

CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong (*Chairman*)
Madeline May-Lung Wong
William Chung-Yue Fan
Herman Man-Hei Fung (*Vice-Chairman*)
Roderick Sue-Cheun Wong
Zuric Yuen-Keung Chan
Daniel Chi-Wai Tse*
Patrick Yen-Tse Tsai*

* *Independent non-executive director*

AUDIT COMMITTEE

William Chung-Yue Fan
Daniel Chi-Wai Tse
Patrick Yen-Tse Tsai

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank

AUDITORS

Ernst & Young

REGISTRARS

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE

18th Floor
Hang Seng Building
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Hong Kong

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STOCK CODE

SEHK 160

CONSOLIDATED RESULTS

The Group's turnover for the period was approximately HK\$67.1 million, representing a significant decrease as compared with turnover of approximately HK\$309.2 million in the prior period. The decrease was mainly due to no property sales activities in Mainland China during the period. The turnover contribution from the sale of the remaining units of **Millennium Oasis** (城市綠洲花園) in the prior period was approximately HK\$240 million.

The Group reported a current period loss of approximately HK\$29 million, against a profit of approximately HK\$4.5 million in the prior period. The weakened result was mainly attributed to losses from our property sales activities and a weak leasing market during the period.

DIVIDEND

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30th September, 2003 (2002: nil).

APPOINTMENT OF DIRECTOR

Mr. Zuric Yuen-Keung Chan has been appointed as a director of the Company with effect from 11th December, 2003.

CORPORATE EVENTS

As disclosed in the annual report of the Company for the year ended 31st March, 2003, the Company consolidated every ten shares with a par value of HK\$0.10 each into one new share with a par value of HK\$1.00 each in April 2003. A three-for-two rights issue of 200,123,100 rights shares of HK\$1.00 each was subsequently completed in May 2003. The rights issue proceeds together with the internal resources of the Group provided the funding for the Group to repay the 10% convertible guaranteed bonds (the "Bonds") issued by Hon Kwok Land Treasury II Limited, a wholly-owned subsidiary of the Company, in full during the period.

Chinney Investments, Limited ("Chinney Investments"), through fulfilling its obligations as an underwriter for the rights issue, increased its shareholding in the Company from 47.4% to 69.4%.

REVIEW OF OPERATIONS

Property development

Hong Kong

The Group's residential project at Causeway Bay known as **The Grandeur** (采怡閣) was the major project under sale. The depressed property market slowed down sales activities across the territory. **The Grandeur** (采怡閣), together with other completed projects, contributed total property sales of approximately HK\$36.6 million in the current period (2002: HK\$40.7 million).

The lengthy negotiation with the Hong Kong Government on our premium appeal for the lease modification at 97 Po Kong Village Road, Diamond Hill, Kowloon was finally concluded in September 2003. The agreed premium was HK\$150 million or an equivalent of HK\$740 per square feet, based on the total gross floor area of approximately 202,633 square feet (18,825 square meters). This represents substantial saving from the original assessed premium of HK\$380 million in September 1999. Completion of the land exchange is scheduled to take place on or about 23rd December, 2003. The project is to be developed into a residential/commercial development with a residential floor area of approximately 181,643 square feet and commercial floor area of approximately 20,990 square feet plus carparking spaces.

TMTL 398, Hoi Wah Road, Area 16, Tuen Mun, New Territories was sold subsequent to the period end at a consideration of HK\$1.1 million. The realised loss together with the loss arising from the entire write-off of our investment in TMTL 389 and 390, Hoi Wah Road, Area 16, Tuen Mun, New Territories accounted for the property provision of approximately HK\$10.7 million in the current period.

Mainland China

The Group cautiously develops its PRC properties in a piecemeal manner. The development cycle accounts for the cyclical ups and downs of turnover and profit contribution from our property sales activities in Mainland China.

The Group's residential project at Fu Tian District, Shenzhen, PRC, known as the **Millennium Oasis** (城市綠洲花園) was fully sold at a satisfactory return in the prior year. Superstructure works for the Group's project in Luo Hu District, Shenzhen, PRC, known as the **City Square** (城市天地廣場), have progressed up to the 21st floor level. The residential development, with a total of 2,186 units erected on an 8-storey commercial podium, has been scheduled for pre-sale in April 2004.

