



Far East Consortium International Limited

Stock Code: 035



2007-2008
INTERIM REPORT

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CORPORATE INFORMATION

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PLACE OF INCORPORATION

Cayman Islands

EXECUTIVE DIRECTORS

Deacon Te Ken CHIU, J.P. (*Chairman*)

David CHIU, Tan Sri Dato', B.Sc.

*(Deputy Chairman and
Chief Executive Officer)*

Dennis CHIU, B.A.

Craig Grenfell WILLIAMS,

B. ENG. (CIVIL)

NON-EXECUTIVE DIRECTORS

Ching Lan JU CHIU, J.P.

Daniel Tat Jung CHIU

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jian Yin JIANG

Kwok Wai CHAN

Peter Man Kong WONG

CHIEF OPERATING OFFICER

Denny Chi Hing CHAN

QUALIFIED ACCOUNTANT, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Bill Kwai Pui MOK,

B.A., M.B.A., A.I.C.P.A., C.P.A.

AUTHORIZED REPRESENTATIVES

Deacon Te Ken CHIU

David CHIU

SOLICITORS

Hong Kong

Woo, Kwan, Lee & Lo

Malaysia

Syed Alwi, Ng & Co.

Australia

Freehills

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

Hong Kong

Citic Ka Wah Bank Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
Nanyang Commercial Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited
Wing Hang Bank Limited

Malaysia

Alliance Bank Malaysia Berhad
Southern Bank Berhad

Singapore

The Hongkong and Shanghai
Banking Corporation Limited

Australia

Australia and New Zealand Banking
Group Limited
Commonwealth Bank of Australia

China

Construction Bank of China
The Industrial and Commercial Bank
of China Limited

REGISTERED OFFICE

P.O. Box 1043, Ground Floor,
Caledonian House, Mary Street,
George Town,
Grand Cayman, Cayman Islands,
British West Indies.

PRINCIPAL OFFICE

16/F., Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong.

SHARE REGISTRAR

Tricor Standard Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

LISTING INFORMATION

Ordinary Shares (Code: 035)
Zero Coupon Convertible Bonds 2009
(Code: 2576 & 2508)
The Stock Exchange of Hong Kong
Limited

WEBSITE

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

INTERIM RESULTS HIGHLIGHTS

INTERIM RESULTS

The Board of Directors of Far East Consortium International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2007.

INTERIM DIVIDEND

The Board of Directors (“Board”) has declared an interim dividend of HK5 cents per share for the six months ended 30th September 2007, representing an increase of 25% over the same period last year and reflecting our strong financial position. The interim dividend of HK5 cents per share will be paid to shareholders whose names appear on the Company’s Register of Members on 21st January, 2008. The interim dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all part of their scrip dividend entitlements (“Scrip Dividend Scheme”).

The Scrip Dividend Scheme will be subject to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 21st January, 2008. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or about 28th January, 2008. Dividends warrants or new share certificates will be posted on or about 29th February, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE OVERVIEW

The Group continues to expand its hotel portfolio in the region. At the end of the first half of FY08, the Group has a total of ten hotels with 2,550 rooms in operation, as compared to seven hotels with 1,629 rooms in operation at the end of the same period of FY07. By building up the recurring income base through expanding its hotel portfolio, the Group has improved the quality of its earnings.

The Group remains optimistic over the middle-class property market in China. The continuous economic growth and urbanization in China are the fundamental support for our positive view on the local middle-class property market in the longer term. Over the past few years, we have been building up our project teams in China as we believe one of the keys to success is to bringing in the right people. Presently, our project teams in China are able to deliver 1,200 to 1,500 residential units per year. According to our expansion plan, we expect we will be able to deliver 2,000 to 3,000 residential units per year in about two to three years.

The Group will continue to further its future growth by focusing on developing affordable quality housing to leverage on the growing middle-class market in China and to expand our recurring income base by developing and operating hotels in Hong Kong, China and other parts of Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Property Development Division

China

The development of California Garden, which is our largest property development project in China, is progressing well along with our plan. The pre-sale of about 1,100 units was well received by the market with the actual selling prices exceeding our expectation. At the end of the first six months, about 75% of the units were sold. We expect the profit from the sale of these units will be booked in the second half of FY08 when the occupancy permits are obtained from the local authority.

Other than California Garden in Shanghai, we are also developing three residential projects in Guangzhou, with a total attributable gross floor area of over 1.3 million square feet. The pre-sale of these three projects will be launched within the next two years.

Hong Kong

Given our focus in residential developments in China, we do not have any plans to maintain a significant landbank in Hong Kong. However, we will continue to invest in property development projects when the opportunity arises. Presently, we have six residential projects under development with a total attributable gross floor area of approximately 2.4 million square feet.

The Cove, a 10-detached house development with a total site area of 30,000 square feet, was sold as a whole lot in August 2007. A net profit of about HK\$30million was booked in the first half of the current financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Australia

The Royal Domain Tower is a 42-level high rise complex comprised of 133 luxury residential apartments with a gross floor area of approximately 700,000 square feet. This is considered to be one of the most prestigious residential buildings in Melbourne. The construction was completed in early 2006. Up to the end of the period, over 83 % of the 133 units have been sold. The Group has a 90% interest in this project.

Northbank Place is another property project which the Group has in Melbourne. This project consists of an office building with a lettable area of over 110,000 square feet and two residential towers consisting of 384 apartments. The construction commenced in April 2007. All the units, both commercial and residential, have been pre-sold. The Group has a 45% interest in this project.

