



*Far East Consortium International Limited*

Interim Report

2006-2007

CENTRAL PARK  
HOTEL

RESORT & SPA HOTEL

Stock Code: 035

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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.

Dick Tat Sang CHIU, M.A.

Daniel Tat Jung CHIU

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

David Kwok Kwei LO

Jian Yin JIANG

Kwok Wai CHAN

### **CHIEF OPERATING OFFICER**

Denny Chi Hing CHAN

### **QUALIFIED ACCOUNTANT, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY**

Bill Kwai Pui MOK,

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

David Lo & Partners

#### **Malaysia**

Shearn Delamore & Co.

#### **Australia**

Freehills

### **AUDITORS**

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

## CORPORATE INFORMATION

### **PRINCIPAL BANKERS**

#### **Hong Kong**

Bank of China (Hong Kong) Limited

Citic Ka Wah Bank Limited

Hang Seng Bank Limited

Liu Chong Hing Bank Limited

Nanyang Commercial Bank Limited

The Hongkong and Shanghai

Banking Corporation Limited

Wing Hang Bank Limited

#### **Malaysia**

Affin Islamic Bank

Southern Bank Berhad

#### **Singapore**

The Hongkong and Shanghai

Banking Corporation Limited

#### **Australia**

Australia and New Zealand Banking

Group Limited

#### **China**

Construction Bank of China

### **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**

Standard Registrars 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>

# DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

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## **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, 2006.

## **INTERIM DIVIDEND**

The Board of Directors (“Board”) has declared an interim dividend of HK4 cents per share for the six months ended 30th September 2006, representing an increase of 33% over the same period last year and reflecting our strong financial position. The interim dividend of HK4 cents per share will be paid to shareholders whose names appear on the Company’s Register of Members on 18th January, 2007. 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 18th January, 2007. 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 25th January, 2007. Dividends warrants or new share certificates will be posted on or about 27th February, 2007.

# DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 12th January, 2007 to Thursday, 18th January, 2007, 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, Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 11th January, 2007.

## **CORPORATE OVERVIEW**

The Group has continued its success in building up its recurring base through expanding its hotel portfolio so to improve the quality of its earnings. At the end of the first six months of FY07, the Group has a total of seven hotels with 1,629 rooms in operation, as compared to five hotels with 1,325 rooms at the end of the same period of last financial year. With its expanded hotel portfolio and the increasing number of business and leisure travelers to Hong Kong, the hotel division increased its gross profit contribution to HK\$101 million, a 96% over the comparable period of last financial year.

Despite the austerity measures announced by the Chinese government, the Group remained optimistic over the middle-class property market. Before the end of the first six-month period, we had obtained pre-sale permitted for about 300 residential units at California Garden and planned to launch for sales by phases. Other than these 300 units, we also have over 800 residential units under construction at California Garden. All these units are scheduled to be launched for pre-sale in the second half of this financial year. This means we have a total of about 1,200 residential units launched for sales in this financial year.

## DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

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The Group is still working closely with the Venetian Group (Venetian) from Las Vegas, USA, to finalize the documentation of the 50:50 joint venture project in Macau. According to the latest development plan, the 50:50 joint-venture company will develop a site located in Cotai, Macau, with a total gross floor area of over three million square feet. The Macau project comprises of three to four hotels of different brands with a total of not less than 3,000 rooms, a shopping and entertainment complex of about one million square feet and serviced apartment buildings of 360,000 square feet. In addition, the joint-venture company will also build a casino/theatre shell of approximately 200,000 square feet which will be sold to Venetian upon completion. According to the preliminary plan, we expect the construction work will be commenced in the first half of 2007. With significant economic growth in Macau, the Group believes that this project will enhance our long-term growth.

We will continue to cultivate our future growth based on two principal businesses. The first one is to continue develop affordable quality housing in China aiming at the middle class as our primary targeted customers. We have been proactively looking for new residential development opportunities in the major cities in China. Our second principal business is to develop and operate hotels in Hong Kong and Asia so as to capitalize the opportunity of increasing demand from business and leisure travelers in the region. In September 2006, the Group entered into two separate conditional sale and purchase agreements to acquire a site for a 500-room hotel development in Kwun Tong, Kowloon, and a 502-room Sheraton Subang Hotel in Kuala Lumpur, Malaysia.

# DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### 1. *Property Development Division*

##### China

Despite the weak sentiment in the property markets, the Group remains positive in middle-class property market in longer term. Our view is supported by the continuous economic growth and urbanization in China. The Group will continuously look for investment opportunities in property development in the major cities of the mainland. Presently, we have approximately 1,200 residential units or 2.3 million square feet of gross floor area under construction. All these units will be launched for pre-sale within the next 12 months.

Thereafter, we still have approximately 5,000 units (approximately 6 million square feet) left to be developed at California Garden, which will be one of the main revenue contributors for the Group over the next few years.