Canada

Construction works for Phase I of Bay and Dundas Street, Toronto, Canada is expected to commence early next year. The Phase I land, in which the Group has a 75% interest, will be developed from the existing bare land into a 17-storey residential building of 526 units. Approximately 58% of the units have been pre-sold up to the date hereof.

Property investment

Hong Kong

Our investment portfolio has been enlarged during the period through acquisition of an office building now known as **Hon Kwok TST Centre** (漢國尖沙咀中心) at 5-9 Observatory Court, Tsim Sha Tsui, Kowloon and another office building now known as **Yien Yieh Commercial Building** (鹽業商業大廈) at 236-242 Des Voeux Road Central, Hong Kong both in December 2002 and a 60% interest in the 369 carparks at **Provident Centre** (和富中心), 21-53 Wharf Road, North Point, Hong Kong (the "Provident Centre Carparks") in May 2003.

The outbreak of the Severe Acute Respiratory Syndrome (SARS) disease further exacerbated the weak local economy. Under the difficult operating environment, the Group maintained a steady growth in rental income. Marketing efforts are continuing in filling up tenancies of **Hon Kwok TST Centre** (漢國尖沙咀中心) and **Yien Yieh Commercial Building** (鹽業商業大廈). Their respective occupancies have reached 78% and 66% up to the date hereof. **The Bauhinia** (寶軒), our service apartment at 237-241 Des Voeux Road Central, Hong Kong has regained occupancy to more than 90% as the local economy revived after the subsidence of SARS and other measures introduced by the Central Government.

As announced on 26th August, 2003, the Group entered into an agreement to purchase the entire issued share capital of China Parking (BVI) Limited ("CPBL") and related shareholders' loans for a cash consideration of HK\$15 million. The consideration was determined based on the net tangible assets of CPBL and its subsidiaries ("China Parking Group") of approximately HK\$14.7 million as at 30th June, 2003. The major assets owned by the China Parking Group are a 40% interest in the Provident Centre Carparks, 115 carparks at **Lido Garden** (麗都花園), 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, 26 carparks at **Shining Court** (順寧居), 439 Shun Ning Road, Cheung Sha Wan, Kowloon and a villa in Shenzhen, PRC. The transaction was completed on 22nd October, 2003, thereby enlarging the Group's carpark portfolio to 510 parking bays.

Malaysia

The commercial complex, **Plaza Ampang**, at Kuala Lumpur, Malaysia maintained a steady rental income during the period.

FINANCIAL REVIEW

Use of rights issue proceeds

The Company raised equity through a rights issue of approximately HK\$200 million in May 2003. The net proceeds of approximately HK\$195 million were used for the repayment of the Bonds in accordance with the proposed application as set out in the Company's prospectus dated 30th April, 2003.

The rights issue produced a dual benefit of enlarging the shareholders' equity as well as reducing the interest-bearing debts of the Group. Total shareholders' funds of the Group increased from approximately HK\$816 million as at 31st March, 2003 to approximately HK\$992 million as at 30th September, 2003.

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to approximately HK\$1,404 million as at 30th September, 2003 (as at 31st March, 2003: HK\$1,285 million), of which 40% of the debts was due and repayable within one year.

Total cash on hand was approximately HK\$163 million (as at 31st March, 2003: HK\$99 million). The Group had a total of approximately HK\$342 million committed but undrawn banking facilities at period end.

The increase in total interest-bearing debts was mainly attributed to a construction loan drawn for developing the City Square project in Mainland China and a medium term loan arising from acquisition of a subsidiary having carpark assets in Hong Kong. Total interest-bearing debts therefore remained at approximately HK\$1,404 million as at 30th September, 2003, despite full repayment of the HK\$300 million Bonds in May 2003 partly through equity.

The gearing ratio of the Group, as measured by total interest-bearing debts of approximately HK\$1,404 million over total assets of approximately HK\$2,550 million, was 55% as at 30th September, 2003 (as at 31st March, 2003: 56%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30th September, 2003, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Certain properties and bank balances with an aggregate carrying value of approximately HK\$1,800 million as at 30th September, 2003 were pledged to secure banking facilities of the Group.

