



金朝陽集團有限公司 SOUNDWILL HOLDINGS LIMITED

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with limited liability)
(股份代號 Stock Code : 878)

2008
Interim Report 中期報告



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CORPORATE INFORMATION

Directors

Executive Directors:

FOO Kam Chu, Grace, *Chairman*

CHAN Wai Ling

TSE Chun Kong, Thomas

KWAN Chai Ming

Non-Executive Directors:

LIANG Yanfeng, *Non-Executive Vice
Chairman*

MENG Qinghui

Independent Non-Executive Directors:

HENG Kwo Seng (*retired
on 23 May 2008*)

TSIM Tak Po (*appointed on
15 August 2008*)

KWAN Kai Cheong

HO Suk Yin

Company Secretary

KWAN Chai Ming

Qualified Accountant

LAU Chan Wing, Raymond

Auditors

Grant Thornton

Certified Public Accountants

Legal Advisors

Lo, Wong & Tsui

Conyers Dill & Pearman

Website

www.soundwill.com.hk

Head Office and Principal Place of Business

21/F, Soundwill Plaza

38 Russell Street

Causeway Bay

Hong Kong

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Banks

The Hongkong and Shanghai Banking
Corporation Limited

Hang Seng Bank Limited

DBS Bank (Hong Kong) Limited

Industrial and Commercial Bank
of China (Asia) Limited

Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda)
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited

26/F Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

The Board of directors (the “Directors”) submit herewith the Interim Report and Condensed Financial Statements of Soundwill Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30 June 2008. The consolidated income statement and consolidated cash flow statement for the six months ended 30 June 2008 and the consolidated balance sheet as at 30 June 2008 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 16 to 40 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Hong Kong continued to develop steadily in the first half of 2008 with the increasing number of tourists coming from Mainland China. Latest figures released by Hong Kong Tourism Board revealed that the cumulative number of visitors as of July 2008 recorded a 9.1% growth as compared to the same period last year. Together with the robust retail market boosted by the public’s propensity to consume, the total retail sales volume of the first seven months rose by 15.6%. The occupancy rate and rental rate increment of Soundwill Plaza, the Group’s flagship property, have also been benefited from these healthy economic factors. The Group also performed satisfactorily in other property rentals and assembling during the first half of the year.

Property Assembling

The Group continued to expand its property assembling business during the period. In May 2008, the Group has entered into an agreement for the sale and purchase of the properties in Jones Street and Warren Street, Tai Hang, Causeway Bay which will be completed in or before 2009. The Group also entered into a disposal agreement in June 2008 to dispose of its properties located at Nos. 11-15A Lin Fa Kung Street East and shops of Jolly House, No. 16 Lin Fa Kung Street West, Tai Hang. This transaction was completed in September this year and the gain will be booked in the second half of 2008.

Property Development

The Group successfully integrated the property ownership of Hang Tang House at Nos. 7-19 Tang Lung Street, Causeway Bay in the first half of this year, which bumped up its land reserve for development of the Group.

The Group planned to redevelop Hang Tang House together with its adjacent sites into a Ginza-style commercial building featuring popular restaurants and fashionable labels. This project of approximately 130,000 sq.ft. total gross floor area is expected to be completed in 2010. Situated near Soundwill Plaza, the Group's flagship property, in the core shopping area of Causeway Bay, the project will further strengthen the Group's rental property portfolio and boost financial returns by leveraging on its synergy of tenant mix with Soundwill Plaza.

Property Leasing

Soundwill Plaza, the Group's flagship property situated in a prime location in Causeway Bay, generated an occupancy rate of 99% and a record high rental rate that surpassed all other similar properties in the district. Approximately 20% of the leases were renewed during the first half of 2008 and the total rental income rose by around 30% as compared to the same period last year.

Property Management, E & M and Building Maintenance

The Group initially holds three property management and maintenance subsidiaries that handle property management and facility maintenance services for large-scale commercial buildings, small-to-medium-sized residential properties, estates, and shopping malls. On 1 April 2008, the Group has acquired a property management company named Kong Luen Property Management Limited at a consideration of HK\$4,200,000. These four subsidiaries has generated a total turnover of approximately HK\$9,468,000 (30 June 2007: approximately HK\$8,155,000) during the period under review.

Corporate Citizen

As a responsible corporate citizen, the Group strived to serve the community by actively participating in various community events such as charity sales and helping the victims of the Sichuan earthquake with World Vision. The Group's efforts were further recognized when commended as a "Caring Company" for 2007-2008. The Group strives to promote and support community activities in fulfilling the responsibilities corporate citizen in the future.

Financial Review

For the six months ended 30 June 2008, the Group has recorded a turnover of HK\$113,175,000 (30 June 2007: HK\$97,901,000), representing an increase of 16% as compared with the same period last year. Such increase was mainly due to the continued growth of 24% in the rental income of property leasing business in Hong Kong. However, there was a decrease of 27% in the sales of urban infrastructure business in the PRC which was mainly due to the fact that some major urban infrastructure projects are still under construction and will be completed during the second half of 2008.