Other than California Garden in Shanghai, we are also developing three residential projects, with a total attributable gross floor area of over 1.3 million square feet, in Guangzhou where we believe the property market will begin to grow. The preliminary planning works are in the final stage of approval and construction works will begin right after all the relevant approval is granted.



## DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

### Hong Kong

Although we continue to seek for attractive property development projects in Hong Kong, we do not have any plan to maintain a significant land bank in Hong Kong given our residential development focus is in China. In June 2006, the Group acquired a property project, Rosa De Casa, in Sai Kung. This project will consist of 4 detached houses with a total gross floor area of approximately 12,000 square feet. We expect the project will be launched for sale before June 2007. During the period under review, the Cove, a 10-detached house development with a total site area of 30,000 square feet, is presently on sale.

### Australia

The Royal Domain Tower is the only luxury residential development project which the Group presently has in Melbourne. The Group has a 90% interest in the project, of which over 66 % of the 133 units have been sold.

## 2. *Hotel Division*

Our hotel division continued to be a strong performer. In this financial period, the Group has seven hotels in operation, with six of them in Hong Kong and one in Kuala Lumpur. According to the Hong Kong Tourism Board, the average occupancy of all hotels in Hong Kong was 86% from January to September 2006, up 2% from the comparable period of 2005. As a whole, our hotel portfolio outperformed such market index by a substantial margin. Our Lan Kwai Fong Hotel was opened in March 2006, it reached its target performance way ahead of our expectation.

In Malaysia, we noticed the performance of our Dorsett Regency Hotel showed double-digit increase in both occupancy and room rates in this financial period as compared to the same period of last year. We believe its performance was attributed to the continuous effort spent by the management team as well as the increase of tourists to Malaysia.

# DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

## Outlook

### 1. *Property Development Division*

We consider it is the right time to enlarge our land bank in China with a competitive land price and a positive long-term outlook. We are cautiously optimistic and we plan to lock up one to two investment opportunities in China within the next 6 to 12 months.

The increase in land bank is not a difficult task. The real challenge to any property companies in China is to improve the quality and efficiency of the management.

### 2. *Hotel Division*

Subsequent to the period end, the Dorsett Tsuen Wan Hotel, with a total of 230 rooms, was opened for business in October 2006. The Group now has eight hotels with over 1,800 rooms in operation. We believe this will further enhance the performance of our hotel portfolio in the second half of FY07.

According to the visitor arrival figures provided by the Hong Kong Tourism Board, the cumulative arrivals for the first nine months of 2006 reached over 18.57 million, representing a 9.5% increase compared with the previous year. In order to leverage on such upward trend of visitor arrival, the Group has been proactively seeking for suitable sites for hotel development in Hong Kong.

With the newly acquired site in Kwun Tong, the Group presently has three hotel development projects in its pipeline. Without further acquisition, we expect to open one new hotel in Hong Kong in each of the next three financial years. By the end of FY2010, the Group will own and operate a total of 10 hotels with over 2,600 rooms in Hong Kong.

## DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

In Malaysia, we expect the acquisition of Sheraton Subang Hotel will be completed within the next three months when the relevant approval from Foreign Investment Committee is granted. By then, the Group will have two hotels with a total of over 800 rooms in Kuala Lumpur. As we believe the tourism in Malaysia has just begun to grow, we will continuously look for new investment opportunities in hotel industry.

### **Subsequent Events**

Reference should be made to the announcement of Discloseable Transaction dated 15th December, 2006. The Group entered into a sale and purchase agreement with its co-investor of the Riverside South Project to sell its indirect minority interest with a cash consideration of USD37.8 million. The Directors considered it was the best interest of the Group to dispose all of its non-core and overseas assets and to focus on its two principal strategies - middle-class housing development in China and hotel development and operation in Asia.

### **FINANCIAL REVIEW**

For the six-month period ended 30th September, 2006, the Group achieved a strong operating performance. Turnover of the Group reached HK\$778 million, up 88% from the corresponding period last year. This increase was primarily driven by the expansion of our hotel portfolio, increased property sales and treasury investments.

Gross profit rose to HK\$252 million, a 111% increase as compared to the same period last year. Such growth was attributable to the property sales and the increased number of hotels and their exceptional performance.

The net profit was reported at HK\$151 million, increased from HK\$140 million of the same period of last year. If all the accounting adjustments relating to fair value of investments and properties being excluded, the Group's net profit would be HK\$137 million, a growth of 261% as compared to HK\$38 million of the same period of last financial year.

# DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

## FINANCIAL RESOURCES AND LIQUIDITY

### Borrowings and charge on Group assets

	<b>30.9.2006</b>	31.3.2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	<b>1,404,630</b>	1,622,088
Bank overdrafts	<b>206</b>	285
Financial liabilities at fair value through profit or loss	<b>862,160</b>	914,969
Mortgage loans	<b>483,076</b>	348,440
Obligations under finance leases	<b>2,302</b>	1,068
Other loans	–	11,477
	<u><b>2,752,374</b></u>	<u>2,898,327</u>
Secured	<b>1,890,214</b>	1,971,880
Unsecured (excluding bank overdraft)	<b>862,160</b>	926,447
	<u><b>2,752,374</b></u>	<u>2,898,327</u>

The above borrowings are repayable as follows:

On demand or within one year	<b>1,643,314</b>	1,915,531
Amount due after one year	<b>1,109,060</b>	982,796
	<u><b>2,752,374</b></u>	<u>2,898,327</u>

## DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

### **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, 2006 and 31st March, 2006.

### *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.

During the year ended 31st March, 2006, an aggregate principal amount of US\$1,900,000 (equivalent to approximately HK\$14,805,000) of the convertible bonds were converted into ordinary shares of the Company.

## DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

### *Convertible bonds denominated in Hong Kong dollars*

In December 2004, the Company issued zero coupon convertible bonds with a principal amount of HK\$754,400,000 (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\$3.10) 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 ended 30th September, 2006, no conversion rights were exercised by the holders of the HK\$ Bonds.

### **Contingencies and commitments**

#### *Contingent liabilities*

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

- (a) At 31st March, 2005, the Group had given guarantee to bankers to secure banking and other facilities made available to an investee company amounting to approximately HK\$154,322,000. During the period, such guarantee has been released by bankers upon full repayment of credit facilities by the investee company.

## DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

- (b) 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, 2006, the Group had given guarantees to certain banks in respect of total amount of mortgage loans outstanding amounting to approximately HK\$11,885,000 (31.3.2006: HK\$2,769,000).
- (c) 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 dismiss 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.

# DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

- (d) 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\$67 million (31.3.2006: HK\$49 million).

## *Capital commitments*

	<b>30.9.2006</b>	31.3.2006
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development	<b>458,386</b>	475,256
Hotel properties	<b>227,880</b>	2,781
Hotel properties under development	<b>52,344</b>	—
	<b>738,610</b>	478,037
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties	—	8,400
	<b>738,610</b>	486,437



## DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

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### **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, 2006 was 74% (31st March, 2006: 82% ).

### **Current ratio**

The current ratio as at 30th September, 2006 was 1.2 (31st March, 2006: 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\$4,550,118,000 (31.3.2006: HK\$3,399,431,000), HK\$10,293,000 (31.3.2006: HK\$55,103,000) and nil (31.3.2006: HK\$1,576,000), 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 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\$3,089,992,000 (31.3.2006: HK\$2,822,947,000) and HK\$5,000,000 (31.3.2006: HK\$5,000,000), respectively.

## DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

The Group's bank deposits of approximately HK\$2,900,000 (31.3.2006: HK\$2,765,000) 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\$512,021,000 (31.3.2006: HK\$414,182,000) 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\$688,637,000 (31.3.2006: HK\$645,095,000), of which HK\$55,170,000 (31.3.2006: HK\$54,427,000) 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 (31.3.2006: 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, 2006 was approximately 1,050. 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.

## ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

### DISCLOSURE OF INTERESTS

As at 30th September, 2006, the interests and short positions of the directors and 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 kept by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows :

#### (a) Directors’ 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 interest	
Deacon Te Ken Chiu	Long Position	10,534,984	115,641,256 <sup>(i)</sup>	–	126,176,240	8.75%
David Chiu	Long Position	640,859	321,608,292 <sup>(ii)</sup>	11,000,000 <sup>(iii)</sup>	333,249,151	23.11%
Dennis Chiu	Long Position	8,327	5,029,711 <sup>(iv)</sup>	–	5,038,038	0.35%
Ching Lan Ju Chiu	Long Position	1,314,032	–	–	1,314,032	0.09%
Dick Tat Sang Chiu	Long Position	837,990	–	–	837,990	0.06%
Daniel Tat Jung Chiu	Long Position	39,412	3,877,218 <sup>(iv)</sup>	–	3,916,630	0.27%

*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 and including the lending of 73,874,886 Shares.

## ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

- (iii) These interests represent derivative interests pursuant to a derivative contract exercisable for the period from 26th April, 2006 to 26th April, 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
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, 2006.

## ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

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### (c) Substantial shareholders

As at 30th September, 2006, the register of interests in shares or short positions kept by the Company pursuant to 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:

Name of shareholder	Number of ordinary shares held	Percentage of issued share capital of the Company
Deutsche Bank Aktiengesellschaft (“DBA”)	232,698,457 ( <i>Note</i> )	16.14%
Penta Investment Advisers Limited	126,377,209	8.76%
PMA Capital Management Limited	96,346,320	6.68%

*Note:* According to the notice to the Company from DBA, as at 30th September, 2006, DBA had interest of 232,698,457 Shares and 80,754,620 Shares were held in short position.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30th September, 2006.

## ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

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### **(d) 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 year, the Company has granted to its employees in the amount of 3,000,000 share options under the Share Option Scheme.

## ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

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Particulars of the Share Option Scheme are set out in note 18 to the condensed financial statements. Details of the share options granted under the Share Option Scheme and their movements during the period are set out below:

Category of grantee	Date of grant	Exercise price HK\$	Number of Options					Exercise period
			Outstanding as at 1.4.2006	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding as at 30.9.2006	
<i>Senior management</i>								
Denny Chi Hing Chan	21.10.2004	2.075	600,000	-	-	(500,000)	100,000	01.11.2004 – 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>7,400,000</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>6,900,000</u>	
Bill Kwai Pui Mok	21.10.2004	2.075	1,200,000	-	-	-	1,200,000	01.01.2005 – 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>-</u>	<u>-</u>	<u>8,000,000</u>	

# ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

Category of grantee	Date of grant	Exercise price HK\$	Number of Options					Exercise period
			Outstanding as at 1.4.2006	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding as at 30.9.2006	
<i>Other employees in aggregate</i>	21.10.2004	2.075	500,000	-	-	(150,000)	350,000	01.01.2004 – 31.12.2010
			-	-	-	-	-	01.01.2005 – 31.12.2010
			1,705,000	-	-	(480,000)	1,225,000	01.01.2006 – 31.12.2010
			2,975,000	-	(200,000)	-	2,775,000	01.01.2007 – 31.12.2010
			3,475,000	-	(250,000)	-	3,225,000	01.01.2008 – 31.12.2010
			3,975,000	-	(300,000)	-	3,675,000	01.01.2009 – 31.12.2010
			<u>12,630,000</u>	<u>-</u>	<u>(750,000)</u>	<u>(630,000)</u>	<u>11,250,000</u>	
<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
			<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>	
<b>Total</b>			<u><b>28,030,000</b></u>	<u><b>3,000,000</b></u>	<u><b>(750,000)</b></u>	<u><b>(1,130,000)</b></u>	<u><b>29,150,000</b></u>	



## ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

### **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 2006, 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.

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.

## **ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES**

In view of good Corporate Governance Practices, the executive 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, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with 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, 2006 approved by the Directors. The Audit Committee currently comprises three members, all of whom are Independent Non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. David Kwok Kwei LO and Mr. Jian Yin JIANG.

## ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

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### **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, 2006.

By order of the Board

**DAVID CHIU**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 18th December, 2006

*As at the date of this report, the Board of Directors of the Company comprises executive directors namely Mr. Deacon Te Ken Chiu, Tan Sri Dato' David Chiu, Mr. Dennis Chiu, Mr. Craig Grenfell Williams; non-executive directors namely Mrs. Ching-Lan Ju Chiu, Mr. Dick Tat Sang Chiu, Mr. Daniel Tat Jung Chiu and independent non-executive directors namely Mr. David Kwok Kwei Lo, Mr. Jian Yin Jiang and Mr. Kwok Wai Chan.*

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30th September, 2006

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	NOTES	Six months ended	
		30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited and restated) HK\$'000
Revenue	4	777,788	414,232
Cost of sales		(525,435)	(294,692)
Gross profit		252,353	119,540
Other income		26,423	37,770
Selling and distribution costs		(2,464)	(27)
Administrative expenses		(88,677)	(84,590)
Increase in fair value of financial assets at fair value through profit or loss		2,181	4,947
Decrease (increase) in fair value of financial liabilities at fair value through profit or loss		52,809	(18,901)
Decrease in fair value of derivative financial instruments		(40,663)	(6,475)
Increase in fair value of investments held for trading		–	581
Profit on disposal of an investment property		–	3,456
Increase in fair value of investment properties		–	121,946
Share of results of associates		9,217	3,960
Share of results of jointly controlled entities		(1,789)	1,015
Finance costs		(31,385)	(26,476)
Profit before taxation	5	178,005	156,746
Taxation	6	(27,054)	(16,951)
Profit for the period		<u>150,951</u>	<u>139,795</u>
Attributable to:			
Equity holders of the Company		152,878	139,436
Minority interests		(1,927)	359
		<u>150,951</u>	<u>139,795</u>
Dividends paid	7	–	70,929
Earnings per share	8		
Basic		<u>10.6 cents</u>	<u>9.8 cents</u>
Diluted		<u>6.4 cents</u>	<u>10.4 cents</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th September, 2006