2. *Hotel Division*

Our hotel division continues to be a strong performer. In this financial period, the Group has ten hotels in operation, with seven in Hong Kong and three in Malaysia. With its expanded hotel portfolio and the increasing number of business and leisure travelers, the hotel division increased its gross profit contribution to HK\$265 million, a 92% over the comparable period of last financial year. Furthermore, our Lan Kwai Fong Hotel was awarded as “The Best Boutique Hotel in Asia” by TravelWeekly Asia Industry Awards 2007. This is a remarkable achievement for Lan Kwai Fong Hotel despite its short operating history.

MANAGEMENT DISCUSSION AND ANALYSIS

In Malaysia, the tourism industry has shown prominent growth with the increasing number of travelers from India and the Middle East. With the positive industry outlook, we recently made another hotel acquisition, Sheraton Labuan Hotel, in Malaysia. After the acquisition, we now own three operating hotels, namely Dorsett Regency Hotel, Sheraton Subang Hotel and Grand Dorsett Labuan Hotel (formerly known as Sheraton Labuan Hotel) in Malaysia. Other than managing our own hotels, we also entered into hotel management contract of a hotel in Penang, Dorsett Penang Hotel (formerly known as Sheraton Penang Hotel). This is a breakthrough of our hotel management team in Malaysia as it is the first hotel we operate without ownership of the property.

OUTLOOK

1. Property Development Division

California Garden, Shanghai will be a key revenue contributor for the Group over the next few years. According to the present development plan, a total of over 10,000 units or approximately 15 million square feet will be developed and the whole project will be completed by 2012.

Despite our positive long-term view of the China's middle-class housing market, we believe there will be some negative impacts on the property development industry as a result of the new austerity measures recently announced by the Central Government. Fortunately, we have been very cautious on enlarging our landbank in China over the last two years and we expect there will be more investment opportunities appearing in the Mainland in the next six to nine months and we are well-prepared to capture these opportunities as they appear.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Hotel Division*

According to the visitor arrival figures provided by the Hong Kong Tourism Board, the cumulative arrivals for the first ten months of 2007 exceeded 22.9 million, representing a year-on-year increase of 10.7%. This has been the fourth consecutive year showing an increase in visitor arrivals since the outbreak of SARS in 2003. With the consistent increase in tourists coming to Hong Kong, we expect our hotels will continue to show strong performance in the foreseeable future.

Presently, the Group has eight hotel projects under development, including four in Hong Kong, two in China and two in Malaysia. We expect all these hotels will be opened within the next two years. By 2010, the Group will own and operate 18 hotels with a total of more than 5,000 rooms.

FINANCIAL REVIEW

The Group recorded strong operating performance results for the six-month period ended 30th September, 2007. All principal business activities showed substantial growth and their results were better than expected.

Turnover increased 49% to HK\$741 million. Gross profit of HK\$384 million was 79% higher with its margin increased from 44% to 55%. Such performance was mainly attributed to the continuous expansion of our hotel portfolio and the increasing property sales.

The net profit for the period was reported at HK\$216 million, a growth of 43% from the corresponding period of last year. Furthermore, if all the fair value adjustments made according to the accounting standards being excluded, the Group's net profit would be HK\$239 million, up 60%.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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FINANCIAL RESOURCES AND LIQUIDITY

Borrowings and charge on Group assets

	30.9.2007	31.3.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	2,341,673	1,866,801
Bank overdrafts	186	6,582
Financial liabilities at fair value through profit or loss	491,995	838,336
Mortgage loans	3,960	456,282
Obligations under finance leases	1,750	1,836
Other loans	419,784	313,408
	3,259,348	3,483,245
	3,259,348	3,483,245
Secured	2,767,353	2,644,909
Unsecured (excluding bank overdraft)	491,995	838,336
	3,259,348	3,483,245
	3,259,348	3,483,245

The above borrowings are repayable as follows:

On demand or within one year	1,927,167	2,078,909
Amount due after one year	1,332,181	1,404,336
	3,259,348	3,483,245
	3,259,348	3,483,245

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Financial liabilities at fair value through profit or loss

The amount represents two convertible bonds denominated in United States dollars and Hong Kong dollars respectively as at 30th September, 2007 and 31st March, 2007.

Convertible bonds denominated in United States dollars

In April 2004, the Company issued zero coupon convertible bonds with a principal amount of US\$66,989,000 (the "US\$ Bonds"). The holders of the US\$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$2.25 (subsequently adjusted to HK\$2.029) per share during the period from 13th May, 2004 to 14th March, 2009, or to require the Company to redeem all or some of the US\$ Bonds on 13th April, 2006 at 102.01% of their principal amount. The Company may redeem all but not some of the US\$ Bonds, on or at any time after 13th April, 2006 and prior to 13th April, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the US\$ Bonds will be redeemed at 105.10% of their principal amount on 13th April, 2009. The US\$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company's circular dated 6th April, 2004.

During the period, no US\$ Bond was converted into ordinary shares of the Company.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Convertible bonds denominated in Hong Kong dollars

In December 2004, the Company issued zero coupon convertible bonds with a principal amount of HK\$754,000,000 (the “HK\$ Bonds”). The holders of the HK\$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$4.10 (subsequently adjusted to HK\$3.00) per share, during the period from 11th January, 2005 to 10th November, 2009, or to require the Company to redeem all or some of the HK\$ Bonds on 10th December, 2006 at 104.58% of their principal amount. The Company may redeem all but not some of the HK\$ Bonds on or at any time after 10th June, 2005 and prior to 10th December, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the HK\$ Bonds will be redeemed at 111.84% of their principal amount on 10th December, 2009. The HK\$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company’s circular dated 9th December, 2004.

During the period, a total principle amount of HK\$344,720,000 of the HK\$ Bonds were converted into 112,286,644 ordinary shares of the Company.

