建業實業有限公司
# Chinney Investments, Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 216)**

## 2008-09 INTERIM RESULTS

### FINANCIAL RESULTS

The Group's turnover and profit attributable to shareholders of the Company for the six months ended 30 September 2008 were HK$305 million (2007: HK$269 million) and HK$30 million (2007: HK$40 million) respectively. Basic earnings per share were 5.4 Hong Kong cents (2007: 7.2 Hong Kong cents). Net assets per share attributable to shareholders as of 30 September 2008 amounted to HK$3.25 (2007: HK$2.74).

### 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. Property**

The Group owns 53.6% shareholdings in Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160) which is mainly engaged in activities relating to property development and property investment. Hon Kwok reported a turnover of HK$147 million (2007: HK$86 million) and net profit of HK$21 million (2007: HK$57 million) respectively for the half year ended 30 September 2008.

**(a) Property Sales and Cash Proceeds**

Hong Kong

Commencing mid 2007, Hon Kwok captured the upward trend in the Hong Kong property market and started to sell its property stocks and some investment properties, realising cash proceeds of approximately HK$900 million of which about HK$440 million was received up to 31 March 2008.

The disposal of **Yien Yieh Commercial Building (鹽業商業大廈)** at a cash consideration of HK$335 million was completed on 31 July 2008. The property was acquired by Hon Kwok at a tender price of HK$68 million in December 2002. Profit on disposal for the period only amounted to HK$21 million as revaluation gains from the property were recognized in the previous years' consolidated income statements according to Hong Kong accounting standards. During the period under review, Hon Kwok also sold some remaining units from previous development projects, including nine ground floor shops at **Kensington Plaza (金威廣場)** in Jordan District at a cash consideration of HK$71.5 million. As of 30 September 2008, Hon Kwok repaid all its revolving bank borrowings and two property mortgage loans and hence its gearing ratio was substantially reduced to 31% from 71% as of 30 September 2007. Given a strong financial position, they are looking for good opportunities to replenish their land and investment property portfolio.

The PRC

*Guangzhou*

The Hon Kwok 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. Hon Kwok 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 Hon Kwok 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 Hon Kwok plans 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 in 2004. Presale is expected to be in the first half of 2009 and project completion by the last quarter of 2009.

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

*Chongqing*

Construction works for the 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, Hon Kwok considers its 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. Hon Kwok intends to hold the property for long term investment purpose.

*Shenzhen*

The detailed construction plans of the 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.

**(b) Property Investment, Serviced Apartments, Hotel Operations and Management**

Hon Kwok noted the increasing demand of mid price hotel/guest rooms for short stay visitors and business executives working in Central and Tsimshatsui Districts. As the serviced apartments at **The Bauhinia** only cater to visitors who stay for more than a month, Hon Kwok 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 its 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, Hon Kwok 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. Hon Kwok 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, Hon Kwok 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. Hon Kwok will be in a better position to enhance its rental income and capital value of the existing properties with limited disruption to their cashflow.

**2. Garment**

Our wholly-owned JL Group, which produces fashionable garment in Mainland China for exports to customers mainly in Europe, recorded turnover of HK$158 million (2007: HK$183 million) and a net profit of HK$9 million (2007: HK$20 million). The weakness of US dollars, appreciation of Renminbi, high crude oil prices in early part of the financial year and the increasing wages marked up the operating costs of JL Group. As a result, the margin contribution was moderately decreased. Under the present economic conditions, JL Group will continue to review the manpower and working capacities for cost controls and to maintain its market competitiveness.

During the period under review, the customer order flow was stable. It managed to further enhance the relationship with their existing customers who can offer better profit margin. JL Group will continue to dedicate their efforts to strengthen the customer mix.

3. **Construction and Trading**

Chinney Alliance Group Limited ("Chinney Alliance") *(Stock Code: 385)*, a 29.1% owned associate of the Group, is engaged in building related contracting services and the trading of plastics, chemicals, industrial products and equipment. Chinney Alliance reported turnover of HK$1,036 million (2007: 762 million) and a net profit of HK$24 million (2007: HK$16 million) for the six months ended 30 June 2008.