Net profit attributable to the equity holders of the Company was HK\$105,827,000 (30 June 2007: HK\$174,153,000), representing a decrease of HK\$68,326,000 or 39% over the same period of last year. This decrease was mainly due to a decrease of HK\$79,702,000 in the gain on fair value adjustment on investment properties (net of deferred tax) as compared with same period last year.

If the gain on fair value adjustment on investment properties (net of deferred tax) were to be excluded, the Group's net profit for the period would be HK\$26,947,000 as compared with the same period of last year of HK\$15,571,000, representing an increase of 73%. This was mainly due to a net gain on disposal of an investment property in Hong Kong for HK\$9,537,000 during the period under review.

The Company's basic earnings per share was HK\$0.47 as compared with the same period of last year of HK\$0.78.

Prospects

The Hong Kong economy has been developing in a steady pace particularly the retail market revived by the robust tourism sector. Despite the economic uncertainties, solid economic fundamentals help secure consuming confidence for the Hong Kong public and in turn benefit the retail and property markets. The Group believes that the local property market will continue to grow progressively this year.

In 2008, the Group expects to assemble a number of redevelopment property sites, which are all located at predominant locations on Hong Kong Island. The Group's strategy on acquisition will remain emphasized on redevelopment projects of high appreciation potential, especially those located on Hong Kong Island.

The number of tourists visiting Hong Kong continues to heighten as benefited from the buoyant development of the mainland economy, boosting the local retail market and in turn stimulating rental demand in traditional retail districts like Causeway Bay. The Group's flagship property, Soundwill Plaza, has also been availed. Sound regular income from a further rise in rental rates brought about by renewal contracts is anticipated.

INTERIM DIVIDEND

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

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2008, the Group's cash and cash equivalents amounted to HK\$32,779,000 (31 December 2007: HK\$81,220,000). The Group's total borrowings as at 30 June 2008 were HK\$2,192,309,000 (31 December 2007: HK\$1,890,639,000).

The Group's gearing ratio, expressed as a percentage of total borrowings over total equity, was 58% as at 30 June 2008 (31 December 2007: 51%). As at 30 June 2008, the Group's net assets amounted to HK\$3,802,230,000 (31 December 2007: HK\$3,677,429,000), representing an increase of HK\$124,801,000. With the total number of ordinary shares in issue of 239,184,135 as at 30 June 2008 (31 December 2007: 223,827,816 shares), the net asset value per share was HK\$15.90 (31 December 2007: HK\$16.43).

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong Dollar and Renminbi in relation to its PRC operations. Given that the continuous appreciation of Renminbi would have positive impact on the Group's assets in the PRC and income generated from the PRC, the Group had not implemented any hedging measures during the period under review.

During the period, the Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposures.

The total interest expenses for the six months ended 30 June 2008 amounted to HK\$32,825,000 (30 June 2007: HK\$38,940,000) representing a decrease of HK\$6,115,000, mainly due to a reduction in bank borrowings rates during the period under review. The average cost of borrowings over the period was 3.16% (30 June 2007: 5.36%) which was expressed as a percentage of total interest expenses over the average total borrowings.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2008.

DISPOSAL OF SIGNIFICANT INVESTMENT HELD

During the six months ended 30 June 2008, as announced on 5 May 2008 and 24 June 2008 respectively, the Group disposed of its properties at (i) Nos. 1-11 Jones Street and Nos. 3-11 Warren Street at the aggregate consideration of HK\$470,000,000; and (ii) Shops 1, 2, 3, 5, 6, 7, 8 and 9 on the Ground Floor of Jolly House, No. 16 Lin Fa Kung Street West and Nos. 11-15A Lin Fa Kung Street East at the aggregate consideration of HK\$115,000,000. The transactions are expected to bring along a total net gain of approximately HK\$267,100,000. Save as above, there is no other material change in the significant investments and properties held by the Group.

EMPLOYEES

There was no material change regarding the number and remuneration of the employees of the Group since the publication of the Company's 2007 annual report.

PLEDGE OF ASSETS

As at 30 June 2008, investment properties and properties held for sale of the Group with a total carrying value of approximately HK\$6,163,920,000 in total (31 December 2007: approximately HK\$5,725,517,000) were pledged to secure banking facilities for the Group.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) Directors' interests in the Company

As at 30 June 2008, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required to be (i) notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in shares:

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Foo Kam Chu, Grace	Interest of controlled corporation	170,940,028 (Note)	71.47
	Beneficial owner	96,000	0.04
Tse Chun Kong, Thomas	Interest of Spouse	6,000	0.00
	Beneficial owner	723	0.00
Kwan Chai Ming	Beneficial owner	30,000	0.01

Note: The 170,940,028 shares are held by Ko Bee Limited, the entire issued share capital of which is held by Madam Foo Kam Chu, Grace.