Contingencies and commitments

Contingent liabilities

The Group had the following contingent liabilities at the balance sheet date:

- (a) The Group has given guarantees in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 30th September, 2007, the Group had given guarantees to certain banks in respect of total amount of mortgage loans outstanding amounting to approximately HK\$206,654,000 (31.3.2007: HK\$11,885,000).

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

- (b) In previous periods, a subsidiary of the Company (the “Subsidiary”) was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleged that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claimed for compensation of damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also alleged that the Subsidiary owed them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses relating to the contract of employment as directors of the Subsidiary amounting to approximately HK\$5,865,000. A motion of dismissing the claim was filed to the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on independent legal advice obtained, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.
- (c) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han [2004] No.938 on 2nd August, 2004 to strengthen levy of land appreciation tax on property developers. In the opinion of the directors, after consulting its legal adviser and the tax bureau of the relevant city, land appreciation tax will not be levied in respect of properties already completed and, full provision for land appreciation tax has not been made in the financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that the chance that full land appreciation tax might be levied is less than probable in accordance with the rule of State Administration of Taxation. Should such levies take place, land appreciation tax would be approximately HK\$74 million (31.3.2007: HK\$67 million).

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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Capital commitments

	30.9.2007	31.3.2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development for sale	1,571,750	1,136,198
Hotel properties	–	–
Others	889	4,329
	1,572,639	1,140,527
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	–	426,090
Hotel properties	11,400	11,315
	11,400	437,405
	1,584,039	1,577,932

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Gearing ratio

The gearing ratio (total bank and other borrowings and financial liabilities at fair value through profit or loss to shareholders' equity) as at 30th September, 2007 was 71% (31st March, 2007: 87%).

Current ratio

The current ratio as at 30th September, 2007 was 1.1 (31st March, 2007: 1.1). The Group has maintained sufficient liquid assets to finance its operation.

Exchange rate

The Group was not exposed to material exchange rates fluctuations during the year.

Pledge of assets

At the balance sheet date, the Group had pledged the following assets:

- (a) The Group's properties, bank deposits and investments held for trading with an aggregate carrying amount of approximately HK\$4,561,275,000 (31.3.2007: HK\$4,205,899,000), HK\$62,191,000 (31.3.2007: HK\$101,821,000) and HK\$748,000 (31.3.2007: HK\$731,000), respectively, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and properties of associates and third parties were pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK\$4,450,828,000 (31.3.2007: HK\$3,854,548,000) and nil (31.3.2007: nil), respectively.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

The Group's bank deposits of approximately nil (31.3.2007: HK\$3,165,000) were pledged to a Group's banker to secure a guarantee given by the banker in favour of a subsidiary of the Company.

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments of approximately HK\$355,478,000 (31.3.2007: HK\$365,640,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$1,028,304,000 (31.3.2007: HK\$1,011,087,000), of which HK\$413,049,000 (31.3.2007: HK\$83,621,000) were utilised.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated its amount due from an investee company of approximately HK\$119,995,000 (31.3.2007: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

EMPLOYEE AND REMUNERATION POLICIES

The number of employees of the Group as at 30th September, 2007 was approximately 1,500. Employees receive competitive remuneration packages that are constantly monitored in relation to the market, with incentives such as discretionary bonuses to reward employees based on individual performance. The Group provides a comprehensive benefit package and career development opportunities, including medical benefit and both internal and external training appropriate to each individual's requirements.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

DISCLOSURE OF INTERESTS

Directors' interests in shares

As at 30th September, 2007, the interests and short positions of the directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”)), as recorded in the register maintained by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

(a) Directors' interest in shares and underlying shares of the Company:

Name of Director	Nature of Interests	Number of Ordinary Shares Held			Percentage of Issued Share Capital of the Company	
		Personal Interests	Corporate Interests	Beneficial Interests in Underlying Shares	Total	Company
Deacon Te Ken Chiu	Long Position	11,121,966	121,323,130 ⁽ⁱ⁾	–	132,445,096	8.28%
David Chiu	Long Position	676,563	345,459,352 ⁽ⁱⁱ⁾	11,000,000 ⁽ⁱⁱⁱ⁾	357,135,915	22.32%
Dennis Chiu	Long Position	8,457	5,093,924 ^(iv)	–	5,102,381	0.32%
Ching Lan Ju Chiu	Long Position	1,387,241	–	–	1,387,241	0.09%
Daniel Tat Jung Chiu	Long Position	41,606	3,877,218 ^(v)	–	3,918,824	0.24%

Notes:

- (i) These Shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (ii) These Shares are held by Sumptuous Assets Limited, a company controlled by Tan Sri Dato' David Chiu.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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- (iii) These interests represent derivative interests pursuant to a derivative contract exercisable for the period from 27th April, 2007 to 28th April, 2008 and was knocked out on 1st November, 2007.
- (iv) These Shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
- (v) These Shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interest of Mr. Dennis Chiu

(b) Director's interest in shares and underlying shares of associated corporation

Name of Director	Nature of interests	Name of associated corporation	Number of ordinary shares held	Percentage of issued share capital of the associate corporation
Deacon Te Ken Chiu	Long Position	Kanic Property Management Limited	2	50%
David Chiu	Long Position	Oi Tak Enterprises Limited	250,000	25%

Save as disclosed above, none of the directors or chief executives or their associates had registered an interest and short position 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) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30th September, 2007.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Substantial shareholders

As at 30th September 2007, the register of interests in shares or short positions required to be kept under Section 336 of the SFO showed that, other than the interests of Directors as set out above, the following shareholders were interested in 5% or more of the issued share capital of the Company:

	Capacity	Nature of interests	No. of ordinary shares held	% of issued share capital
Zwaanstra John	Interests in controlled corporation	Long	411,399,397	25.71%
Penta Investment Advisers Ltd.	Investment manager	Long	411,399,397	25.71%
Mercurius GP LLC	Founder of a discretionary trust	Long	167,504,591	10.47%
Zwaanstra Todd	Trustee	Long	167,504,591	10.47%
Penta Asia Fund Ltd.	Interests in controlled corporation	Long	167,504,591	10.47%
Penta Asia Long/ Short Fund Ltd.	Beneficial owner	Long	80,514,665	5.03%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long	35,663,122	2.23%
		Short	11,264,552	0.70%
		Long	90,313,374	5.65%
	Person having a security interest	Short	35,290,579	2.21%
Sky Investment Counsel Inc.	Investment manager	Long	87,847,252	5.49%

Note: “Long” refers to the long position in the shares of the Company held by such person/entity, while “Short” refers to short position in the shares of the Company held by such person/entity.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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Save as disclosed herein, the Company has not been notified of any other person (other than directors or chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30th September 2007.

Share Option Scheme

The Company's share option scheme was adopted pursuant to a resolution passed on 28th August, 2002 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the directors of the Company may grant options to eligible employees including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

During the period, no share options under the Share Option Scheme were granted to its employees.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Particulars of the Share Option Scheme are set out in note 18 to the condensed financial statements. The following table disclose movements in the Company's share options during the period:

Category of grantee	Date of grant	Exercise price HK\$	Number of options			Exercise period
			Outstanding at 1.4.2007	Exercised during the year	Outstanding at 30.09.2007	
<i>Senior management</i>						
Denny Chi Hing Chan	21.10.2004	2.075	1,000,000	(600,000)	400,000	01.01.2006 – 31.12.2010
			1,600,000	–	1,600,000	01.01.2007 – 31.12.2010
			1,800,000	–	1,800,000	01.01.2008 – 31.12.2010
			2,000,000	–	2,000,000	01.01.2009 – 31.12.2010
			<u>6,400,000</u>	<u>(600,000)</u>	<u>5,800,000</u>	
Bill Kwai Pui Mok	21.10.2004	2.075	1,200,000	–	1,200,000	01.04.2005 – 31.12.2010
			1,400,000	–	1,400,000	01.01.2006 – 31.12.2010
			1,600,000	–	1,600,000	01.01.2007 – 31.12.2010
			1,800,000	–	1,800,000	01.01.2008 – 31.12.2010
			2,000,000	–	2,000,000	01.01.2009 – 31.12.2010
<u>8,000,000</u>	<u>–</u>	<u>8,000,000</u>				
<i>Other employees in aggregate</i>	21.10.2004	2.075	250,000	–	250,000	01.01.2004 – 31.12.2010
			875,000	(300,000)	575,000	01.01.2006 – 31.12.2010
			2,075,000	(400,000)	1,675,000	01.01.2007 – 31.12.2010
			3,225,000	–	3,225,000	01.01.2008 – 31.12.2010
			3,675,000	–	3,675,000	01.01.2009 – 31.12.2010
<u>10,100,000</u>	<u>(700,000)</u>	<u>9,400,000</u>				

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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Category of grantee	Date of grant	Exercise price HK\$	Number of options			Exercise period
			Outstanding at 1.4.2007	Exercised during the year	Outstanding at 30.09.2007	
<i>Other employees in aggregate</i>	25.08.2006	3.29	450,000	–	450,000	01.09.2006 – 31.12.2010
			525,000	–	525,000	01.01.2007 – 31.12.2010
			600,000	–	600,000	01.01.2008 – 31.12.2010
			675,000	–	675,000	01.01.2009 – 31.12.2010
			750,000	–	750,000	01.01.2010 – 31.12.2010
			3,000,000	–	3,000,000	
		Total	<u>27,500,000</u>	<u>(1,300,000)</u>	<u>26,200,000</u>	

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the rules governing the listing of securities (the “Listing Rules”) on the Stock Exchange during the six months ended 30th September 2007, except for the deviations from code provisions A.4.1 and A.4.2 of the Code described below.

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term of office. However, the Non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company’s Articles of Association.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Chairman of the Company, however, does not subject to retirement by rotation. In accordance with the second part of Article 115(B) of the Articles of Association of the Company, a Director appointed as an executive Chairman or as Managing or Joint Managing Director shall not while holding such office be subject to retirement by rotation or taken into account in determining the rotation retirement of Directors.

In order to uphold good corporate governance practices, the Chairman voluntarily retired from his office and offered himself for re-election at the annual general meeting of the Company held on 25th August, 2006 notwithstanding that he is not required to do so by the Company's Article 115(B). As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30th September, 2007 approved by the Directors. The Audit Committee currently comprises three members, all of them are Independent Non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. Jian Yin JIANG and Mr. Peter Man Kong Wong.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30th September, 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 15th January, 2008 to Monday, 21st January, 2008, both days inclusive, during which period no transfers of shares will be effected. To determine entitlement to the interim dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 14th January, 2008.

By order of the Board

DAVID CHIU

Deputy Chairman and Chief Executive Officer

Hong Kong, 14th December, 2007

As at the date of this announcement, the Board of Directors of the Company comprises four executive directors namely Mr. Deacon Te Ken Chiu, Tan Sri Dato' David Chiu, Mr. Craig Grenfell Williams, Mr. Dennis Chiu; two non-executive directors namely Madam Ching Lan Ju Chiu, Mr. Daniel Tat Jung Chiu and three independent non-executive directors namely Mr. Kwok Wai Chan, Mr. Jian Yin Jiang and Mr. Peter Man Kong Wong.

CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 30th September, 2007*

		Six months ended	
	<i>NOTES</i>	30.9.2007	30.9.2006
		(unaudited)	(unaudited and restated)
		HK\$'000	<i>HK\$'000</i>
Revenue	4	692,759	483,097
Cost of sales		(309,178)	(268,841)
Gross profit		383,581	214,256
Other income		11,396	26,423
Administrative expenses		(127,468)	(77,308)
Increase in fair value of financial assets at fair value through profit or loss		4,146	5,978
(Increase) decrease in fair value of financial liabilities at fair value through profit or loss		(67,754)	52,809
Increase (decrease) in fair value of derivative financial instruments		221	(56,857)
Increase in fair value of investments held for trading		35,480	–
Discount on acquisition		14,906	–
Profit on disposal of available-for-sale investments		40,998	36,661
Increase in fair value of investment properties		4,440	–
Share of results of associates		7,934	9,217
Share of results of jointly controlled entities		6,285	(1,789)
Finance costs		(61,137)	(31,385)
Profit before taxation	5	253,028	178,005
Taxation	6	(37,524)	(27,054)
Profit for the period		215,504	150,951
Attributable to:			
Equity holders of the Company		215,929	152,878
Minority interests		(425)	(1,927)
		215,504	150,951
Dividends paid	7	126,496	–
Earnings per share	8		
Basic		14.3 cents	10.6 cents
Diluted		16.4 cents	6.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2007

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	<i>NOTES</i>	30.9.2007 (unaudited) <i>HK\$'000</i>	31.3.2007 (audited) <i>HK\$'000</i>
Non-current assets			
Investment properties	9	1,382,302	1,371,722
Property, plant and equipment	9	2,124,674	2,040,663
Prepaid lease payments	9	816,085	680,236
Interests in associates		164,642	165,094
Interests in jointly controlled entities		80,131	73,846
Available-for-sale investments	10	124,718	245,289
Financial assets at fair value through profit or loss	11	645,636	673,188
Deposit for acquisition property		448,006	12,146
Amounts due from associates		79,460	78,542
Amount due from an investee company		119,995	119,995
Amount due from a minority shareholder		563	563
Loans receivable		3,334	7,480
Pledged bank deposits		–	3,165
		5,989,546	5,471,929
Current assets			
Inventories		1,472	1,269
Completed properties for sale		584,211	710,922
Properties under development for sale		1,687,029	1,428,063
Investments held for trading		95,019	50,764
Available-for-sale investments	10	144,942	171,615
Financial assets at fair value through profit or loss	11	106,770	180,825
Derivative financial instruments	12	–	2,411
Loans receivable		844	1,022
Debtors, deposits and prepayments	13	158,005	138,266
Prepaid lease payments	9	12,262	11,904
Amounts due from jointly controlled entities		13,077	12,270
Amounts due from associates		1,343	2,331
Taxation recoverable		28,340	11,194
Pledged bank deposits		62,191	98,656
Deposits with investment banks		208,554	154,891
Bank balances and cash		334,511	264,024
		3,438,570	3,240,427

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2007

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	<i>NOTES</i>	30.9.2007 (unaudited) HK\$'000	31.3.2007 (audited) HK\$'000
Current liabilities			
Creditors and accruals	14	295,774	401,153
Customers' deposits received		622,206	171,785
Amounts due to directors		2,539	7,070
Amounts due to related companies		148,015	162,867
Amounts due to associates		12,049	11,885
Amount due to a minority shareholder		29,057	28,763
Financial liabilities at fair value			
through profit or loss	15	491,995	838,336
Derivative financial instruments	12	780	1,925
Taxation payable		166,685	151,730
Obligations under finance leases		816	766
Bank and other borrowings	16	1,434,170	1,233,225
Bank overdrafts, unsecured		186	6,582
		<u>3,204,272</u>	<u>3,016,087</u>
Net current assets		234,298	224,340
		<u>6,223,844</u>	<u>5,696,269</u>
Capital and reserves			
Share capital	17	159,988	146,761
Reserves		4,463,936	3,875,187
Equity attributable to equity holders			
of the Company		4,623,924	4,021,948
Minority interests		27,591	26,148
Total equity		<u>4,651,515</u>	<u>4,048,096</u>
Non-current liabilities			
Amounts due to a minority shareholder		29,301	43,079
Amount due to a jointly controlled entity		12,552	12,552
Deferred taxation		198,295	188,206
Obligations under finance leases		934	1,070
Bank and other borrowings	16	1,331,247	1,403,266
		<u>1,572,329</u>	<u>1,648,173</u>
		<u>6,223,844</u>	<u>5,696,269</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2007