The increases in turnover and profit were mainly attributable to the contribution from Chinney Construction Company Limited and Kin Wing Engineering Company Limited which were engaged in the building construction and foundation/piling works. The operating results for these two divisions were satisfactory, with more projects awarded at better profit margins. They will continue to explore new business opportunities in Hong Kong and Macau.

The trading of plastics and chemicals remained profitable but showed a slightly drop in both profit and turnover. This was due largely to market conditions, high oil prices in previous three quarters of the year and increases in administrative expenses. The customers were also cautious at placing purchase orders under the current business environment. In the years ahead, the plastics trading division will continue to develop more business in engineering plastics products which has a higher gross margin.

4. **General Investment**

As a general investment holding company, we shall continue to selectively look for stable and asset-backed listed shares, including Hon Kwok shares whose market prices compared favourably to their underlying assets. We did not, and will not, invest in any financial instruments of speculative nature.

**OUTLOOK**

As a consequence to the financial crisis of the sub-prime property market in the USA and the subsequent credit crunch and going concern problems of leading investment banks and international corporations, the global economy is facing a severe economic recession with negative growth, high unemployment rates, tumbling retail and property indices in the coming year. Under tight monetary and regulatory controls together with self-contained internal market, the economic growth in the Mainland China is likely to be less adversely affected despite unavoidable decrease of exports and foreign investment funds. With backed up from China, Hong Kong remains as one of the international financial centres with an open and free trade economy. In the next year or so, Hong Kong will inevitably suffer economic slow-down to an extent perhaps worse than the 1997 Asian financial turmoil and 2003 SARS episode. To survive under this financial tsunami, the Group will focus strategically and invest prudently on the business segments where we see competitive advantages.

Given a strong financial position and leveraging on the low interest cost environment, Hon Kwok intends to replenish its development land bank and projects when opportunities arise. It also plans to expand the investment property portfolio in order to strengthen future recurring income base.

For our garment business, volume of export orders to Europe for the second half of the financial year is expected to decrease under the global economic slow-down. Even with the recent relaxation of labour laws in the PRC, factory running costs remain high resulting in lower gross profit margins. Though 2009 will be a lack-lustre year for garment manufacturers, with tight cost control measures and productivity improvement plans, we are confident that our business will remain profitable for the fiscal year ending 31 March 2009.

As part of the economic stimulus programmes, Hong Kong government recently reiterated that a series of infrastructure, housing and other public works will be implemented. We anticipate that these government works will provide more business opportunities to our construction division for their continued growth in the coming years.

Taking this opportunity, I would like to thank all our staff and fellow directors for their devoted efforts and contributions to the Group during this period.