(ii) Long positions in underlying shares of equity derivatives of the Company – interests in share options of the Company (being granted and remained outstanding):

Name	Capacity	Number of		Price of Grant (HK\$)	Subscription Price per Share (HK\$)
		Shares in the Option	Exercisable Period		
Foo Kam Chu, Grace	Beneficial owner	600,000	18/1/2008 to 21/7/2012	1.00	6.17
Chan Wai Ling	Beneficial owner	2,000,000	18/1/2008 to 21/7/2012	1.00	6.17
Tse Chun Kong, Thomas	Beneficial owner	60,000	8/1/2004 to 7/1/2009	1.00	1.50
		90,000	6/1/2005 to 5/1/2010	1.00	1.47
		90,000	4/1/2006 to 3/1/2011	1.00	2.38
		90,000	20/5/2007 to 19/5/2012	1.00	2.52
		90,000	18/1/2008 to 21/7/2012	1.00	6.17
Kwan Chai Ming	Beneficial owner	150,000	18/1/2008 to 21/7/2012	1.00	6.17
Meng Qinghui	Beneficial owner	60,000	8/1/2004 to 7/1/2009	1.00	1.50
		90,000	6/1/2005 to 5/1/2010	1.00	1.47
		90,000	4/1/2006 to 3/1/2011	1.00	2.38
		90,000	20/5/2007 to 19/5/2012	1.00	2.52
		90,000	18/1/2008 to 21/7/2012	1.00	6.17
Liang Yanfeng	Beneficial owner	90,000	20/5/2007 to 19/5/2012	1.00	2.52
		90,000	18/1/2008 to 21/7/2012	1.00	6.17

(b) Director's interests in Associated Corporation

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu, Grace	Ko Bee Limited	Beneficial owner	1 ordinary share	100

Save as disclosed above, as at 30 June 2008, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has a share option scheme adopted on 22 July 2002, details of which are as follows:

Name of grantee	Date of grant	Closing price immediately preceding the date of grant (HK\$)	Exercise price (HK\$)	Weighted average closing price of shares immediately before exercise date (HK\$)	Exercisable period	Number of Options			As at 30 June 2008
						As at 1 January 2008	Granted during the 6 months period ended 30 June 2008	Exercised during the 6 months period ended 30 June 2008	
Directors									
Foo Kam Chu, Grace	6/7/2004	1.45	1.47	5.2	6/1/2005 to 5/1/2010	200,000	–	200,000	–
	4/7/2005	2.35	2.38	5.2	4/1/2006 to 3/1/2011	200,000	–	200,000	–
	21/11/2006	2.53	2.52	5.2	20/5/2007 to 19/5/2012	200,000	–	200,000	–
	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	600,000	–	–	600,000
Chan Wai Ling	10/7/2003	1.50	1.50	5.2	8/1/2004 to 7/1/2009	60,000	–	60,000	–
	6/7/2004	1.45	1.47	5.2	6/1/2005 to 5/1/2010	90,000	–	90,000	–
	4/7/2005	2.35	2.38	5.2	4/1/2006 to 3/1/2011	90,000	–	90,000	–
	21/11/2006	2.53	2.52	5.2	20/5/2007 to 19/5/2012	90,000	–	90,000	–
	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	2,000,000	–	–	2,000,000
Tse Chun Kong, Thomas	14/7/2003	1.50	1.50	N/A	8/1/2004 to 7/1/2009	60,000	–	–	60,000
	6/7/2004	1.45	1.47	N/A	6/1/2005 to 5/1/2010	90,000	–	–	90,000
	4/7/2005	2.35	2.38	N/A	4/1/2006 to 3/1/2011	90,000	–	–	90,000
	21/11/2006	2.53	2.52	N/A	20/5/2007 to 19/5/2012	90,000	–	–	90,000
	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	90,000	–	–	90,000

Name of grantee	Date of grant	Closing price immediately preceding the date of grant (HK\$)	Exercise price (HK\$)	Weighted average closing price of shares immediately before exercise date (HK\$)	Exercisable period	Number of Options			As at 30 June 2008
						As at 1 January 2008	Granted during the 6 months period ended 30 June 2008	Exercised during the 6 months period ended 30 June 2008	
Kwan Chai Ming	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	150,000	–	–	150,000
Meng Qinghui	16/7/2003	1.50	1.50	N/A	8/1/2004 to 7/1/2009	60,000	–	–	60,000
	6/7/2004	1.45	1.47	N/A	6/1/2005 to 5/1/2010	90,000	–	–	90,000
	4/7/2005	2.35	2.38	N/A	4/1/2006 to 3/1/2011	90,000	–	–	90,000
	19/12/2006	2.69	2.52	N/A	20/5/2007 to 19/5/2012	90,000	–	–	90,000
	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	90,000	–	–	90,000
Liang Yanfeng	8/1/2007	2.60	2.52	N/A	20/5/2007 to 19/5/2012	90,000	–	–	90,000
	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	90,000	–	–	90,000
Other employees	6/7/2004	1.45	1.47	5.2	6/1/2005 to 5/1/2010	90,000	–	90,000	–
	4/7/2005	2.35	2.38	5.2	4/1/2006 to 3/1/2011	90,000	–	90,000	–
	21/11/2006	2.53	2.52	5.2	20/5/2007 to 19/5/2012	90,000	–	90,000	–
	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	2,750,000	–	–	2,750,000
						7,720,000	–	1,200,000	6,520,000

The fair value of the options determined at the date of grant using the Black-Scholes option pricing model (the “Model”) was HK\$2.32 per share.