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	<i>NOTES</i>	<b>30.9.2006</b> <b>(unaudited)</b> <i>HK\$'000</i>	31.3.2006 (audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	9	<b>1,303,511</b>	1,297,427
Property, plant and equipment	9	<b>1,263,798</b>	1,210,504
Prepaid lease payments	9	<b>493,448</b>	374,965
Interests in associates		<b>148,893</b>	141,694
Interests in jointly controlled entities		<b>72,828</b>	74,617
Available-for-sale investments	10	<b>635,223</b>	598,758
Financial assets at fair value through profit or loss	11	<b>67,117</b>	99,783
Amounts due from associates		<b>130,145</b>	129,559
Amount due from an investee company		<b>119,995</b>	119,995
Amount due from a minority shareholder		<b>563</b>	563
Loans receivable		<b>449,555</b>	417,257
Pledged bank deposits		<b>2,900</b>	2,765
		<b>4,687,976</b>	4,467,887
<b>Current assets</b>			
Inventories		<b>950</b>	1,581
Completed properties for sale		<b>277,075</b>	181,046
Properties under development for sale		<b>1,683,458</b>	1,729,107
Investments held for trading		–	7,724
Available-for-sale investments	10	<b>13,640</b>	103,611
Financial assets at fair value through profit or loss	11	<b>211,385</b>	171,697
Derivative financial instruments	12	–	5,319
Loans receivable		<b>8,800</b>	3,679
Debtors, deposits and prepayments	13	<b>233,994</b>	241,415
Prepaid lease payments	9	<b>6,552</b>	8,239
Amounts due from jointly controlled entities		<b>11,621</b>	9,652
Amounts due from associates		<b>3,437</b>	3,437
Taxation recoverable		<b>6,650</b>	7,995
Pledged bank deposits		<b>7,393</b>	52,338
Deposits with investment banks		<b>31,120</b>	31,000
Bank balances and cash		<b>195,288</b>	114,581
		<b>2,691,363</b>	2,672,421

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th September, 2006

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	<i>NOTES</i>	<b>30.9.2006</b> <b>(unaudited)</b> <i>HK\$'000</i>	31.3.2006 (audited) <i>HK\$'000</i>
<b>Current liabilities</b>			
Creditors and accruals	14	431,354	285,468
Customers' deposits received		15,810	14,492
Amounts due to directors		12,023	12,468
Amounts due to related companies		30,379	38,854
Amounts due to associates		10,003	23,479
Amount due to a minority shareholder		28,367	28,326
Financial liabilities at fair value			
through profit or loss	15	862,160	914,969
Derivative financial instruments	12	110,320	63,551
Taxation payable		47,053	33,124
Obligations under finance leases		1,540	352
Bank and other borrowings	16	779,408	999,925
Bank overdrafts, unsecured		206	285
		<u>2,328,623</u>	<u>2,415,293</u>
<b>Net current assets</b>		<u>362,740</u>	<u>257,128</u>
		<u><b>5,050,716</b></u>	<u><b>4,725,015</b></u>
<b>Capital and reserves</b>			
Share capital	17	144,221	144,108
Reserves		3,592,028	3,400,425
Equity attributable to equity holders of the Company		3,736,249	3,544,533
Minority interests		24,951	27,250
<b>Total equity</b>		<u>3,761,200</u>	<u>3,571,783</u>
<b>Non-current liabilities</b>			
Amounts due to a minority shareholder		36,961	35,240
Amount due to a jointly controlled entity		10,801	10,801
Deferred taxation		132,694	124,395
Obligations under finance leases		762	716
Bank and other borrowings	16	1,108,298	982,080
		<u>1,289,516</u>	<u>1,153,232</u>
		<u><b>5,050,716</b></u>	<u><b>4,725,015</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2006