**James Sai-Wing Wong**
*Chairman*

Hong Kong, 18 December 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2008** | 2007 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| CONTINUING OPERATIONS | | | |
| Revenue | *2* | **305,300** | 269,169 |
| Cost of sales | | **(236,752)** | (185,371) |
| Gross profit | | **68,548** | 83,798 |
| Other income and gains | 3 | **24,137** | 9,919 |
| Fair value gains/(losses) on investment properties, net | | **(56,395)** | 115,576 |
| Change in fair value of properties held for sale transferred to investment properties | | **38,188** | - |
| Loss on disposal of a subsidiary | | **(974)** | - |
| Excess over the cost of business combinations on acquisition of minority interests in subsidiaries | | **13,663** | - |
| Selling and distribution costs | | **(16,815)** | (19,667) |
| Administrative and other operating expenses | | **(31,418)** | (42,256) |
| Finance costs | *4* | **(13,570)** | (48,057) |
| Share of profits and losses of: | | | |
| Associates | | **6,876** | 4,784 |
| Jointly-controlled entities | | **285** | 283 |
| Profit before tax | *5* | **32,525** | 104,380 |
| Tax | *6* | **8,191** | (32,510) |
| Profit for the period from continuing operations | | **40,716** | 71,870 |
| DISCONTINUED OPERATION | | | |
| Loss for the period from a discontinued operation | *7* | **-** | (6,095) |
| PROFIT FOR THE PERIOD | | **40,716** | 65,775 |
| Attributable to: | | | |
| Equity holders of the Company | | **29,917** | 39,689 |
| Minority interests | | **10,799** | 26,086 |
| | | **40,716** | 65,775 |
| Earnings per share attributable to ordinary equity holders of the Company | *8* | | |
| Basic | | | |
| - For profit for the period | | **5.43 cents** | 7.20 cents |
| - For profit from continuing operations | | **5.43 cents** | 8.15 cents |
| Diluted | | | |
| - For profit for the period | | **5.17 cents** | N/A |
| - For profit from continuing operations | | **5.17 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 | | **97,511** | 99,005 |
| Properties under development | | **1,820,082** | 1,699,408 |
| Prepaid land lease payments | | **16,456** | 16,319 |
| Investment properties | | **2,089,023** | 2,378,828 |
| Interests in associates | | **125,786** | 106,132 |
| Interests in jointly-controlled entities | | **72,864** | 70,455 |
| Deferred tax assets | | **165** | 159 |
| Loan receivables | | **4,111** | 3,014 |
| Total non-current assets | | **4,225,998** | 4,373,320 |
| CURRENT ASSETS | | | |
| Inventories | | **21,155** | 17,815 |
| Properties held for sale | | **456,093** | 526,103 |
| Prepaid land lease payments | | **472** | 436 |
| Equity investments at fair value through profit or loss | | **32,528** | 41,539 |
| Trade and bills receivables | 9 | **23,276** | 35,805 |
| Prepayments, deposits and other receivables | | **40,287** | 44,853 |
| Amounts due from related companies | | **3,078** | 1,407 |
| Amounts due from jointly-controlled entities | | **172,815** | 159,417 |
| Amounts due from associates | | **-** | 13,106 |
| Tax recoverable | | **678** | 464 |
| Cash and cash equivalents | | **308,213** | 579,487 |
| Total current assets | | **1,058,595** | 1,420,432 |
| CURRENT LIABILITIES | | | |
| Trade payables and accrued liabilities | 10 | **163,665** | 204,498 |
| Customer deposits | | **4,085** | 38,528 |
| Amount due to a related company | | **679** | 44 |
| Amount due to a minority shareholder | | **-** | 17,155 |
| Tax payable | | **59,166** | 63,599 |
| Dividend payable | | **22,055** | - |
| Interest-bearing bank borrowings | | **561,500** | 780,199 |
| Total current liabilities | | **811,150** | 1,104,023 |

## CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

| | **As at 30 September 2008 (Unaudited)** *HK$'000* | As at 31 March 2008 (Audited) *HK$'000* |
|---|---|---|
| NET CURRENT ASSETS | **247,445** | 316,409 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **4,473,443** | 4,689,729 |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank borrowings | **577,682** | 851,267 |
| Convertible bonds | **289,481** | 279,980 |
| Deferred tax liabilities | **185,247** | 193,062 |
| Total non-current liabilities | **1,052,410** | 1,324,309 |
| Net assets | **3,421,033** | 3,365,420 |
| EQUITY | | |
| Equity attributable to equity holders of the Company | | |
| Issued capital | **137,842** | 137,842 |
| Reserves | **1,654,440** | 1,598,110 |
| Proposed final dividend | **-** | 22,055 |
| | **1,792,282** | 1,758,007 |
| Minority interests | **1,628,751** | 1,607,413 |
| Total equity | **3,421,033** | 3,365,420 |

*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 garment manufacturing and trading, property development and property investment activities. An analysis of the Group's revenue and contribution to profit from operation by business segments and revenue by geographical segments is as follows:

### (a) Business segments

**Six months ended 30 September 2008 (Unaudited)**

| | Continuing operations | | | | | Discontinued operation | |
|---|---|---|---|---|---|---|---|
| | **Garment** *HK$'000* | **Property development** *HK$'000* | **Property investment** *HK$'000* | **Others** *HK$'000* | **Total** *HK$'000* | **Construction** *HK$'000* | **Consolidated** *HK$'000* |
| Segment revenue: | | | | | | | |
| Sale to external customers | **157,908** | **100,061** | **27,512** | **19,819** | **305,300** | **-** | **305,300** |
| Segment results | **10,020** | **46,405** | **(29,481)** | **6,495** | **33,439** | **-** | **33,439** |
| Net income from investments | | | | | **4,390** | **-** | **4,390** |
| Unallocated expenses | | | | | **(2,573)** | **-** | **(2,573)** |
| Fair value gains/(losses) on equity investments at fair value through profit or loss | | | | | **(9,011)** | **-** | **(9,011)** |
| Finance costs | | | | | **(13,570)** | **-** | **(13,570)** |
| Share of profits and losses of associates | **-** | **-** | **-** | **6,876** | **6,876** | **-** | **6,876** |
| Share of profits and losses of jointly-controlled entities | **-** | **285** | **-** | **-** | **285** | **-** | **285** |
| Loss on disposal of a subsidiary | | | | | **(974)** | **-** | **(974)** |
| Excess over the cost of business combinations on acquisition of minority interests in subsidiaries | | | | | **13,663** | **-** | **13,663** |
| Profit before tax | | | | | **32,525** | **-** | **32,525** |
| Tax | | | | | **8,191** | **-** | **8,191** |
| Profit for the period | | | | | **40,716** | **-** | **40,716** |

Six months ended 30 September 2007 (Unaudited)

| | Continuing operations | | | | | Discontinued operation | |
|---|---|---|---|---|---|---|---|
| | Garment *HK$'000* | Property development *HK$'000* | Property investment *HK$'000* | Others *HK$'000* | Total *HK$'000* | Construction *HK$'000* | Consolidated *HK$'000* |
| Segment revenue: | | | | | | | |
| Sale to external customers | 182,847 | 38,466 | 30,508 | 17,348 | 269,169 | 280,955 | 550,124 |
| Segment results | 21,441 | (1,091) | 123,282 | 4,933 | 148,565 | (2,039) | 146,526 |
| Net income from investments | | | | | 2,217 | 586 | 2,803 |
| Unallocated expenses | | | | | (3,853) | - | (3,853) |
| Fair value gains/(losses) on equity investments at fair value through profit or loss | | | | | 441 | - | 441 |
| Finance costs | | | | | (48,057) | (3,678) | (51,735) |
| Share of profits and losses of associates | - | - | - | 4,784 | 4,784 | - | 4,784 |
| Share of profits and losses of jointly-controlled entities | - | 283 | - | - | 283 | - | 283 |
| Gain on disposal of a subsidiary | | | | | - | 116 | 116 |
| Excess over the cost of business combinations on acquisition of minority interests in subsidiaries | | | | | - | - | - |
| Profit before tax | | | | | 104,380 | (5,015) | 99,365 |
| Tax | | | | | (32,510) | (1,080) | (33,590) |
| Profit for the period | | | | | 71,870 | (6,095) | 65,775 |

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

**(b) Geographical segments**

The following table provides an analysis of the Group's revenue by geographical market:

| | **Six months ended 30 September (Unaudited)** | | | | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | | **Discontinued operation** | | **Consolidated** | |
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **141,406** | 85,522 | **-** | 199,842 | **141,406** | 285,364 |
| Mainland China | **2,832** | 2,422 | **-** | - | **2,832** | 2,422 |
| Macau | **-** | - | **-** | 81,113 | **-** | 81,113 |
| Europe | **116,760** | 142,091 | **-** | - | **116,760** | 142,091 |
| North America | **35,385** | 36,158 | **-** | - | **35,385** | 36,158 |
| Others | **8,917** | 2,976 | **-** | - | **8,917** | 2,976 |
| | **305,300** | 269,169 | **-** | 280,955 | **305,300** | 550,124 |

