zuric Yuen-Keung Chan and the independent non-executive directors are Dr. Daniel Chi-Wai Tse, Mr. Kenneth Kin-Hing Lam and Prof. Hsin-Kang Chang.