Lucky Year Finance Limited ("Lucky Year"), a substantial shareholder of the Company, pledged its cash deposits with banks for certain bank loans granted to the Company in July 2001. The Group in return pledged its entire shareholding interests in two of its subsidiaries and assigned related shareholders' loans of approximately HK\$220 million to Lucky Year as security for the cash deposits.

Contingent liabilities

The Group was contingently liable for approximately HK\$12 million in respect of a guarantee provided for banking facilities utilised by a jointly-controlled entity.

The Group has been involved in a legal proceeding and a tax dispute as disclosed in the annual report of the Company for the year ended 31st March, 2003. Having regard to professional advice, the Group considers that the proceeding and dispute are without valid grounds and, accordingly, no provision has been made in the financial statements. There has been no further progress on the proceeding and dispute since the date of publishing our last annual report.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employs approximately 150 people in Hong Kong, in other parts of the People's Republic of China and overseas. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

OVERVIEW

The Central Government has introduced a number of measures to improve the local economy. These include the introduction of the "Closer Economic Partnership Arrangement" between Hong Kong and Mainland China as well as the relaxation of travel restrictions on Mainlanders visiting Hong Kong. Market confidence has been quickly restored as can be seen from the more active property transactions with noticeably higher selling prices. The Hong Kong Government has pledged its determination to maintain a stable property market. With the strong support from our Central Government, the decreasing housing completions over the next few years and the recovery of world economy, it is anticipated that the local property market will be in a healthy up-cycle.

Across the border, the economy and the property market remain robust. The Group will continue to pursue a prudent strategy to develop its property business in Mainland China to capture the basic needs of Mainlanders to improve their quality of living as their wealth increases.

Lastly, I would like to express my heartfelt thanks to my fellow directors and all staff for their dedication and hard work under the continued adverse market conditions.

James Sai-Wing Wong
Chairman

Hong Kong, 11th December, 2003

GENERAL INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the 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 Companies (the "Model Code"), were as follows:

(a) Directors' interests in the shares of the Company

Name of director	Note	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	1	Corporate	231,438,553	69.39
Madeline May-Lung Wong	1	Corporate	231,438,553	69.39
William Chung-Yue Fan		Personal	708	0
Herman Man-Hei Fung		Family	1,417	0

All the interests stated above represent long positions.

(b) Directors' interests in the shares of associated corporations

Name of director	Note	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	2	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings Limited	Corporate	9,900,000	99.00
		("Chinney Holdings")	Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00
Madeline May-Lung Wong	2	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
William Chung-Yue Fan	4	Chinney Investments	Personal	3,918,285	0.71
		Wise Pacific Investment Limited	Corporate	2,000	20.00

All the interests stated above represent long positions.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

Notes:

1. *These shares are beneficially held by Chinney Investments which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which James Sai-Wing Wong and Madeline May-Lung Wong are directors of and have beneficial interests.*
2. *These shares are beneficially held by Chinney Holdings. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
3. *These shares are held by Lucky Year. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
4. *These shares are held by Gold Sound Enterprises Limited, of which William Chung-Yue Fan is both a director and a shareholder.*

Save as disclosed herein, as at 30th September, 2003, none of the directors of the Company had any interests or short positions 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) which are required to be recorded in the register kept by the Company under Section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2003, so far as is known to the directors of the Company, the following substantial shareholders and other person (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Number of ordinary shares held	Approximate percentage of shareholding
Chinney Investments	231,438,553	69.39
Chinney Holdings	231,438,553	69.39
Lucky Year	231,438,553	69.39

All the interests stated above represent long positions. Chinney Investments, Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.

Save as disclosed herein, as at 30th September, 2003, none of the substantial shareholders or other persons, other than the directors of the Company, had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 16th September, 1993 for the primary purpose of providing incentives to any employee (including any executive director) of the Company or any of its subsidiaries.

There were no outstanding options as at 1st April, 2003. No options were granted, exercised, cancelled or lapsed from 1st April, 2003 up to the expiry of the scheme on 16th September, 2003.

PURCHASE, SALE OR REDEMPTION OF CONVERTIBLE BONDS AND SECURITIES

A principal amount of HK\$159 million of the Bonds was redeemed at par on 22nd April, 2003 and the remaining amount of HK\$141 million of the Bonds was redeemed at par on 21st May, 2003.