	Attributable to equity holders of the Company												
	Share capital	Share premium	Share options reserve	Capital redemption reserve	Other reserve	Assets revaluation reserve	Special reserve	Exchange reserve	Investment revaluation reserve	Retained profits	Total	Minority interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1st April, 2006	144,108	1,431,501	-	253	169,352	7,228	869,357	(124,230)	82,834	964,130	3,544,533	27,250	3,571,783
Revaluation increase	-	-	-	-	-	-	-	-	25,075	-	25,075	-	25,075
Exchange difference on translation of overseas operations	-	-	-	-	-	-	-	10,809	-	-	10,809	(372)	10,437
Net income (expense) recognised directly in equity	-	-	-	-	-	-	-	10,809	25,075	-	35,884	(372)	35,512
Profit for the period	-	-	-	-	-	-	-	-	-	152,878	152,878	(1,927)	150,951
Total recognised income and expense for the period	-	-	-	-	-	-	-	10,809	25,075	152,878	188,762	(2,299)	186,463
Recognition of equity-settled share based payments	-	-	639	-	-	-	-	-	-	-	639	-	639
Shares issued upon exercise of share options	113	2,232	-	-	-	-	-	-	-	-	2,345	-	2,345
Share issue expenses	-	(30)	-	-	-	-	-	-	-	-	(30)	-	(30)
At 30th September, 2006	144,221	1,433,703	639	253	169,352	7,228	869,357	(113,421)	107,909	1,117,008	3,736,249	24,951	3,761,200
At 1st April, 2007	146,761	1,509,561	253	7,228	869,357	169,352	(40,159)	(225)	1,464	1,358,356	4,021,948	26,148	4,048,096
Revaluation increase	-	-	-	-	-	-	-	5,809	-	-	5,809	-	5,809
Exchange difference on translation of foreign operations	-	-	-	-	-	-	36,736	-	-	-	36,736	1,868	38,604
Net income recognised directly in equity	-	-	-	-	-	-	36,736	5,809	-	-	42,545	1,868	44,413
Transfer to profit on loss on disposal on available-for-sale investments	-	-	-	-	-	-	-	(7,447)	-	-	(7,447)	-	(7,447)
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	215,929	215,929	(425)	215,504
Total recognised income and expense for the year	-	-	-	-	-	-	36,736	(1,638)	-	215,929	251,027	1,443	252,470
Share issued pursuant to scrip dividend scheme	1,868	58,054	-	-	-	-	-	-	-	-	59,922	-	59,922
Shares issued upon exercise of share options	130	2,812	-	-	-	-	-	-	-	-	2,942	-	2,942
Shares issued upon conversion of convertible bonds	11,229	402,866	-	-	-	-	-	-	-	-	414,095	-	414,095
Recognition of the equity-settled share based payments	-	-	-	-	-	-	-	-	486	-	486	-	486
Dividends paid	-	-	-	-	-	-	-	-	-	(126,496)	(126,496)	-	(126,496)
At 30th September, 2007	159,988	1,973,293	253	7,228	869,357	169,352	(3,423)	(1,863)	1,950	1,447,789	4,623,924	27,591	4,651,515

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2007

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	Six months ended	
	30.9.2007	30.9.2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	556,582	268,535
Net cash used in investing activities		
Purchase of property, plant and equipment	(31,274)	(45,227)
Purchase of business, net of bank and cash acquired	(70,099)	–
Deposit for acquisition of the property	(435,860)	–
Proceeds from disposal of property, plant and equipment	178	–
Purchase of available-for-sale investments	(957,035)	(177,422)
Purchase of financial assets of fair value through profit or loss	–	(37,232)
Purchase of derivative financial instruments	–	(16,488)
Proceeds from disposal of available-for-sale investments	1,143,639	256,003
Proceeds from disposal of financial assets of fair value through profit or loss	–	27,039
Proceeds from disposal of derivative financial instruments	–	22,594
Increase in prepaid lease payments	(130,405)	(141,938)
Advance of loans receivable	–	(37,419)
Increase in pledged bank deposits	39,630	44,810
Dividend received from an associate	8,386	2,018
Dividend received from listed investments	2,311	3,078
Interest received	4,393	18,242
	(426,136)	(81,942)
Net cash (used in) from financing activities		
Proceeds from issue of shares, net of issue expenses	2,942	2,315
New bank and other borrowings raised	5,245,373	382,034
Repayment of bank and other borrowings	(5,152,960)	(505,738)
Inception of obligations under finance leases	(339)	1,235
Repaid to a director	(4,531)	(445)
Amount repaid to a minority shareholder	(13,778)	1,762
Dividends paid	(66,574)	–
Interest paid	(76,351)	(31,385)
	(66,218)	(150,222)
Net increase (decrease) in cash and cash equivalents	64,228	36,371
Cash and cash equivalents at beginning of the period	412,333	145,296
Effect of foreign exchange rate changes	66,318	44,535
Cash and cash equivalents at end of the period	542,879	226,202
Analysis of the balances of cash and cash equivalents		
Deposits with investment banks	208,554	31,120
Bank balances and cash	334,511	195,288
Bank overdrafts	(186)	(206)
	542,879	226,202

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

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1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are either effective for accounting periods beginning on 1st April, 2007. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing cost ¹
HKFRS 8	Operating Segments ²

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st January, 2009

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

4. REVENUE AND SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating divisions – property development and investment, hotel operations and treasury management. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2007 (unaudited) <i>HK\$'000</i>	30.9.2006 (unaudited) <i>HK\$'000</i>	30.9.2007 (unaudited) <i>HK\$'000</i>	30.9.2006 (unaudited) <i>HK\$'000</i>
By principal activity:				
Property development and investment	348,345	280,494	96,101	59,676
Hotel properties	265,024	137,967	117,283	60,178
Hotel loan financing income	–	34,563	–	35,609
Treasury management	79,104	23,989	163,028	1,539
Other operations	286	6,084	(8,712)	(7,849)
	<u>692,759</u>	<u>483,097</u>	<u>367,700</u>	<u>149,153</u>
(Increase) decrease in fair value of financial liabilities at fair value through profit or loss			(67,754)	52,809
Share of results of associates			7,934	9,217
Share of results of jointly controlled entities			6,285	(1,789)
Finance costs			(61,137)	(31,385)
Profit before taxation			<u>253,028</u>	<u>178,005</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

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5. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2007 (unaudited) <i>HK\$'000</i>	30.9.2006 (unaudited) <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Amortisation of investment in a jointly controlled entity	1,452	1,452
Amortisation of prepaid lease payments	5,162	2,675
Allowance for bad and doubtful debts	3,071	–
Allowance for loans receivable	3,900	–
Cost of completed properties for sale recognised as an expense	256,039	203,812
Depreciation	27,625	14,562
Directors' remuneration and other staff costs	85,795	49,130
Share of taxation of associates (included in share of results of associates)	427	–
and after crediting:		
Share of taxation of associates (included in share of results of associates)	–	5,304
Dividend income from listed investments	2,311	3,078
Bank interest income	4,393	18,242
Rental income, net of outgoings of HK\$4,070,000 (2006: HK\$3,774,000)	28,844	21,105
Net foreign exchange gain	3,910	1,248
	3,910	1,248