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	Attributable to equity holders of the Company														
	Share capital	Share premium	Share options reserve	Capital redemption reserve	Other reserve	Assets			Investment			Retained profits	Total	Minority interests	
						revaluation reserve	Special reserve	Exchange reserve	revaluation reserve	Revaluation reserve	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	HKS'000	HKS'000	HKS'000
At 1st April, 2005	141,426	1,360,550	-	253	169,352	-	869,357	(100,521)	(23,107)	742,861	3,160,171	31,789	3,191,960		
Revaluation increase	-	-	-	-	-	8,761	-	-	(78,647)	-	(69,886)	-	(69,886)		
Deferred tax liability on asset revaluation	-	-	-	-	-	(1,533)	-	-	-	-	(1,533)	-	(1,533)		
Exchange difference on translation of overseas operations	-	-	-	-	-	-	-	(1,840)	-	-	(1,840)	(124)	(1,964)		
Net income (expense) recognised directly in equity	-	-	-	-	-	7,228	-	(1,840)	(78,647)	-	(73,259)	(124)	(73,383)		
Profit for the period	-	-	-	-	-	-	-	-	-	139,436	139,436	359	139,795		
Total recognised income and expense for the period	-	-	-	-	-	7,228	-	(1,840)	(78,647)	139,436	66,177	235	66,412		
Shares issued pursuant to scrip dividend scheme	916	-	-	-	-	-	-	-	-	-	916	-	916		
Credit arising on scrip dividend	-	29,571	-	-	-	-	-	-	-	-	29,571	-	29,571		
Shares issued upon exercise of share options	50	988	-	-	-	-	-	-	-	-	1,038	-	1,038		
Share issue expenses	-	(237)	-	-	-	-	-	-	-	-	(237)	-	(237)		
Shares issued upon conversion of convertible bonds	679	14,262	-	-	-	-	-	-	-	-	14,941	-	14,941		
Dividends	-	-	-	-	-	-	-	-	-	(70,929)	(70,929)	-	(70,929)		
At 30th September, 2005	<u>143,071</u>	<u>1,405,134</u>	<u>-</u>	<u>253</u>	<u>169,352</u>	<u>7,228</u>	<u>869,357</u>	<u>(102,361)</u>	<u>(101,754)</u>	<u>811,368</u>	<u>3,201,648</u>	<u>32,024</u>	<u>3,233,672</u>		
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	<u>144,221</u>	<u>1,433,703</u>	<u>639</u>	<u>253</u>	<u>169,352</u>	<u>7,228</u>	<u>869,357</u>	<u>(113,421)</u>	<u>107,909</u>	<u>1,117,008</u>	<u>3,736,249</u>	<u>24,951</u>	<u>3,761,200</u>		

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30th September, 2006

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	<b>Six months ended</b>	
	<b>30.9.2006</b> <b>(unaudited)</b> <b>HK\$'000</b>	<b>30.9.2005</b> <b>(unaudited)</b> <b>HK\$'000</b>
<b>Net cash from (used in) operating activities</b>	<b>268,535</b>	<b>(399,440)</b>
<b>Net cash used in investing activities</b>		
Proceeds from disposal of an investment property	–	10,689
Purchase of property, plant and equipment	<b>(45,227)</b>	(74,129)
Proceeds from disposal of property, plant and equipment	–	110
Purchase of available-for-sale investments	<b>(177,422)</b>	(51,256)
Purchase of financial assets of fair value through profit or loss	<b>(37,232)</b>	(10,835)
Purchase of derivative financial instruments	<b>(16,488)</b>	–
Proceeds from disposal of available-for-sale investments	<b>256,003</b>	–
Proceeds from disposal of financial assets of fair value through profit or loss	<b>27,039</b>	–
Proceeds from disposal of derivative financial instruments	<b>22,594</b>	–
Increase in prepaid lease payments	<b>(141,938)</b>	(81,730)
Advance of loans receivable	<b>(37,419)</b>	(32,649)
Increase in pledged bank deposits	<b>44,810</b>	(133,109)
Dividend received from an associate	<b>2,018</b>	2,019
Dividend received from listed investments	<b>3,078</b>	1,615
Interest received	<b>18,242</b>	34,816
	<b>(81,942)</b>	<b>(334,459)</b>
<b>Net cash (used in) from financing activities</b>		
Proceeds from issue of shares, net of issue expenses	<b>2,315</b>	801
New bank and other borrowings raised	<b>382,034</b>	666,634
Repayment of bank and other borrowings	<b>(505,738)</b>	(129,732)
Inception of obligations under finance leases	<b>1,235</b>	713
Repaid to a director	<b>(445)</b>	(13)
Amount repaid to a minority shareholder	<b>1,762</b>	(779)
Dividends paid	–	(40,442)
Interest paid	<b>(31,385)</b>	(24,024)
	<b>(150,222)</b>	<b>473,158</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>36,371</b>	<b>(260,741)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>145,296</b>	<b>464,870</b>
<b>Effect of foreign exchange rate changes</b>	<b>44,535</b>	<b>17,293</b>
<b>Cash and cash equivalents at end of the period</b>	<b>226,202</b>	<b>221,422</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Deposits with investment banks	<b>31,120</b>	66,663
Bank balances and cash	<b>195,288</b>	156,881
Bank overdrafts	<b>(206)</b>	(2,122)
	<b>226,202</b>	<b>221,422</b>



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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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, 2006.

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 or after 1st December, 2005 or 1st January, 2006. 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 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC)-INT 8	Scope of HKFRS 2 <sup>2</sup>
HK(IFRIC)-INT 9	Reassessment of embedded derivatives <sup>3</sup>
HK(IFRIC)-INT 10	Interim financial reporting and impairment <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>3</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st November, 2006

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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## 4. TURNOVER AND SEGMENT INFORMATION

**Business segments**

For management purposes, the Group is currently organised into four operating divisions – property development and investment, hotel operations and loan financing, and treasury management. These divisions are the basis on which the Group reports its primary segment information. Other operations include sale of boiler products and other interest income.