The Company has used the Model to value the share option granted. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above and note 15 to the interim financial statements, at no time during the six months ended 30 June 2008, were rights to subscribe for equity or debt securities of the Company granted to any Director or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the persons other than a Director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long positions in shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	170,940,028	71.47

Save as disclosed above, as at 30 June 2008, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CONTINGENT LIABILITIES

During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at period end date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and interim financial statements of the Group amounted to HK\$2,038,000 (31 December 2007: HK\$4,998,000).

POST BALANCE SHEET EVENT

As announced on 24 June 2008, the Group has entered into a sales and purchase agreement to dispose of its properties at Shops 1, 2, 3, 5, 6, 7, 8 and 9 on the Ground Floor of Jolly House, No. 16 Lin Fa Kung Street West and Nos. 11-15A Lin Fa Kung Street East at the aggregate consideration of HK\$115,000,000. The transaction was duly completed on 3 September 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Heng Kwoo Seng, independent non-executive director of the Company, chairman of the audit committee and a member of the remuneration committee (the "offices") retired on the annual general meeting convened on 23 May 2008. The casual vacancy was filled by the appointment of Mr. Tsim Tak Po to the same offices on 15 August 2008 subject to the bye-laws of the Company.

AUDIT COMMITTEE

The Audit Committee comprising three independent non-executive directors has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2008.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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 Listing Rules during the six months ended 30 June 2008 except that:

(1) Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman and chief executive officer are not separated and performed by two different individuals. Madam Foo Kam Chu, Grace is the founder and Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive directors, the management and various department heads.

(2) Code Provision A.4.1

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term.

The non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted a code of conduct regarding directors' securities dealing transactions on term no less than the required standard set out in the Model Code (Appendix 10 of the Listing Rules).

Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code during the period under review.

Appreciation

As a final note, I wish to take this opportunity to thank the Directors and staff for their contributions and good performance during the period.

By order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 18 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover		113,175	97,901
Cost of sales		(7,588)	(11,195)
Gross profit		105,587	86,706
Other income	4	1,446	1,275
Administrative expenses		(37,292)	(27,911)
Other operating expenses		(5,713)	(2,612)
Loss on disposal of a subsidiary		—	(72)
Gain on fair value adjustment on investment properties		96,130	192,220
Write-down of properties held for sale to net realisable value		(5,147)	—
Gain on disposal of an investment property		9,537	—
Profit from operations	5	164,548	249,606
Finance costs	6	(32,825)	(38,940)
Share of profits less losses of associates		—	(15)
Share of profits less losses of a jointly-controlled entity		(9)	(8)
Profit before income tax		131,714	210,643
Income tax expense	7	(26,163)	(36,697)
Profit for the period		105,551	173,946
Attributable to:			
— Equity holders of the Company		105,827	174,153
— Minority interests		(276)	(207)
Profit for the period		105,551	173,946
Earnings per share for profit attributable to the equity holders of the Company			
— Basic	8	HK\$0.47	HK\$0.78
— Diluted	8	HK\$0.47	HK\$0.73

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	5,576,251	5,380,282
Operating lease prepayment		12,194	11,537
Property, plant and equipment		36,892	31,805
Properties held for development		50,557	51,147
Interests in associates		100	100
Interests in a jointly-controlled entity		24,464	23,909
Available-for-sale financial assets		11	11
Intangible assets		14,528	14,083
Goodwill	10	4,271	—
		5,719,268	5,512,874
Current assets			
Inventories		40,124	24,470
Properties held for sale		880,131	637,884
Trade and other receivables	11	117,079	78,130
Deposits paid for acquisition of properties		78,412	66,462
Bank deposit at escrow account		—	15,168
Cash and cash equivalents	12	32,779	66,052
		1,148,525	888,166
Current liabilities			
Trade and other payables	13	102,873	86,660
Current portion of borrowings	14	795,431	506,008
Convertible bond	15	—	23,355
Provision for income tax		16,126	10,092
		914,430	626,115
Net current assets		234,095	262,051
Total assets less current liabilities		5,953,363	5,774,925

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Borrowings	14	1,396,878	1,361,276
Deferred tax liabilities		754,255	736,220
		2,151,133	2,097,496
Net assets		3,802,230	3,677,429
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	16	23,918	22,383
Reserves		3,756,536	3,632,994
		3,780,454	3,655,377
Minority interests		21,776	22,052
Total equity		3,802,230	3,677,429

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2008 (Unaudited)
Equity attributable to the equity holders of the Company

	Share capital	Share premium	Asset revaluation reserve	Other equity reserve	Employee share-based equity reserve	Retained earnings	Exchange reserve	Special reserve	Proposed final dividend	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	22,383	260,409	20,691	94	13,582	3,312,181	8,521	1,848	15,668	22,052	3,677,429
– Surplus on revaluation of leasehold building	–	–	4,778	–	–	–	–	–	–	–	4,778
– Deferred tax liabilities arising from asset revaluation reserve of leasehold building	–	–	(788)	–	–	–	–	–	–	–	(788)
– Equity-settled share-based payment	–	–	–	–	1,246	–	–	–	–	–	1,246
– Exercise of share options	120	3,295	–	–	(905)	–	–	–	–	–	2,510
– Conversion of convertible bond	1,415	22,084	–	(94)	–	–	–	–	–	–	23,405
– Declared final dividend for 2007	–	–	–	–	–	–	–	–	(15,668)	–	(15,668)
– Currency translation difference	–	–	–	–	–	–	3,767	–	–	–	3,767
– Share of loss by minority interests	–	–	–	–	–	–	–	–	–	(276)	(276)
– Profit for the period	–	–	–	–	–	105,827	–	–	–	–	105,827
At 30 June 2008	23,918	285,788	24,681	–	13,923	3,418,008	12,288	1,848	–	21,776	3,802,230