Save as disclosed above, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's securities during the six months ended 30th September, 2003.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except that the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company.

AUDIT COMMITTEE

The Company's audit committee has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated financial statements for the six months ended 30th September, 2003.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30th September,	
		2003 (Unaudited) HK\$'000	2002 (Unaudited and restated) HK\$'000
Turnover		67,148	309,245
Cost of sales		(58,512)	(262,284)
Gross profit		8,636	46,961
Other revenue	3	5,415	1,410
Administrative expenses		(14,912)	(15,630)
Other operating expenses		(13,122)	–
Profit/(loss) from operating activities	4	(13,983)	32,741
Finance costs	5	(17,528)	(16,319)
Share of profits less losses of jointly-controlled entities		359	2,805
Profit/(loss) before tax		(31,152)	19,227
Tax	6	(1,056)	(6,730)
Profit/(loss) before minority interests		(32,208)	12,497
Minority interests		3,178	(7,996)
Net profit/(loss) from ordinary activities attributable to shareholders		(29,030)	4,501
Earnings/(loss) per share	7		
Basic		(10.49 cents)	3.37 cents
Diluted		N/A	2.40 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30th September, 2003 (Unaudited) HK\$'000	As at 31st March, 2003 (Audited and restated) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		4,737	4,536
Properties under development		303,487	303,568
Investment properties		1,040,775	930,775
Deferred charges		–	199
Interests in jointly-controlled entities		2,168	2,442
Interests in associates		14,857	14,857
		1,366,024	1,256,377
CURRENT ASSETS			
Prepaid tax		65	54
Properties held for sale		929,392	858,690
Prepayments, deposits and other receivables	8	90,907	85,689
Pledged time deposits		82,342	–
Cash and cash equivalents		80,802	99,341
		1,183,508	1,043,774
CURRENT LIABILITIES			
Amounts due to fellow subsidiaries		26,894	–
Amounts due to related companies		144	1,894
Accounts payable and accrued liabilities	9	59,214	90,354
Customer deposits		10,556	9,259
Tax payable		446	9,926
Convertible guaranteed bonds		–	300,000
Interest-bearing bank loans and overdrafts		554,990	454,355
		652,244	865,788
NET CURRENT ASSETS		531,264	177,986
TOTAL ASSETS LESS CURRENT LIABILITIES		1,897,288	1,434,363

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		As at 30th September, 2003 (Unaudited) <i>HK\$'000</i>	As at 31st March, 2003 (Audited and restated) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		848,995	530,550
Loans from minority interests		38,405	70,779
Deferred tax		1,169	1,146
		<u>888,569</u>	<u>602,475</u>
MINORITY INTERESTS			
		<u>16,274</u>	15,709
		<u>992,445</u>	<u>816,179</u>
CAPITAL AND RESERVES			
Issued capital	10	333,538	133,415
Reserves	11	658,907	682,764
		<u>992,445</u>	<u>816,179</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended	
	2003	2002
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Total shareholders' equity as at 1st April		
As previously reported	817,325	1,295,471
Prior year adjustment	(1,146)	(1,103)
As restated	816,179	1,294,368
Exchange differences on translation of the financial statements of foreign entities	10,556	353
Issue of new shares, net of expenses	194,740	–
Net profit/(loss) for the period	(29,030)	4,501
Total shareholders' equity as at 30th September	992,445	1,299,222

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	(81,916)	114,099
Net cash inflow/(outflow) from investing activities	(83,228)	5,074
Net cash inflow/(outflow) from financing activities	144,165	(131,040)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(20,979)	(11,867)
Cash and cash equivalents at the beginning of the period	95,697	165,899
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	74,718	154,032
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	80,802	73,088
Non-pledged time deposits	–	80,944
Bank overdrafts	(6,084)	–
	<hr/>	<hr/>
	74,718	154,032
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of Appendix 16 of the Listing Rules and the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting”.

The condensed consolidated interim financial statements should be read in conjunction with the 2002/2003 annual financial statements.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2003, except for the adoption of SSAP 12 (Revised) “Income Taxes”.