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

6. TAXATION

	Six months ended	
	30.9.2007	30.9.2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The tax charge comprises:		
Current period:		
Hong Kong	21,977	9,075
Other regions in the People's Republic of China ("PRC")	1,318	3,843
Other jurisdictions	212	16
	23,507	12,934
Prior periods:		
Hong Kong	5,319	6,275
Other regions in the PRC	(2,743)	–
Other jurisdictions	1,352	(454)
	27,435	18,755
Deferred taxation	10,089	8,299
	37,524	27,054

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30th September, 2007 and 2006.

Taxation arising in other regions in the PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

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7. DIVIDENDS

	Six months ended	
	30.9.2007	30.9.2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Final dividend paid in respect of 2007 - HK8 cents (2006: HK6 cents) per share:		
Cash	66,574	–
Share alternative under scrip dividend scheme	59,922	–
	126,496	–

The directors recommend the payment of interim dividend of HK5 cents per share for the six months ended 30th September, 2007 (six months ended 30.9.2006: HK4 cents per share), amounting to approximately HK\$80,000,000 (six months ended 30.9.2006: HK\$58,000,000).

8. EARNINGS PER SHARE

The calculation of the basis and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended	
	30.9.2007	30.9.2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share	215,929	152,878
Effect of increase (decrease) in fair value of financial liabilities at fair value through profit or loss	67,754	(52,809)
Earnings for the purpose of diluted earnings per share	283,683	100,069

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

	30.9.2007	30.9.2006
	Number	Number
	of shares	of shares
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,505,868	1,441,917
Effect of dilutive potential ordinary shares		
– convertible bonds	212,364	121,987
– share options	9,228	10,456
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,727,460</u>	<u>1,574,360</u>

9. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the period ended 30th September, 2007, the Group acquired medium-term leasehold lands in Hong Kong (i.e. prepaid lease payments) at cost amounting to approximately HK\$130,405,000.

Certain of the Group's investment properties with aggregate carrying amount of approximately HK\$950,938,000 were fair-valued at 30th September, 2007 by DTZ Debenham Tie Leung Limited, independent professional valuers, indicating no significant fair value change from the aggregate carrying amount at 31st March, 2006. Additionally, the directors consider that the fair values of the Group's remaining investment properties at 30th September, 2007 do not differ significantly from their carrying amounts at 31st March, 2007.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

10. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 30th September, 2007 and 31st March, 2007 comprise:

	30.9.2007 (unaudited) HK\$'000	31.3.2007 (audited) HK\$'000
Listed equity securities:		
Hong Kong	93,009	91,834
Overseas	65,579	98,863
	158,588	190,697
Unlisted investments:		
Equity securities	–	26
Debt securities with fixed interest rates	5,434	70,166
Quoted fund	105,638	156,015
	111,072	226,207
	269,660	416,904
Analysed for reporting purposes as:		
Current assets	124,718	245,289
Non-current assets	144,942	171,615
	269,660	416,904

All available-for-sale investments are stated at fair value, except that the unlisted equity securities are measured at cost as the directors are of the opinion that their fair values cannot be measured reliably.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended 30th September, 2007***11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The amount represents unlisted equity-linked notes held by the Group measured at fair value as at 30th September, 2007 and 31st March, 2007.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The amount represents call/put options on overseas listed equity securities held by the Group measured at fair value at 30th September, 2007 and 31st March, 2007.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

The debtors, deposits and prepayments include trade debtors of approximately HK\$46,246,000 (31.3.2007: HK\$56,191,000). The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade debtors at the balance sheet dates:

	30.9.2007 (unaudited) HK\$'000	31.3.2007 (audited) HK\$'000
0 – 60 days	34,881	48,081
61 – 90 days	2,564	2,062
Over 90 days	11,757	6,048
	49,202	56,191

Included in debtors, deposits and prepayments is an amount due from a minority shareholder of HK\$829,000 (31.3.2007: HK\$681,000) which is unsecured, interest free and repayable on demand.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

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14. CREDITORS AND ACCRUALS

The creditors and accruals included trade creditors of approximately HK\$191,766,000 (31.3.2007: HK\$292,260,000).

The following is an aged analysis of trade creditors at the balance sheet dates:

	30.9.2007	31.3.2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 60 days	29,702	123,890
61 – 90 days	3,210	5,959
Over 90 days	158,854	162,411
	191,766	292,260

15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represents two convertible bonds denominated in United States dollars and Hong Kong dollars respectively as at 30th September, 2007 and 31st March, 2007.

Convertible bonds denominated in United States dollars

In April 2004, the Company issued zero coupon convertible bonds with a principal amount of US\$66,989,000 (the “US\$ Bonds”). The holders of the US\$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$2.25 (subsequently adjusted to HK\$2.09) per share during the period from 13th May, 2004 to 14th March, 2009, or to require the Company to redeem all or some of the US\$ Bonds on 13th April, 2006 at 102.01% of their principal amount. The Company may redeem all but not some of the US\$ Bonds, on or at any time after 13th April, 2006 and prior to 13th April, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the US\$ Bonds will be redeemed at 105.10% of their principal amount on 13th April, 2009. The US\$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company’s circular dated 6th April, 2004.