3. **OTHER INCOME AND GAINS**

| | **Six months ended 30 September** | |
|---|---|---|
| | **2008** | 2007 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **2,018** | 2,109 |
| Other interest income | **1,264** | 91 |
| Dividend income from listed investments | **1,108** | 17 |
| Commission income | **2,585** | 154 |
| Gain on disposal of investment properties | **22,085** | 2,019 |
| Fair value gains/(losses) on equity investments at fair value through profit or loss | **(9,011)** | 441 |
| Foreign exchange difference, net | **1,294** | 3,525 |
| Other | **2,794** | 1,563 |
| | **24,137** | 9,919 |

## 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 | **41,186** | 74,052 |
| Amounts due to related companies | **-** | 388 |
| Finance leases | **-** | 140 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **41,186** | 74,580 |
| Less: Amounts capitalised under property development projects | **(27,616)** | (22,845) |
| | **13,570** | 51,735 |
| Attributable to a discontinued operation | **-** | 3,678 |
| Attributable to continuing operations reported in the consolidated income statement | **13,570** | 48,057 |
| | **13,570** | 51,735 |

## 5. PROFIT BEFORE TAX

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

| | Six months ended 30 September | |
|---|---|---|
| | **2008** | 2007 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Depreciation | **3,480** | 16,271 |
| Less: Amount capitalised in contract costs | **-** | (630) |
| | **3,480** | 15,641 |
| Amortisation of prepaid land lease payments | **236** | 214 |
| Employee benefits expense (including directors' remuneration) | | |
| Wages, salaries, allowances and benefits in kind | **37,053** | 98,636 |
| Less: Amount capitalised in contract costs | **-** | (41,906) |
| Amounts capitalised under property development projects | **(2,984)** | - |
| | **34,069** | 56,730 |
| Fair value (gains)/losses on equity investments at fair value through profit or loss | **9,011** | (441) |
| Bank interest income | **(2,018)** | (2,695) |
| Other interest income | **(1,264)** | (91) |
| Gain on disposal of investment properties | **(22,085)** | (2,019) |
| Gain on disposal of property, plant and equipment | **-** | (8,250) |

## 6. TAX

| | Six months ended 30 September | |
|---|---|---|
| | **2008** | 2007 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Group: | | |
| Current – Hong Kong | | |
| Charge for the period | **2,631** | 2,906 |
| Underprovision in prior periods | **-** | 3 |
| | **2,631** | 2,909 |
| Current – Outside Hong Kong | **(463)** | 1,244 |
| | **2,168** | 4,153 |
| Deferred | **(10,359)** | 28,357 |
| Total tax charge/(credit) for the period | **(8,191)** | 32,510 |

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated 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. DISCONTINUED OPERATION

The Group discontinued the construction business in October 2007. The results attributable to the discontinued operation for the period were as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2008** | 2007 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Revenue | - | 280,955 |
| Cost of sales | - | (240,778) |
| Gross profit | - | 40,177 |
| Other income | - | 9,226 |
| Administrative expenses | - | (54,156) |
| Fair value gains on investment property | - | 3,300 |
| Finance costs | - | (3,678) |
| Gain on disposal of a subsidiary | - | 116 |
| Loss before tax | - | (5,015) |
| Tax | - | (1,080) |
| Loss for the period | - | (6,095) |

The net cash flows attributable to the discontinued operation were as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2008** | 2007 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Net cash inflow from operating activities | - | 26 |
| Net cash inflow from investing activities | - | 10,892 |
| Net cash outflow from financing activities | - | (10,212) |
| Net cash inflow | - | 706 |
| Loss per share – Basic, from the discontinued operation | **N/A** | 0.95 cent |