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the period ended 30 June 2007 (Unaudited)
Equity attributable to the equity holders of the Company

	Share capital	Share premium	Asset revaluation reserve	Other equity reserve	Employee share-based equity reserve	Retained earnings	Exchange reserve	Special reserve	Proposed final dividend	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	22,266	256,548	19,101	94	1,705	2,264,521	3,071	1,848	11,139	22,249	2,602,542
– Surplus on revaluation of leasehold building	–	–	1,164	–	–	–	–	–	–	–	1,164
– Deferred tax liabilities arising from asset revaluation reserve of leasehold building	–	–	(204)	–	–	–	–	–	–	–	(204)
– Equity-settled share-based payment	–	–	–	–	914	–	–	–	–	–	914
– Exercise of share options	117	3,861	–	–	(1,107)	–	–	–	–	–	2,871
– Under-provision of final dividend for 2006	–	–	–	–	–	(52)	–	–	52	–	–
– Currency translation difference	–	–	–	–	–	–	2,053	–	–	–	2,053
– Share of loss by minority interests	–	–	–	–	–	–	–	–	–	(207)	(207)
– Profit for the period	–	–	–	–	–	174,153	–	–	–	–	174,153
At 30 June 2007	22,383	260,409	20,061	94	1,512	2,438,622	5,124	1,848	11,191	22,042	2,783,286

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(263,475)	11,664
Net cash outflow from investing activities	(100,170)	(287,656)
Net cash inflow from financing activities	327,535	208,774
Decrease in cash and cash equivalents	(36,110)	(67,218)
Cash and cash equivalents at beginning of period	66,052	88,509
Translation difference	2,837	1,598
Cash and cash equivalents at end of period	32,779	22,889

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. Basis of Preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). These condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2007 (“2007 Annual Report”).

2. Summary of Significant Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for the revaluation of investment properties and leasehold building which are stated at fair value. The accounting policies adopted are consistent with those used in the preparation of the 2007 Annual Report.

From 1 January 2008, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are first effective on 1 January 2008 and relevant to the Group.

The adoption of these new and amended HKFRSs did not result in significant changes to the Group’s accounting policies but gave rise to additional disclosures.

Impact of new and revised HKFRSs that have been issued but are not yet effective in the current interim period

The Group has not early applied the following new and revised HKFRSs relevant to the Group’s interim financial statements that have been issued but not yet effective in these financial statements which are effective for periods beginning on or after 1 January 2009.

2. Summary of Significant Accounting Policies (Continued)

Impact of new and revised HKFRSs that have been issued but are not yet effective in the current interim period (Continued)

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations — Comprehensive Revision on Applying the Acquisition Method ³
HKFRS 8	Operating Segments ¹
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Puttable financial instruments and obligations arising on liquidation ¹
Amendments to HKAS 32	Financial Instruments: Presentation — Puttable financial instruments and obligations arising on liquidation ¹
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement — Puttable financial instruments and obligations arising on liquidation ¹
Amendments to HKFRS 7	Financial Instruments: Disclosures — Puttable financial instruments and obligations arising on liquidation 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 on a Foreign Operation ⁴
Amendments to HK(IFRIC) — Int 2	Members' Shares in Co-operative Entities and Similar Instruments ¹

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 directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

3. Segment Information

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format, with each segment organized and managed separately.

(i) Primary reporting format – business segments

Property assembling business	:	Property assembly and trading
Property development	:	Property development and sale of properties
Property leasing	:	Property rental including signage rental
Building management and other services	:	Provision of property management, repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

3. Segment Information (Continued)

(i) Primary reporting format – business segments (Continued)

The following table represents revenue and results information for the six months ended 30 June 2008 for the Group's business segments:

	Six months ended 30 June 2008 (Unaudited)							Total HK\$'000
	Property assembling business HK\$'000	Property development HK\$'000	Property leasing HK\$'000	Building management and other services HK\$'000	Urban infrastructure HK\$'000	Others HK\$'000	Elimination HK\$'000	
Segment revenue								
External customers	–	–	93,012	9,468	10,687	8	–	113,175
Inter-segments	–	–	3,879	1,532	–	–	(5,411)	–
	–	–	96,891	11,000	10,687	8	(5,411)	113,175
Segment results	(8,932)	(1,493)	91,206	442	(2,923)	1,810	–	80,110
Inter-segments	942	–	(1,992)	201	–	849	–	–
Contribution from operations	(7,990)	(1,493)	89,214	643	(2,923)	2,659	–	80,110
Gain on fair value adjustment on investment properties	–	–	96,130	–	–	–	–	96,130
Write-down of properties held for sale to net realisable value	(5,147)	–	–	–	–	–	–	(5,147)
Gain on disposal of an investment property	–	–	9,537	–	–	–	–	9,537
	(13,137)	(1,493)	194,881	643	(2,923)	2,659	–	180,630
Unallocated income and expenses								(16,082)
Profit from operations								164,548
Finance costs								(32,825)
Share of profits less losses of a jointly-controlled entity								(9)
Profit before income tax								131,714
Income tax expense								(26,163)
Profit for the period								105,551
Attributable to:								
– Equity holders of the Company								105,827
– Minority interests								(276)
Profit for the period								105,551