During the period, none convertible bonds were converted into ordinary shares of the Company.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

Convertible bonds denominated in Hong Kong dollars

In December 2004, the Company issued zero coupon convertible bonds with a principal amount of HK\$754,000,000 (the "HK\$ Bonds"). The holders of the HK\$ Bonds are entitled to convert the convertible bonds into ordinary shares of the Company at an initial conversion price of HK\$4.10 (subsequently adjusted to HK\$3.00) per share, during the period from 11th January, 2005 to 10th November, 2009, or to require the Company to redeem all or some of the HK\$ Bonds on 10th December, 2006 at 104.58% of their principal amount. The Company may redeem all but not some of the HK\$ Bonds on or at any time after 10th June, 2005 and prior to 10th December, 2009, subject to certain conditions. Unless previously redeemed, converted or purchased and cancelled, the HK\$ Bonds will be redeemed at 111.84% of their principal amount on 10th December, 2009. The HK\$ Bonds are listed on the Stock Exchange. Details of the issue of the Bonds were disclosed in the Company's circular dated 9th December, 2004.

During the period, a total principle amount of HK\$344,720,000 of the HK\$ Bonds were converted into 112,286,644 ordinary shares of the Company.

16. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank loans of approximately HK\$5,245,373,000. The Group also repaid bank loans of approximately HK\$5,152,960,000 during the period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

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17. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$ '000</i>
Ordinary shares of HK\$0.1 each:		
Authorised:		
At 1st April, 2007 and 30th September, 2007	2,000,000,000	200,000
Issued and fully paid:		
At 1st April, 2007	1,467,608,319	146,761
Issued pursuant to scrip dividend schemes	18,677,554	1,868
Issued upon conversion of convertible bonds	112,286,644	11,229
Issued upon exercise of share options	1,300,000	130
At 30th September, 2007	1,599,872,517	159,988

Changes in the issued share capital of the Company during the period are as follows:

- (a) During the period, the Company issued and allotted a total of 18,677,554 shares of HK\$0.1 each in the Company at HK\$3.22 per share to the shareholders who elected to receive shares in the Company pursuant to the scrip dividend scheme for payment of final dividend in respect of 2007.
- (b) During the period, the Company issued and allotted a total of 112,286,644 shares of HK\$0.1 each in the Company upon the conversion of convertible bonds.
- (c) During the period, 1,300,000 shares of HK\$0.1 each in the Company were issued upon the exercise of share options at a subscription price of HK\$2.075 per share.

All the shares issued during the Relevant Period rank pari passu in all respects with the existing shares.

During the Relevant Period, neither of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

18. SHARE OPTIONS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	27,500,000
Exercised during the period	(1,300,000)
	<hr/>
Outstanding at the end of the period	<u>26,200,000</u>

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$3.62.

In the current period, share options were granted on 25th August 2006. Options can only be exercised upon completion of the requisite service period. The estimated fair value of the options determined at the date of grant using the Binomial model was approximately HK\$2,961,000. The Group recognised the total expense of approximately HK\$486,000 for the period ended 30th September, 2007 in relation to share options granted by the Company.

The following assumptions were used to calculate the fair value of share options:

Exercise price	HK\$3.290
Expected life of options	2.7 years to 4.1 years
Expected volatility	45%
Expected dividend yield	3.9%
Risk free rate	4.079%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

19. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged the following assets:

- (a) The Group's properties, bank deposits and investments held for trading with an aggregate carrying amount of approximately HK\$4,561,275,000 (31.3.2007: HK\$4,205,899,000), HK\$62,191,000 (31.3.2007: HK\$101,821,000) and HK\$748,000 (31.3.2007: HK\$731,000), respectively, together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and properties of associates and third parties were pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK\$4,450,828,000 (31.3.2007: HK\$3,854,548,000) and nil (31.3.2007: nil), respectively.

The Group's bank deposits of approximately nil (31.3.2007: HK\$3,165,000) were pledged to a Group's banker to secure a guarantee given by the banker in favour of a subsidiary of the Company.

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments of approximately HK\$355,478,000 (31.3.2007: HK\$365,640,000) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$1,028,304,000 (31.3.2007: HK\$1,011,087,000), of which HK\$413,049,000 (31.3.2007: HK\$83,621,000) were utilised.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated its amount due from an investee company of approximately HK\$119,995,000 (31.3.2007: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2007

20. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the balance sheet date:

- (a) The Group has given guarantees in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 30th September, 2007, the Group had given guarantees to certain banks in respect of total amount of mortgage loans outstanding amounting to approximately HK\$206,654,000 (31.3.2007: HK\$11,885,000).
- (b) In previous periods, a subsidiary of the Company (the “Subsidiary”) was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleged that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claimed for compensation of damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also alleged that the Subsidiary owed them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses relating to the contract of employment as directors of the Subsidiary amounting to approximately HK\$5,865,000. A motion of dismissing the claim was filed to the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on independent legal advice obtained, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.
- (c) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han [2004] No.938 on 2nd August, 2004 to strengthen levy of land appreciation tax on property developers. In the opinion of the directors, after consulting its legal adviser and the tax bureau of the relevant city, land appreciation tax will not be levied in respect of properties already completed and, full provision for land appreciation tax has not been made in the financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that the chance that full land appreciation tax might be levied is less than probable in accordance with the rule of State Administration of Taxation. Should such levies take place, land appreciation tax would be approximately HK\$74 million (31.3.2007: HK\$67 million).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended 30th September, 2007***21. CAPITAL COMMITMENTS**

	30.9.2007 (unaudited) HK\$'000	31.3.2007 (audited) HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development	1,571,750	1,136,198
Others	889	4,329
	<u>1,572,639</u>	<u>1,140,527</u>
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties under development	–	426,090
Hotel properties	11,400	11,315
	<u>11,400</u>	<u>437,405</u>
	<u>1,584,039</u>	<u>1,577,932</u>