The calculation of basic and diluted loss per share from the discontinued operation were based on:

| | Six months ended 30 September | |
|---|---|---|
| | **2008** | 2007 |
| | **(Unaudited)** | (Unaudited) |
| Loss attributable to ordinary equity holders of the Company from the discontinued operation | **N/A** | HK$5,245,000 |
| Ordinary shares in issue during the period used in the basic loss per share calculation | **N/A** | 551,368,153 |

## 8. 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, of a subsidiary and the dilution effect on earnings assuming there is a full conversion of the convertible bonds of a subsidiary, where applicable. 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.

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

| | Six months ended 30 September | |
|---|---|---|
| | **2008** | 2007 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Earnings/(loss) | | |
| Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation: | | |
| From continuing operations | **29,917** | 44,934 |
| From a discontinued operation | **-** | (5,245) |
| | **29,917** | 39,689 |
| Interest on convertible bonds of a subsidiary, net of tax | **-** | 11,126 |
| Dilution of earnings arising from the full conversion of convertible bonds of a subsidiary | **(1,437)** | (9,828) |
| Profit attributable to ordinary equity holders of the Company after the full conversion of the convertible bonds of a subsidiary | **28,480** | 40,987* |
| Attributable to: | | |
| Continuing operations | **28,480** | 46,232 |
| Discontinued operation | **-** | (5,245) |
| | **28,480** | 40,987 |

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

## 9. TRADE AND BILLS RECEIVABLES

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

| | **As at 30 September 2008 (Unaudited)** ***HK$'000*** | As at 31 March 2008 (Audited) *HK$'000* |
|---|---|---|
| Within 1 month | **17,332** | 24,822 |
| 1 to 2 months | **5,283** | 2,469 |
| 2 to 3 months | **613** | 8,514 |
| Over 3 months | **48** | - |
| Total | **23,276** | 35,805 |

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 one month, extending up to three months 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.

## 10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK$24,130,000 (as at 31 March 2008: HK$24,179,000). 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 | **20,978** | 16,715 |
| 1 to 2 months | **1,225** | 5,318 |
| 2 to 3 months | **1,826** | 524 |
| Over 3 months | **101** | 1,622 |
| Total | **24,130** | 24,179 |

## FINANCIAL REVIEW

### Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$1,429 million as at 30 September 2008 (as at 31 March 2008: HK$1,911 million), of which approximately 39% of the debts were due and repayable within one year. Total cash and bank balances including time deposits were approximately HK$308 million (as at 31 March 2008: HK$579 million).

Total shareholders' funds as at 30 September 2008 was approximately HK$1,792 million (as at 31 March 2008: HK$1,758 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK$1,121 million (as at 31 March 2008: HK$1,332 million) over the total shareholders' funds plus minority interests totalling HK$3,421 million (as at 31 March 2008: HK$3,365 million), was 33% at 30 September 2008 (as at 31 March 2008: 40%). The Group's apparent high gearing ratio is primarily due to consolidating all debts of Hon Kwok, a 53.6% owned but separately listed subsidiary of the Group. Hon Kwok obtains financing on its own without financial assistance from the Company. Had Hon Kwok been equity accounted for as an associate in previous years, the pro forma gearing of the Group at period end would have been 8% (as at 31 March 2008: 8%).

The Group had a total of HK$605 million (as at 31 March 2008: HK$989 million) committed but undrawn banking facilities at period end available for its working capital purpose.

### 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

Certain properties, investments and shares of an associate with an aggregate book value of HK$2,980 million as at 30 September 2008 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

### Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 1,200 people 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.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 and Managing Director 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 and Managing Director provide 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.

2. 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).

3. 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. William Chung-Yue Fan and Mr. Herman Man-Hei Fung and the independent non-executive directors of the Company are Dr. Clement Kwok-Hung Young, Mr. Peter Man-Kong Wong and Mr. James C. Chen.*