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided using the income statement liability method on all significant timing differences to the extent it was probable that the liability would crystallise in the foreseeable future. A deferred tax asset was not recognised until its realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

This change in accounting policy has resulted in an increase in the Group’s deferred tax liabilities as at 30th September, 2003 and 31st March, 2003 by HK\$1,169,000 and HK\$1,146,000 respectively. As a result, the Group’s net profit/(loss) from ordinary activities attributable to shareholders for the period ended 30th September, 2003 and 2002 have been impacted by an additional loss of HK\$23,000 and HK\$18,000 respectively and the consolidated retained profits as at 1st April, 2003 and 2002 have been decreased by HK\$1,146,000 and HK\$1,103,000 respectively and recognised as prior year adjustment in the current period.

2. Segment information

The Group is principally engaged in property development, property investment and property related activities. An analysis of the Group's revenue and results by business and geographical segments is as follows:

Business segments

	Property development		Property investment		Others		Consolidated	
	Six months ended 30th September, 2003		Six months ended 30th September, 2002		Six months ended 30th September, 2003		Six months ended 30th September, 2002	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>36,640</u>	<u>280,739</u>	<u>25,992</u>	<u>22,084</u>	<u>4,516</u>	<u>6,422</u>	<u>67,148</u>	<u>309,245</u>
Segment results	<u>(21,602)</u>	<u>28,032</u>	<u>14,441</u>	<u>16,839</u>	<u>2,256</u>	<u>1,269</u>	<u>(4,905)</u>	<u>46,140</u>
Interest income							1,303	388
Unallocated gains							1,136	308
Unallocated expenses							<u>(11,517)</u>	<u>(14,095)</u>
Profit/(loss) from operating activities							<u>(13,983)</u>	<u>32,741</u>
Interest expenses							<u>(17,474)</u>	<u>(15,742)</u>
Amortisation of bond issue expenses							<u>(54)</u>	<u>(577)</u>
Share of profits less losses of jointly-controlled entities	-	2,826	-	-	359	(21)	<u>359</u>	<u>2,805</u>
Profit/(loss) before tax							<u>(31,152)</u>	<u>19,227</u>
Tax							<u>(1,056)</u>	<u>(6,730)</u>
Profit/(loss) before minority interests							<u>(32,208)</u>	<u>12,497</u>
Minority interests							<u>3,178</u>	<u>(7,996)</u>
Net profit/(loss) from ordinary activities attributable to shareholders							<u>(29,030)</u>	<u>4,501</u>

2. Segment information (Continued)
Geographical segments

	Hong Kong		Mainland China		Malaysia		Canada		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30th September,		30th September,		30th September,		30th September,		30th September,	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>59,493</u>	<u>60,212</u>	<u>-</u>	<u>240,472</u>	<u>5,454</u>	<u>5,986</u>	<u>2,201</u>	<u>2,575</u>	<u>67,148</u>	<u>309,245</u>

3. Other revenue

	Six months ended	
	30th September,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from bank deposits	1,126	115
Interest income from mortgages	177	273
Others	<u>4,112</u>	<u>1,022</u>
	<u>5,415</u>	<u>1,410</u>

4. Profit/(loss) from operating activities

Profit/(loss) from operating activities is arrived at after charging:

	Six months ended	
	30th September,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	950	1,092
Staff costs (including directors' emoluments)	6,152	9,044
Impairment of properties under development	<u>10,654</u>	<u>-</u>

5. Finance costs

	Six months ended	
	30th September,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within five years	19,796	10,290
Bank loans wholly repayable after five years	1,285	6,943
Convertible guaranteed bonds	1,417	15,000
Other loans	1,722	–
Bank overdrafts	99	–
	<u>24,319</u>	<u>32,233</u>
Less: Amounts capitalised under property development projects	<u>6,845</u>	<u>16,491</u>
	<u>17,474</u>	<u>15,742</u>
Amortisation of bond issue expenses	199	2,103
Less: Amounts capitalised under property development projects	<u>145</u>	<u>1,526</u>
	<u>54</u>	<u>577</u>
Total finance costs	<u><u>17,528</u></u>	<u><u>16,319</u></u>

6. Tax

	Six months ended	
	30th September,	
	2003	2002
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
<hr/>		
Group		
Profits tax:		
Hong Kong	140	40
Elsewhere	893	6,672
	<hr/> 1,033	<hr/> 6,712
Deferred tax:		
Elsewhere	23	18
	<hr/> 1,056	<hr/> 6,730
	<hr/> <hr/> 1,056	<hr/> <hr/> 6,730

The Group companies provide for tax on the basis of their income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Tax on the profits of subsidiaries operating elsewhere has been calculated at the rates of tax prevailing in their respective jurisdictions.