3. Segment Information (Continued)

(i) Primary reporting format – business segments (Continued)

	Six months ended 30 June 2007 (Unaudited)							Total HK\$'000
	Property assembling business HK\$'000	Property development HK\$'000	Property leasing HK\$'000	Building management and other services HK\$'000	Urban infrastructure HK\$'000	Others HK\$'000	Elimination HK\$'000	
Segment revenue								
External customers	–	–	75,184	8,155	14,558	4	–	97,901
Inter-segments	–	–	2,505	–	–	–	(2,505)	–
	–	–	77,689	8,155	14,558	4	(2,505)	97,901
Segment results								
Inter-segments	–	(445)	69,752	4,311	(2,970)	312	–	70,960
	–	–	(726)	202	–	524	–	–
Contribution from operations								
Gain on fair value adjustment on investment properties	–	(445)	69,026	4,513	(2,970)	836	–	70,960
	–	–	192,220	–	–	–	–	192,220
	–	(445)	261,246	4,513	(2,970)	836	–	263,180
Unallocated income and expenses								(13,502)
Loss on disposal of a subsidiary								(72)
Profit from operations								249,606
Finance costs								(38,940)
Share of profits less losses of associates								(15)
Share of profits less losses of a jointly-controlled entity								(8)
Profit before income tax								210,643
Income tax expense								(36,697)
Profit for the period								173,946
Attributable to:								
– Equity holders of the Company								174,153
– Minority interests								(207)
Profit for the period								173,946

3. Segment Information (Continued)

(ii) Secondary reporting format – geographical segments

The following table shows the distribution of the Group's consolidated revenue by geographical markets:

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Hong Kong	102,488	83,343
Mainland China ("PRC")	10,687	14,558
	113,175	97,901

4. Other Income

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest income	133	521
Miscellaneous income	1,313	754
	1,446	1,275

5. Profit from Operations

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Depreciation	1,227	1,185
Staff cost (including directors' remuneration)	19,242	13,859
Amortisation of operating lease prepayment	7	7
Amortisation of intangible assets	430	395
Impairment loss on goodwill	4,168	—
Amortisation of properties held for development	608	404
Cost of inventories recognised as expenses	5,138	7,822
Provision for obsolete inventories	—	2,189
Provision for impairment of trade receivables	6	18
Operating lease charges in respect of premises	1,202	1,234

6. Finance Costs

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest charges on:		
Bank loans		
— wholly repayable within five years	27,647	21,085
— not wholly repayable within five years	4,818	15,844
Other borrowings wholly repayable within five years	42	1,458
Convertible bond	318	553
	32,825	38,940

7. Income Tax Expense

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong profits tax	8,916	3,056
Deferred tax	17,247	33,641
	26,163	36,697

Hong Kong profits tax is provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit arising or derived from Hong Kong.

The Group's subsidiaries established and operating in the PRC are exempted from PRC enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from PRC enterprise income tax for the following three years under the Income Tax Law of the PRC. Effective from 1 January 2008, the New PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. According to the implementation rules dated 26 December 2007, the foreign-invested enterprises are entitled to tax holidays under the old regime, if the enterprises obtained their business licenses before 16 March 2007. In this connection, the above mentioned tax holiday will continue to be applicable to the Group's PRC subsidiaries.

For the six months ended 30 June 2008, no provision for PRC enterprises income tax has been made as the Group's PRC subsidiaries were either within the tax exemption period or without any assessable profit arising from its operation.

8. Earnings Per Share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to the equity holders of the Company of approximately HK\$105,827,000 (30 June 2007: approximately HK\$174,153,000) and the weighted average of 226,234,666 shares (30 June 2007: 223,018,480 shares) in issue during the six months ended 30 June 2008.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to the equity holders of the Company of HK\$105,827,000 (30 June 2007: HK\$174,706,000) and the weighted average of 226,678,878 shares (30 June 2007: 237,830,550 shares) in issue during the period adjusted for the effect of all dilutive shares.

The adjusted net profit attributable to the equity holders of the Company for the period is HK\$105,827,000 which is the same as the unaudited consolidated profit attributable to the equity holders of the Company as there is no change in income or expenses that would result from the conversion of the dilutive potential ordinary shares.

The weighted average number of shares used in calculation of diluted earnings per share is calculated based on the weighted average of 226,234,666 shares (30 June 2007: 223,018,480 shares) in issue during the period plus the weighted average of 444,212 shares (30 June 2007: 14,812,070 shares) deemed to be issued at no consideration as if all the dilutive potential shares been issued.