Segment information about these businesses is presented below:

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Property development and investment	279,464	234,664	59,676	101,470
Hotel operations	138,004	78,778	60,178	24,804
Loan financing	38,196	33,332	35,609	31,004
Treasury management	314,360	56,584	1,539	39,841
Other operations	7,764	10,874	(7,849)	(3,427)
	<u>777,788</u>	<u>414,232</u>	<u>149,153</u>	<u>193,692</u>
Decrease (increase) in fair value of financial liabilities at fair value through profit or loss			52,809	(18,901)
Profit on disposal of an investment property			–	3,456
Share of results of associates			9,217	3,960
Share of results of jointly controlled entities			(1,789)	1,015
Finance costs			(31,385)	(26,476)
Profit before taxation			<u>178,005</u>	<u>156,746</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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## 5. PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.9.2006</b>	<b>30.9.2005</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of investment in a jointly controlled entity (included in share of results of jointly controlled entities)	1,452	1,452
Amortisation of prepaid lease payments	2,675	1,043
Depreciation on property, plant and equipment	14,562	10,951
Share of taxation of associates (included in share of results of associates)	(5,304)	757
Dividend income from listed investments	(3,078)	(1,615)
Interest income	(18,242)	(34,816)
Exchange gain, net	(1,248)	(519)
Profit on disposal of property, plant and equipment	—	(110)
	<u>          </u>	<u>          </u>

## 6. TAXATION

	<b>Six months ended</b>	
	<b>30.9.2006</b>	<b>30.9.2005</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The tax charge comprises:		
Current period:		
Hong Kong	9,075	20
Other regions in the People's Republic of China ("PRC")	3,843	—
Other jurisdictions	16	12
	<u>12,934</u>	<u>32</u>
Prior periods:		
Hong Kong	6,275	(783)
Other regions in the PRC	—	(1,496)
Other jurisdictions	(454)	—
	<u>18,755</u>	<u>(2,247)</u>
Deferred taxation	8,299	19,198
	<u>27,054</u>	<u>16,951</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30th September, 2006 and 2005.

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

## 7. DIVIDENDS

	<b>Six months ended</b>	
	<b>30.9.2006</b> <b>(unaudited)</b> <b>HK\$'000</b>	30.9.2005 (unaudited) HK\$'000
Final dividend paid in respect of 2006 – HK6 cents (2005: HK5 cents) per share:		
Cash	–	40,442
Share alternative under scrip dividend scheme	–	30,487
	<u>–</u>	<u>70,929</u>

The directors recommend the payment of interim dividend of HK4 cents per share for the six months ended 30th September, 2006 (six months ended 30.9.2005: HK3 cents per share), amounting to approximately HK\$58,000,000 (six months ended 30.9.2005: HK\$43,000,000).

## 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:

	<b>Six months ended</b>	
	<b>30.9.2006</b> <b>(unaudited)</b> <b>HK\$'000</b>	30.9.2005 (unaudited) HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share	<b>152,878</b>	139,436
Effect of (decrease) increase in fair value of financial liabilities at fair value through profit or loss	<b>(52,809)</b>	18,901
Earnings for the purpose of diluted earnings per share	<u><b>100,069</b></u>	<u>158,337</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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	Number of shares '000	Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,441,917	1,418,681
Effect of dilutive potential ordinary shares		
– convertible bonds	121,987	96,830
– share options	10,456	10,633
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,574,360</u>	<u>1,526,144</u>

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

During the period ended 30th September, 2006, the Group acquired medium-term leasehold lands in Hong Kong (i.e. prepaid lease payments) at cost amounting to approximately HK\$141,938,000.

Certain of the Group's investment properties with aggregate carrying amount of approximately HK\$1,020,016,000 were fair-valued at 30th September, 2006 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, 2006 do not differ significantly from their carrying amounts at 31st March, 2006.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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## 10. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 30th September, 2006 and 31st March, 2006 comprise:

	<b>30.9.2006</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.3.2006 <i>HK\$'000</i> (audited)
Listed equity securities:		
Hong Kong	<b>121,201</b>	164,947
Overseas	<b>441,160</b>	304,782
	<b>562,361</b>	469,729
Unlisted investments:		
Equity securities ( <i>Note</i> )	<b>69,212</b>	69,194
Debt securities with fixed interest rates	<b>13,869</b>	93,400
Quoted fund	<b>3,421</b>	70,046
	<b>86,502</b>	232,640
	<b>648,863</b>	702,369
Analysed for reporting purposes as:		
Current assets	<b>13,640</b>	103,611
Non-current assets	<b>635,223</b>	598,758
	<b>648,863</b>	702,369

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.

*Note:* The amount represents an 5% equity investment in the contributed capital of Hudson Waterfront Associates, L.P. ("Hudson"), a limited partnership established in the United States of America ("USA"). Hudson is an investment vehicle principally engaged in the property development and investment in the New York City, USA.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS***For the six months ended 30th September, 2006*

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**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, 2006 and 31st March, 2006.