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders of HK\$29,030,000 (2002: net profit of HK\$4,501,000) and on the weighted average of 276,672,921 (2002: 133,415,401 as adjusted to reflect the ten-for-one share consolidation) shares of the Company in issue during the period.

There has been no dilutive effect on the basic loss per share for the period ended 30th September, 2003 as there were no outstanding convertible guaranteed bonds and share options at period end.

7. Earnings/(loss) per share (Continued)

The calculation of diluted earnings per share for the period ended 30th September, 2002 was based on the net profit from ordinary activities attributable to shareholders of HK\$4,999,000 as adjusted for the interest saving less deferred charges expensed on the conversion of the convertible guaranteed bonds into ordinary shares of the Company. The weighted average number of ordinary shares used in the calculation was the sum of the number of ordinary shares in issue during the period used in the basic earnings per share calculation of 133,415,401 (as adjusted to reflect the ten-for-one share consolidation) and the number of 75,000,000 (as adjusted to reflect the ten-for-one share consolidation) ordinary shares assumed to have been issued at no consideration on the deemed conversion of all convertible guaranteed bonds into ordinary shares of the Company during the period. The share options outstanding during the period ended 30th September, 2002 had no dilutive effect on the basic earnings per share for that period.

8. Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables are trade receivables of HK\$33,142,000 (as at 31st March, 2003: HK\$46,834,000). An aged analysis of trade receivables is as follows:

	As at 30th September, 2003 (Unaudited) HK\$'000	As at 31st March, 2003 (Audited) HK\$'000
Current to 30 days	32,051	45,885
31-60 days	602	837
61-90 days	323	81
Over 90 days	166	31
Total	<u>33,142</u>	<u>46,834</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided in full in case of non-recoverability.

9. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are trade payables of HK\$7,851,000 (as at 31st March, 2003: HK\$4,769,000). An aged analysis of trade payables is as follows:

	As at 30th September, 2003 (Unaudited) HK\$'000	As at 31st March, 2003 (Audited) HK\$'000
Current to 30 days	<u><u>7,851</u></u>	<u><u>4,769</u></u>

10. Share capital

Shares

HK\$'000

Authorised:

As at 30th September, 2003

1,750,000,000 shares of HK\$1.00 each

1,750,000

As at 31st March, 2003

17,500,000,000 shares of HK\$0.10 each

1,750,000

Issued and fully paid:

As at 30th September, 2003

333,538,501 shares of HK\$1.00 each

333,538

As at 31st March, 2003

1,334,154,019 shares of HK\$0.10 each

133,415

10. Share capital *(Continued)*

During the period, the following movements in share capital were recorded:

Share consolidation

Pursuant to an ordinary resolution passed on 22nd April, 2003, every 10 issued and unissued ordinary shares of HK\$0.10 each of the Company were consolidated into one ordinary share of HK\$1.00 (the “Consolidated Shares”). All the Consolidated Shares rank pari passu in all respects and have the same rights and privileges and are subject to the restrictions contained in the memorandum and articles of association of the Company. The share consolidation took effect on 23rd April, 2003.

Rights issue

Pursuant to an ordinary resolution passed on 22nd April, 2003, a rights issue was made on the basis of three rights shares (the “Rights Shares”) for every two existing shares held by shareholders on the register of members on 30th April, 2003, at a subscription price of HK\$1.00 per Rights Share. This resulted in the issue of 200,123,100 Rights Shares of HK\$1.00 each for a total cash consideration of HK\$200,123,100. The rights issue was completed on 21st May, 2003.

Share options

There were no outstanding options as at 1st April, 2003. No options were granted, exercised, cancelled or lapsed from 1st April, 2003 up to the expiry of the share option scheme on 16th September, 2003.

11. Reserves

	Share premium account (Unaudited) HK\$'000	Special capital reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited and restated) HK\$'000	Total (Unaudited and restated) HK\$'000
At 1st April, 2002						
As previously reported	126,628	533,659	10	(82,082)	583,841	1,162,056
Prior year adjustment	-	-	-	-	(1,103)	(1,103)
As restated	126,628	533,659	10	(82,082)	582,738	1,160,953
Exchange realignments	-	-	-	353	-	353
Net profit for the period	-	-	-	-	4,501	4,501
At 30th September, 2002	<u>126,628</u>	<u>533,659</u>	<u>10</u>	<u>(81,729)</u>	<u>587,239</u>	<u>1,165,807</u>
At 1st April, 2003						
As previously reported	126,628	533,659	10	(81,127)	104,740	683,910
Prior year adjustment	-	-	-	-	(1,146)	(1,146)
As restated	126,628	533,659	10	(81,127)	103,594	682,764
Rights issue expenses	(5,383)	-	-	-	-	(5,383)
Release on issue of new shares	-	(200,123)	-	-	200,123	-
Exchange realignments	-	-	-	10,556	-	10,556
Net loss for the period	-	-	-	-	(29,030)	(29,030)
At 30th September, 2003	<u>121,245</u>	<u>333,536</u>	<u>10</u>	<u>(70,571)</u>	<u>274,687</u>	<u>658,907</u>

As a result of the capital reduction of the Company effected on 17th October, 2000, a credit of HK\$533,658,876.40 was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

- shall not be treated as a realised profit; and
- shall, for so long as the Company remains a listed company (as defined in the Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof,

11. Reserves (Continued)

provided always that the amount standing to the credit of the special capital reserve may be reduced by (i) the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

Upon issuance of 200,123,100 Rights Shares in May 2003, an aggregate amount of HK\$200,123,100 was transferred from the special capital reserve to the retained profits of the Company.

12. Commitments

(a) Capital commitments

As at 30th September, 2003, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of subsidiaries amounting to HK\$328,901,000 (as at 31st March, 2003: HK\$159,286,000) and HK\$12,750,000 (as at 31st March, 2003: nil) respectively.

There are no amounts relating to jointly-controlled entities included in the above (as at 31st March, 2003: nil).

(b) Lease commitments

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 30th September, 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30th September, 2003 (Unaudited) HK\$'000	As at 31st March, 2003 (Audited) HK\$'000
Within one year	2,812	2,637
In the second to fifth years, inclusive	—	1,310
	<u>2,812</u>	<u>3,947</u>

13. Related party transactions

- (a) During the period, the Group had transactions with companies in which James Sai-Wing Wong, Madeline May-Lung Wong, William Chung-Yue Fan and Herman Man-Hei Fung, directors of the Company, had beneficial interests. The significant transactions are summarised below.

	Notes	Six months ended 30th September,	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Construction costs paid to related companies	(i)	–	9,170
Interests paid to a substantial shareholder	(ii)	2,388	7,050
Commissions paid to a substantial shareholder	(iii)	1,313	1,313
Underwriting commissions paid to a substantial shareholder	(iv)	2,632	–
Legal and professional fees paid to a solicitor's firm in which a director of the Company is a consultant	(v)	235	298

Notes:

- (i) *The construction costs paid to related companies were agreed on an individual contract basis between the respective parties. Such costs were negotiated and charged on bases similar to those under contracts with third parties.*
- (ii) *The interests were paid to the substantial shareholder as a result of:*
- (aa) *interest payable at a fixed coupon rate of 10% per annum on the Bonds held by the substantial shareholder.*
- (bb) *interest payable at normal commercial rate on deferral of the redemption date of the Bonds held by the substantial shareholder from 22nd April, 2003 (original maturity date) to 21st May, 2003 (date of completion of the rights issue).*
- (cc) *interest payable at normal commercial rate on the bridging finance provided by the substantial shareholder to facilitate the redemption of the Bonds held by other bondholders on 22nd April, 2003.*
- (iii) *The commissions were paid to the substantial shareholder for provision of cash security for certain bank loans granted to the Company and were agreed and charged on bases taking into consideration the average borrowing cost of the Group.*
- (iv) *The underwriting commissions were paid to the substantial shareholder for underwriting of the rights issue of the Company.*
- (v) *The directors consider that the provision of legal and professional services was made according to the standard prices and conditions similar to those offered to other clients of the solicitor's firm.*