9. Investment Properties

Changes to the carrying amounts presented in the consolidated balance sheet can be summarised as follow:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Carrying amount at 1 January	5,380,282	4,249,670
Additions	131,839	75,040
Disposals	(32,000)	(28,448)
Reclassified to properties held for sale	—	(8,800)
Gain on fair value adjustment	96,130	1,092,820
Carrying amount at 30 June/31 December	5,576,251	5,380,282

The investment properties of the Group were revalued at 30 June 2008 by an independent professional valuer, B.I. Appraisals Limited. In determining the fair value, the valuers have used the value on an existing use basis which involves certain estimates, including comparable market transactions, appropriate capitalisation rates and reversionary income potential. Certain investment properties adjacent to each other were revalued on redevelopment basis by adopting the residual site method. The residual site method is determined by deducting from the gross development value of the proposed development the estimated total cost of the development including cost of construction, professional fee, finance cost, associated costs and an allowance for developer's risk and profit. The gain on fair value adjustment has been credited to consolidated income statement for the period.

9. Investment Properties (Continued)

The Group's interest in investment properties are situated in Hong Kong and their carrying amount are analysed as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Held on lease over 50 years	5,570,401	5,342,432
Held on lease from 10 to 50 years	5,850	37,850
	5,576,251	5,380,282

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

10. Goodwill

On 3 April 2008, the Group acquired entire registered capital of 漳州雙第玖玖休閒運動有限公司 (「漳州雙第」) at a consideration of HK\$15,203,000. The acquired business did not contribute any revenue and net profit to the Group for the period from 3 April 2008 to 30 June 2008. If the acquisition had occurred on 1 January 2008, the acquired business would not contribute any revenue and net profit to the Group.

On 1 April 2008, the Group acquired entire issued share capital of Kong Luen Property Management Company Limited ("Kong Luen") at a consideration of HK\$4,200,000. The acquired business contributed revenue of HK\$1,642,000 and net loss of HK\$89,000 to the Group for the period from 1 April 2008 to 30 June 2008. If the acquisition had occurred on 1 January 2008, the acquired business would contribute to the Group's revenue for HK\$3,174,000 and a net loss of HK\$216,000.

10. Goodwill (Continued)

Details of net assets acquired and goodwill are as follows:

	漳洲雙第 HK\$'000	Kong Luen HK\$'000	Total HK\$'000
Total consideration	15,203	4,200	19,403
Fair value of net assets acquired	(10,932)	(32)	(10,964)
	4,271	4,168	8,439
Less: Impairment loss on goodwill	—	(4,168)	(4,168)
Goodwill	4,271	—	4,271

The assets and liabilities arising from the acquisition are as follows:

	漳洲雙第		Kong Luen		Total	
	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000
Operating lease prepayment	664	664	—	—	664	664
Property, plant and equipment	184	184	25	25	209	209
Trade and other receivables	4,730	4,730	1,046	1,046	5,776	5,776
Cash and cash equivalents	5,682	5,682	136	136	5,818	5,818
Trade and other payables	(328)	(328)	(1,136)	(1,136)	(1,464)	(1,464)
Provision for income tax	—	—	(25)	(25)	(25)	(25)
Deferred tax liabilities	—	—	(14)	(14)	(14)	(14)
Net assets acquired	10,932	10,932	32	32	10,964	10,964

11. Trade and Other Receivables

As at balance sheet date, trade receivables included in trade and other receivables were approximately HK\$53,108,000 (31 December 2007: approximately HK\$63,310,000). The credit terms of the Group range from 60 to 90 days. The aging analysis of trade receivables was set out below:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0 – 30 days	23,099	36,324
31 – 90 days	4,567	6,356
91 – 180 days	5,751	5,834
Over 180 days	19,691	14,796
Total trade receivables	53,108	63,310

12. Cash and Cash Equivalents

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Bank and cash balances	32,779	55,998
Short-term bank deposits	—	10,054
	32,779	66,052

The effective interest rate of short-term bank deposit for the period was 0.92% (31 December 2007: ranged from 3.0% to 5.375%) per annum. The deposit has maturity period for 7 days (31 December 2007: ranging from 8 to 14 days) and is eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in bank and cash balances of the Group is HK\$24,336,000 (31 December 2007: HK\$44,840,000) of bank balances denominated in Renminbi placed with banks in the PRC.

13. Trade and Other Payables

As at balance sheet date, trade payables included in trade and other payables were approximately HK\$18,553,000 (31 December 2007: approximately HK\$20,228,000). The aging analysis of trade payables was set out below:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0 – 30 days	5,961	10,935
31 – 90 days	1,135	1,182
Over 90 days	11,457	8,111
Total trade payables	18,553	20,228

14. Borrowings

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Non-current		
Bank loans — secured	1,396,878	1,361,276
Current		
Bank loans — secured	778,161	480,379
Other loans	17,270	25,629
	795,431	506,008
Total borrowings	2,192,309	1,867,284

14. Borrowings (Continued)

As at 30 June 2008, borrowings are repayable as follows:

	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Bank loans- secured HK\$'000	Other loans HK\$'000	Bank loans- secured HK\$'000	Other loans HK\$'000
On demand or within 1 year	778,161	17,270	480,379	25,629
After 1 year but not exceeding 2 years	1,074,476	—	275,276	—
After 2 years but not exceeding 5 years	112,779	—	863,989	—
After 5 years	209,623	—	222,011	—
Total	2,175,039	17,270	1,841,655	25,629

15. Convertible Bond

On 17 June 2004, the Company entered into an agreement (the "Agreement") with Ko Bee Limited ("Ko Bee"), the ultimate holding company of the Company, in relation to subscription and issue of the convertible bond (the "Bond") of the Company.