**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, 2006 and 31st March, 2006.

**13. DEBTORS, DEPOSITS AND PREPAYMENTS**

The debtors, deposits and prepayments include trade debtors of approximately HK\$28,785,000 (31.3.2006: HK\$26,624,000). 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:

	<b>30.9.2006</b> <b>(unaudited)</b> <i>HK\$'000</i>	31.3.2006 (audited) <i>HK\$'000</i>
0 – 60 days	<b>22,603</b>	24,094
61 – 90 days	<b>666</b>	931
Over 90 days	<b>5,516</b>	1,599
	<b><u>28,785</u></b>	<u>26,624</u>

Included in debtors, deposits and prepayments is an amount due from a minority shareholder of HK\$42,513,000 (31.3.2006: HK\$41,658,000) which is unsecured, interest free and repayable on demand.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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**14. CREDITORS AND ACCRUALS**

The creditors and accruals included trade creditors of approximately HK\$319,310,000 (31.3.2006: HK\$109,911,000).

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

	<b>30.9.2006</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2006 (audited) HK\$'000
0 – 60 days	<b>88,961</b>	87,724
61 – 90 days	<b>22,270</b>	995
Over 90 days	<b>208,079</b>	21,192
	<b><u>319,310</u></b>	<b><u>109,911</u></b>

**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, 2006 and 31st March, 2006.

**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, 2006*

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During the year ended 31st March, 2006, an aggregate principal amount of US\$1,900,000 (equivalent to approximately HK\$14,805,000) of the convertible bonds were converted into ordinary shares of the Company.

## **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\$3.10) 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 10th November, 2004.

During the period ended 30th September, 2006 and year ended 31st March, 2006, no conversion rights were exercised by the holders of the HK\$ Bonds.

## **16. BANK AND OTHER BORROWINGS**

During the period, the Group obtained new bank loans of approximately HK\$382,034,000. The loans bear interest at market rates and are repayable in instalments over a period of 6 years. The Group also repaid bank loans of approximately HK\$505,738,000 during the period.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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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, 2006 and 30th September, 2006	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1st April, 2006	1,441,087,989	144,108
Issued upon exercise of share options	<u>1,130,000</u>	<u>113</u>
At 30th September, 2006	<u>1,442,217,989</u>	<u>144,221</u>

During the period, 1,130,000 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 period rank pari passu in all respects with the existing shares.

## 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	28,030,000
Granted during the period	3,000,000
Forfeited during the period	(750,000)
Exercised during the period	<u>(1,130,000)</u>
Outstanding at the end of the period	<u>29,150,000</u>

The closing price of the Company's shares immediately before 25th August, 2006, the date of grant of the 2006 options, was HK\$3.290.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$3.427.

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\$639,000 for the period ended 30th September, 2006 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.

## 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\$4,550,118,000 (31.3.2006: HK\$3,399,431,000), HK\$10,293,000 (31.3.2006: HK\$55,103,000) and nil (31.3.2006: HK\$1,576,000), 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 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\$3,089,992,000 (31.3.2006: HK\$2,822,947,000) and HK\$5,000,000 (31.3.2006: HK\$5,000,000), respectively.

The Group's bank deposits of approximately HK\$2,900,000 (31.3.2006: HK\$2,765,000) were pledged to a Group's banker to secure a guarantee given by the banker in favour of a subsidiary of the Company.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments of approximately HK\$512,021,000 (31.3.2006: HK\$414,182,000) 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\$688,637,000 (31.3.2006: HK\$645,095,000), of which HK\$55,170,000 (31.3.2006: HK\$54,427,000) 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 (31.3.2006: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

## 20. CONTINGENT LIABILITIES

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

- (a) At 31st March, 2006, the Group had given guarantee to bankers to secure banking and other facilities made available to an investee company amounting to approximately HK\$154,322,000. During the period, such guarantee has been released by bankers upon full repayment of credit facilities by the investee company.
- (b) 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, 2006, the Group had given guarantees to certain banks in respect of total amount of mortgage loans outstanding amounting to approximately HK\$11,885,000 (31.3.2006: HK\$2,769,000).
- (c) 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 dismiss the claim was filed to the United States court

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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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.

- (d) 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\$67 million (31.3.2006: HK\$49 million).

## 21. CAPITAL COMMITMENTS

	<b>30.9.2006</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2006 (audited) HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Properties under development	458,386	475,256
Hotel properties	227,880	2,781
Hotel properties under development	52,344	–
	<u>738,610</u>	<u>478,037</u>
Capital expenditure authorised but not contracted for in respect of:		
Hotel properties	–	8,400
	<u>738,610</u>	<u>486,437</u>

## 22. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group entered into a sale and purchase agreement for the disposal of a wholly-owned subsidiary at a cash consideration of US\$37.8 million.