13. Related party transactions (Continued)

- (b) In April 2001, the Group issued the Bonds due April 2003 with a principal sum of HK\$300 million. Chinney Investments and Patrick Yen-Tse Tsai, a director of the Company, subscribed for the Bonds in the principal amount of HK\$141 million and HK\$2 million, respectively. These subscriptions for the Bonds, together with the Group's repurchase of the principal amount of US\$5,625,000 of the 5.3% convertible guaranteed bonds due July 2001 held by Chinney Investments, were approved by the independent shareholders of the Company on 9th April, 2001. The Bonds were issued and allotted to Chinney Investments and Patrick Yen-Tse Tsai under the same terms and conditions as other independent bondholders.

The Bonds held by Patrick Yen-Tse Tsai and other independent bondholders were redeemed at par on 22nd April, 2003. The Bonds held by Chinney Investments were redeemed at par on 21st May, 2003 by applying the redemption monies against the subscription monies payable by Chinney Investments under the rights issue.

- (c) In May 2001, the Group obtained bank loan facilities of HK\$150 million through cash collateral provided by Lucky Year, a substantial shareholder of the Company. In consideration for Lucky Year's provision of the cash security, the Group agreed to pay commission of 1.75% per annum on the average principal amount of the cash security outstanding during the term of the bank loans to Lucky Year and counter-indemnify Lucky Year in respect of the cash security by mortgaging the entire issued share capital of two of the Group's subsidiaries and assigned shareholders' loans in an aggregate amount of HK\$220,245,000 to Lucky Year. The connected financing arrangement was approved by the independent shareholders of the Company on 28th June, 2001.
- (d) On 12th February, 2003, Chinney Investments entered into an underwriting agreement (the "Underwriting Agreement") with the Company in relation to the underwriting of all of the rights shares issued pursuant to a rights issue of 200,123,100 shares of the Company at a subscription price of HK\$1.00 per share. Upon completion of the rights issue on 21st May, 2003, 73,367,367 shares of HK\$1.00 each were issued to Chinney Investments pursuant to the Underwriting Agreement.
- (e) On 12th February, 2003, the Company and Hon Kwok Land Treasury II Limited, a wholly-owned subsidiary of the Company, entered into a payment arrangement deed with Chinney Investments, whereby all parties agreed that the redemption monies of HK\$141 million of the Bonds held by Chinney Investments be applied towards payment of part of or the whole of the subscription monies for the shares subscribed by Chinney Investments under the rights issue. The deed was subsequently amended on 31st March, 2003, whereby all parties agreed that the redemption of the Bonds held by Chinney Investments be deferred upon completion of the rights issue with interests being charged at normal commercial terms.

13. Related party transactions *(Continued)*

- (f) On 31st March, 2003, the Company entered into an agreement for a bridging facility with Chinney Investments whereby Chinney Investments agreed to provide financing to the Company to partly finance the redemption of the Bonds. Chinney Investments received interests in respect of the bridging facility under normal commercial terms. The advance under the bridging facility was repaid in full.
- (g) On 26th August, 2003, the Group entered into an agreement with a wholly-owned subsidiary of Chinney Alliance Group Limited, an associate of Chinney Investments, for the acquisition of the entire issued share capital of China Parking (BVI) Limited and related shareholders' loans for a cash consideration of HK\$15 million. The consideration was arrived at after arm's length negotiation and determined by reference to the unaudited consolidated net tangible assets of China Parking (BVI) Limited and its subsidiaries of approximately HK\$14.7 million as at 30th June, 2003. The acquisition was completed on 22nd October, 2003.
- (h) The balances with the fellow subsidiaries and related companies are unsecured, interest-free, and have no fixed terms of repayment.

14. Comparative figures

Due to the adoption of SSAP 12 (Revised) during the current period as explained in note 1 to the interim financial statements, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative figures have been restated and reclassified to conform with the current period's presentation.

15. Approval of the interim financial statements

These condensed interim financial statements were approved and authorised for issue by the board of directors on 11th December, 2003.