In August 2004, the Company issued the Bond to Ko Bee at a nominal value of HK\$148,499,000. The Bond bore interest at 3% per annum below prime lending rate quoted by Hong Kong and Shanghai Banking Corporation Limited. The Bond matured on 17 June 2008 and could be converted into shares at the holder's option at the exercise price of HK\$1.66 per share (the "Conversion price"). On 10 March 2005, 30 December 2005 and 3 June 2008, Ko Bee exercised its rights and converted principal amounts of HK\$55,000,000, HK\$70,000,000 and HK\$23,499,000 at the Conversion price into 33,132,530 shares, 42,168,674 shares and 14,156,319 shares respectively.

15. Convertible Bond (Continued)

In accordance with HKAS 32, the fair value of the liability component of the convertible bond (the "Bond") was calculated using a market interest rate ("MIR") for an equivalent non-convertible bond. The residual amount, representing the value of equity conversion component, is included in shareholders' equity in other equity reserve. During the period, the remaining balance of the Bond was converted into the Company's shares. As at 30 June 2008, the Group did not have any outstanding balance of the Bond. Interest expenses on the Bond are calculated using the effective interest method by applying the effective interest rate of 4.93% (31 December 2007: 4.93%) per annum to the liability component.

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Liability component at 1 January	23,355	23,355
Interest charged to finance costs (<i>note 6</i>)	318	1,152
Interest paid/accrued	(268)	(1,152)
Conversion of convertible bond	(23,405)	—
Liability component at 30 June/ 31 December	—	23,355

16. Share Capital

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Authorized: 5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
	Number of Shares	Nominal value HK\$'000
Issued and fully paid:		
As at 1 January 2008	223,827,816	22,383
Exercise of share options	1,200,000	120
Conversion of convertible bond	14,156,319	1,415
As at 30 June 2008	239,184,135	23,918

17. Related Party Transactions

- (a) A subsidiary of the Company entered into a tenancy agreement with a related company which is in association with the Chairman and an executive director of the Company for leasing a residential property situated in Hong Kong for a period of three years commencing from 1 May 2007 and expiring on 30 April 2010 at the monthly rental of HK\$80,000. Total rental paid for the six months ended 30 June 2008 amounted to HK\$480,000 (30 June 2007: HK\$480,000).
- (b) On 27 December 2006, a wholly owned subsidiary of the Company entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a property situated at Guangzhou, PRC for office purpose at monthly rental and management charge at RMB57,953 for a period of 24 months from 1 January 2007 to 31 December 2008. Total rental and management charges paid for the six months ended 30 June 2008 amounted to HK\$358,081 (30 June 2007: HK\$347,718).

17. Related Party Transactions (Continued)

- (c) On 16 April 2008, a related company in which the Chairman and an executive director of the Company have interests, provided to a wholly owned subsidiary of the Company an unsecured revolving credit facility up to a maximum total principal amount of HK\$100,000,000 with interest rate at prime lending rate for Hong Kong dollars plus 1% per annum. The purpose of granting this unsecured revolving credit facility is to replace a previous unsecured revolving credit facility with a maximum total principal amount of HK\$50,000,000. The final maturity date is on 30 April 2011. As at the balance sheet date, approximately HK\$15,000,000 (31 December 2007: approximately HK\$25,629,000) was utilized.
- (d) Interest on convertible bond paid to Ko Bee Limited for the six months ended 30 June 2008 amounted to HK\$318,000 (30 June 2007: HK\$553,000).

18. Future Operating Lease Arrangements

The Group leases its investment properties under operating leases with average lease terms of 1 to 3 years. The future aggregate minimum lease receipt under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	132,030	123,566
In the second to fifth years inclusive	74,229	55,074
	206,259	178,640

19. Commitments

(a) Operating lease commitments

As at 30 June 2008, the Group had total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	1,332	1,655
In the second to fifth years inclusive	800	1,280
	2,132	2,935

(b) Capital commitments

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Contracted but not provided for:		
— Property development	2,540	2,216
— Acquisition of properties	204,796	204,474
— Capital contribution to subsidiaries in the PRC	22,800	29,800
	230,136	236,490

Of the total capital commitments, approximately HK\$22,800,000 (31 December 2007: approximately HK\$29,800,000) are due for contribution to the subsidiaries in the PRC by the Group in the coming twelve months.

20. Post Balance Sheet Event

As announced on 24 June 2008, the Group has entered into a sales and purchase agreement to dispose of its properties at Shops 1, 2, 3, 5, 6, 7, 8 and 9 on the Ground Floor of Jolly House, No. 16 Lin Fa Kung Street West and Nos. 11-15A Lin Fa Kung Street East at the aggregate consideration of HK\$115,000,000. The transaction was duly completed on 3 September 2008.



金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED