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Interim
Report 2004/2005



Hon Kwok Land Investment Company, Limited



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DIRECTORS

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

* *Independent non-executive directors*

AUDIT COMMITTEE

William Chung-Yue Fan
Daniel Chi-Wai Tse
Patrick Yen-Tse Tsai
Kenneth Kin-Hing Lam

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young

REGISTRARS

Tengis Limited
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Bank of East Asia Harbour View Centre
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REGISTERED OFFICE

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STOCK CODE

SEHK 160

CONSOLIDATED RESULTS

The Group was profitable for the six months ended 30th September, 2004. The net profit was HK\$10 million (2003: net loss of HK\$29 million) against increased turnover to HK\$169 million (2003: HK\$67 million) in the period.

The turnover growth was mainly attributable to increased property sales activities in Hong Kong and Mainland China during the period. The Group reported an overall profit as a result of the increase in sales activities and the rebound of the local property market since the fourth quarter of last year.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2004 (2003: nil).

CORPORATE EVENT

As announced on 14th September, 2004, the Group entered into an agreement to dispose the entire issued share capital of Global Success Holdings Inc. ("Global Success" and together with its subsidiary, the "Global Success Group") and assign related shareholder's loans to an independent third party for a cash consideration of approximately HK\$566 million. The sole asset held by the Global Success Group was a piece of vacant land situated at 97 Po Kong Village Road, Diamond Hill, Kowloon (formerly the Heung To Middle School). The transaction fell beyond the ordinary course of business of the Group and thus constituted a very substantial disposal transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Full details of the transaction are set out in the circular to the shareholders dated 30th September, 2004.

The disposal was conditional on approval from shareholders of the Company and Chinney Investments, Limited ("Chinney Investments") in general meeting and discharge of all liabilities of the Global Success Group. Following obtaining the relevant shareholders' approvals on 1st November, 2004, completion of the disposal took place on 15th November, 2004. The disposal produced cash inflows of HK\$566 million to the Group, of which HK\$166 million was applied to settle bank borrowings and other liabilities of the Global Success Group with the balance of HK\$400 million being retained for bank loan repayment and general working capital purposes. The capital gain of HK\$233 million so realised would be recognised as profit in the second half of the financial year ending 31st March, 2005, in a manner which conforms to the date of completion of the transaction.

REVIEW OF OPERATIONS

Property development

Hong Kong

The Group took active steps to unload the unsold units of completed properties, as the property market improved. Total property sales for the period amounted to HK\$69 million (2003: HK\$37 million).

In September 2004, the Group entered into an agreement to dispose the project company holding our development project at 97 Po Kong Village Road, Diamond Hill, Kowloon. The property was vacant land with a site area of 24,218 square feet and a buildable gross floor area of 202,633 square feet. The transaction was approved by the shareholders of the Company and completed on 15th November, 2004.

Mainland China

The Group's residential project in Luo Hu District, Shenzhen known as **City Square** (城市天地廣場) was the major project under sale. Construction works for **City Square** (城市天地廣場), comprising 6 residential towers of 2,262 residential units erected on an 8-storey commercial podium, have been progressed to the interior decoration stage. The project, under pre-sale since June 2004, is to be completed in May 2005. Turnover from our sales activities in Mainland China amounted to HK\$61 million for the period (2003: nil).

The Group took active steps to enlarge its development land bank in Mainland China. Conditional agreements have been reached to acquire interests in three development projects in Guangzhou. Fuller details of the acquisitions are expected to be disclosed once the land acquisition formalities have reached an appropriate stage.

Canada

Construction works for Phase I of our Toronto project have been progressed to the foundation stage. The project, comprising a residential tower of 526 units, is to be completed in July 2006. Turnover and profit from pre-sale of the project will commence recognition in the second half of the financial year, in accordance with the construction and sales progress up to period end date. As of today, approximately 70% of the residential units has been pre-sold.

Phase II of our Toronto project, in which the Group has 50% interest, is under rezoning application to maximise the buildable gross floor area.

Property investment

Hong Kong

The Group's investment portfolio in Hong Kong comprises **The Bauhinia and Honwell Commercial Centre** (寶軒及漢貿商業中心), **Hon Kwok Jordan Centre** (漢國佐敦中心), **Yien Yieh Commercial Building** (鹽業商業大廈), **Hon Kwok TST Centre** (漢國尖沙咀中心) and three lots of carparks with a total of 510 parking bays.

Our service apartment at **The Bauhinia** (寶軒) regained average occupancy to more than 90% after the end of the SARS epidemic last year. **Yien Yieh Commercial Building** (鹽業商業大廈) and **Hon Kwok TST Centre** (漢國尖沙咀中心), both being office premises acquired in December 2002, reached respective occupancy of 85% and 91% up to the date hereof. The improved occupancies together with revenue contribution from two lots of carparks acquired in October 2003 improved our rental income to HK\$28.6 million during the period (2003: HK\$20.5 million).

Malaysia

The commercial complex, **Plaza Ampang**, at Kuala Lumpur, Malaysia maintained an occupancy of approximately 70%. Rental income was HK\$6.0 million during the period (2003: HK\$5.5 million).

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$1,577 million as at 30th September, 2004 (as at 31st March, 2004: HK\$1,590 million), of which approximately 19% of the debts were due and repayable within one year. Total cash on hand was approximately HK\$260 million as at 30th September, 2004 (as at 31st March, 2004: HK\$314 million).

In September 2004, the Group disposed Global Success for a cash consideration of approximately HK\$566 million (the "Transaction"). The Transaction produced cash inflow of approximately HK\$57 million by way of deposits in the first half of the financial year and approximately HK\$509 million in the second half of the financial year, as the Transaction received shareholders' approval and subsequently completed on 15th November, 2004. Interest-bearing debt of approximately HK\$164 million in the Global Success Group was also discharged in full upon completion of the Transaction.

Total shareholders' fund as at 30th September, 2004 was approximately HK\$1,254 million. Assuming completion of the Transaction took place on 30th September, 2004, the pro forma shareholders' fund as at 30th September, 2004 (as increased by the capital gain of approximately HK\$233 million) would be approximately HK\$1,487 million.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$1,317 million over the shareholders' fund of approximately HK\$1,254 million, was 105% as at 30th September, 2004. The Group's financial position has been further strengthened when the Transaction completed on 15th November, 2004. Assuming completion of the Transaction took place on 30th September, 2004, the pro forma gearing ratio of the Group, as measured by the pro forma net interest-bearing debts of approximately HK\$808 million over the pro forma shareholders' fund of approximately HK\$1,487 million, would be 54% as at 30th September, 2004.

The Group had a total of HK\$396 million committed but undrawn banking facilities at period end available for its working capital purpose.

Use of placement proceeds

On 25th February, 2004, the Company entered into a top-up placing arrangement with Chinney Investments and a placing agent pursuant to which the placing agent placed on an underwritten basis 66,700,000 existing shares held by Chinney Investments to independent third parties at a price of HK\$1.65 per share. Concurrently, Chinney Investments subscribed for 66,700,000 new shares of the Company also at the same price of HK\$1.65 per share. The subscription was completed on 10th March, 2004 and generated net cash proceeds of HK\$107 million for general working capital purpose.

During the period, the Group fully utilised the remaining proceeds of HK\$85 million for general working capital purposes, including land acquisition, as originally intended.

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30th September, 2004, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties and bank balances with an aggregate carrying value of HK\$1,916 million as at 30th September, 2004 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

As at 31st March, 2004, the Group was contingently liable for HK\$7,902,000 in respect of a guarantee provided for a banking facility utilised by a jointly-controlled entity. During the period, the guarantee was released upon repayment of the banking facility in full.

Save for the above, there was no significant change to the contingent liabilities of the Group as disclosed in the annual report of the Group for the year ended 31st March, 2004.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 150 people as at 30th September, 2004. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

OVERVIEW

The local property market significantly rebounded in the fourth quarter of last year. Favorable measures from the Central Government including the Closer Economic Partnership Arrangement and the Individual Travel Scheme to facilitate Mainland residents visiting Hong Kong led to a speedy revival of the local economy. Strong demand emerged on residential properties as the buyers regained confidence under a low interest-rate environment and perceived supply shortage of residential units in the coming years. Developers are eager on land bank replenishment as seen from their aggressive bids in the government land auction and the enthusiastic response on redevelopment projects from the Urban Renewal Authority. The office market in comparison lagged behind. As a result, there have been signs of investors' return on the office market as lured by the higher yield and the new policy from the Central Government to facilitate Mainland companies investing in Hong Kong.

After the outbreak of the Asian Financial Crisis, your Group began to shift its property development focus from Hong Kong to Mainland China. Through leveraging our connection and market expertise, the Group acquired two office properties and three lots of carparks in Hong Kong when the property market was still in the doldrums. Whilst the local property market has recovered, the competition for property development has become so keen that it is difficult for medium size developers to participate due to limited financial resources. The Directors therefore decided that it would be more profitable for the Group to focus in Mainland China, in particular Southern China, where we have established our brand and presence over the years. The Pan-Pearl River Delta Cooperation, which calls for a closer tie among cities and provinces in the region, will likely boost the economy and thus the profitability of our property development activities in Southern China. Our strategy remains to invest in Hong Kong properties for rental and to develop in Mainland China properties for sale.

Taking this opportunity, I would like to express my appreciation to my fellow directors for their advice and to all staff for their dedication and hard work in the period.

James Sai-Wing Wong
Chairman

Hong Kong, 14th December, 2004

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2004, 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	57.83
Madeline May-Lung Wong	1	Corporate	231,438,553	57.83

All the interests stated above represent long positions.

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

Name of director	Notes	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 ("Chinney Holdings")	Corporate	9,900,000	99.00
		Chinney Holdings	Personal	100,000	1.00
		Lucky Year Finance Limited ("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	1,902,285	0.35
		Wise Pacific Investment Limited	Corporate	2,000	20.00
Zuric Yuen-Keung Chan		Chinney Contractors Company Limited	Personal	2,645	13.95

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 and have beneficial interests therein.*
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, 2004, 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, 2004, 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	57.83
Chinney Holdings	231,438,553	57.83
Lucky Year	231,438,553	57.83

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, 2004, 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 once adopted a share option scheme on 16th September, 1993, which was expired on 16th September, 2003. There were no outstanding share options under the scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September, 2004, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors 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, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code during the six months ended 30th September, 2004.

AUDIT COMMITTEE

The Company has established an audit committee comprising William Chung-Yue Fan, Daniel Chi-Wai Tse, Patrick Yen-Tse Tsai and Kenneth Kin-Hing Lam.

Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal controls. The Company's interim results for the six months ended 30th September, 2004 are unaudited, but have been reviewed by the audit committee with management.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30th September,	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover		169,092	67,148
Cost of sales		(132,003)	(58,512)
Gross profit		37,089	8,636
Other revenue	3	5,158	5,415
Administrative expenses		(15,401)	(14,912)
Other operating expenses		(2,013)	(13,122)
Profit/(loss) from operating activities	4	24,833	(13,983)
Finance costs	5	(8,337)	(17,528)
Share of profits and losses of jointly-controlled entities	6	4,053	359
Write off of debt due from a jointly-controlled entity		(3,873)	–
Profit/(loss) before tax		16,676	(31,152)
Tax	7	(3,714)	(1,056)
Profit/(loss) before minority interests		12,962	(32,208)
Minority interests		(2,761)	3,178
Net profit/(loss) from ordinary activities attributable to shareholders		10,201	(29,030)
Earnings/(loss) per share	8		
Basic		2.55 cents	(10.49 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

	As at	As at
	30th September,	31st March,
	2004	2004
	(Unaudited)	(Audited)
<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Fixed assets	4,398	4,925
Properties under development	455,550	449,702
Investment properties	1,265,875	1,265,875
Interests in jointly-controlled entities	721	3,697
Interests in an associate	14,857	14,857
	1,741,401	1,739,056
CURRENT ASSETS		
Prepaid tax	27	48
Properties held for sale	884,089	859,435
Prepayments, deposits and other receivables	228,447	136,802
<i>9</i>		
Pledged time deposits	39,200	112,097
Time deposits	56,580	80,000
Cash and bank balances	163,758	121,540
	1,372,101	1,309,922
CURRENT LIABILITIES		
Amounts due to fellow subsidiaries	–	2,829
Amount due to a related company	3,154	801
Accounts payable and accrued liabilities	59,868	47,300
<i>10</i>		
Customer deposits	136,912	66,038
Tax payable	4,060	582
Interest-bearing bank borrowings	295,921	319,785
	499,915	437,335
NET CURRENT ASSETS	872,186	872,587
TOTAL ASSETS LESS CURRENT LIABILITIES	2,613,587	2,611,643

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

		As at 30th September, 2004 (Unaudited) HK\$'000	As at 31st March, 2004 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,281,118	1,270,432
Loans from minority interests		50,689	47,222
Deferred tax		2,473	2,486
		1,334,280	1,320,140
MINORITY INTERESTS			
		25,442	22,682
		1,253,865	1,268,821
CAPITAL AND RESERVES			
Issued capital	<i>11</i>	400,239	400,239
Reserves	<i>12</i>	853,626	868,582
		1,253,865	1,268,821

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended	
	30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total shareholders' equity as at 1st April	1,268,821	816,179
Exchange differences on translation of the financial statements of foreign entities	(1,143)	10,556
Issue of new shares, net of expenses	–	194,740
Net profit/(loss) for the period	10,201	(29,030)
Final dividend in respect of previous financial year	(24,014)	–
Total shareholders' equity as at 30th September	<u>1,253,865</u>	<u>992,445</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September,	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	16,465	(81,916)
Net cash inflow/(outflow) from investing activities	77,826	(83,228)
Net cash inflow/(outflow) from financing activities	(66,404)	144,165
Increase/(decrease) in cash and cash equivalents	27,887	(20,979)
Cash and cash equivalents at beginning of the period	192,451	95,697
Cash and cash equivalents at end of the period	<u>220,338</u>	<u>74,718</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	163,758	80,802
Non-pledged time deposits	56,580	–
Bank overdrafts	–	(6,084)
	<u>220,338</u>	<u>74,718</u>

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 Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements should be read in conjunction with the 2003/2004 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, 2004.

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 segments and revenue by geographical segments is as follows:

Business segments

	Property development		Property investment		Others		Consolidated	
	Six months ended 30th September, 2004		Six months ended 30th September, 2003		Six months ended 30th September, 2004		Six months ended 30th September, 2003	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	<u>130,476</u>	<u>36,640</u>	<u>34,599</u>	<u>25,992</u>	<u>4,017</u>	<u>4,516</u>	<u>169,092</u>	<u>67,148</u>
Segment results	<u>7,811</u>	<u>(21,602)</u>	<u>23,712</u>	<u>14,441</u>	<u>3,205</u>	<u>2,256</u>	<u>34,728</u>	<u>(4,905)</u>
Interest income							1,966	1,303
Unallocated gains							197	1,136
Unallocated expenses							(12,058)	(11,517)
Profit/(loss) from operating activities							24,833	(13,983)
Interest expenses							(8,337)	(17,474)
Amortisation of bond issue expenses							-	(54)
Share of profits and losses of jointly-controlled entities	3,873	-	-	-	180	359	4,053	359
Write off of debt due from a jointly-controlled entity	(3,873)	-	-	-	-	-	(3,873)	-
Profit/(loss) before tax							16,676	(31,152)
Tax							(3,714)	(1,056)
Profit/(loss) before minority interests							12,962	(32,208)
Minority interests							(2,761)	3,178
Net profit/(loss) from ordinary activities attributable to shareholders							<u>10,201</u>	<u>(29,030)</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,	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(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>101,760</u>	<u>59,493</u>	<u>61,299</u>	<u>-</u>	<u>6,033</u>	<u>5,454</u>	<u>-</u>	<u>2,201</u>	<u>169,092</u>	<u>67,148</u>

3. Other revenue

	Six months ended	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from bank deposits	1,836	1,126
Interest income from mortgages	130	177
Other property management income	2,372	2,108
Others	820	2,004
	<u>5,158</u>	<u>5,415</u>

4. Profit/(loss) from operating activities

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

	Six months ended	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	555	950
Staff costs (including directors' emoluments)	6,829	6,152
Impairment of properties under development	-	10,654
	<u>-</u>	<u>10,654</u>

5. Finance costs

	Six months ended	
	30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Interest on:		
Bank loans wholly repayable within five years	19,453	19,796
Bank loans wholly repayable after five years	708	1,285
Convertible guaranteed bonds	–	1,417
Other loans	–	1,722
Bank overdrafts	16	99
	<hr/>	<hr/>
	20,177	24,319
Less: Amounts capitalised under property development projects	11,840	6,845
	<hr/>	<hr/>
	8,337	17,474
	<hr/>	<hr/>
Other finance costs:		
Amortisation of bond issue expenses	–	199
Less: Amounts capitalised under property development projects	–	145
	<hr/>	<hr/>
	–	54
	<hr/>	<hr/>
Total finance costs	8,337	17,528
	<hr/> <hr/>	<hr/> <hr/>

6. Share of profits and losses of jointly-controlled entities

	Six months ended	
	30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating profit, net	180	359
Waiver of debts	3,873	–
	4,053	359

During the period, the Group and its joint venture partner wrote off the debts which were non-recoverable from a jointly-controlled entity. The corresponding debit of HK\$3,873,000 was recognised as write off of debt due from a jointly-controlled entity whilst the corresponding credit of HK\$3,873,000 was recognised as share of profits of jointly-controlled entities.

7. Tax

	Six months ended	
	30th September,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Tax charge for the period	13	–
Underprovision in prior period	–	140
Current – Elsewhere	3,549	893
Deferred	(13)	23
	3,549	1,056
Share of tax attributable to jointly-controlled entities	165	–
Total tax charge for the period	3,714	1,056

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.

7. Tax (Continued)

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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.

8. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of HK\$10,201,000 (2003: net loss of HK\$29,030,000) and 400,238,501 (2003: weighted average of 276,672,921) ordinary shares in issue during the period.

There has been no dilutive effect on the basic earnings/(loss) per share for the period ended 30th September, 2004 and 2003 as there were no dilutive potential ordinary shares at the respective period end.

9. Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables are trade receivables of HK\$50,076,000 (as at 31st March, 2004: HK\$108,994,000). An aged analysis of trade receivables is as follows:

	As at 30th September, 2004 (Unaudited) HK\$'000	As at 31st March, 2004 (Audited) HK\$'000
Current to 30 days	48,682	108,345
31-60 days	649	589
61-90 days	471	38
Over 90 days	274	22
Total	<u>50,076</u>	<u>108,994</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.

10. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are trade payables of HK\$6,193,000 (as at 31st March, 2004: HK\$8,974,000). An aged analysis of trade payables is as follows:

	As at 30th September, 2004 (Unaudited) HK\$'000	As at 31st March, 2004 (Audited) HK\$'000
Current to 30 days	<u>6,193</u>	<u>8,974</u>

11. Share capital

There were no movements in the authorised, issued and fully paid share capital of the Company in the current interim period.

12. Reserves

	Share premium account (Unaudited) HK\$'000	Special capital reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Investment properties revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st April, 2003	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>-</u>	<u>(70,571)</u>	<u>274,687</u>	<u>-</u>	<u>658,907</u>
At 1st April, 2004	161,410	223,480	10	6,243	(70,749)	524,174	24,014	868,582
Exchange realignments	-	-	-	-	(1,143)	-	-	(1,143)
Net profit for the period	-	-	-	-	-	10,201	-	10,201
Final dividend in respect of previous financial year	-	-	-	-	-	-	(24,014)	(24,014)
At 30th September, 2004	<u>161,410</u>	<u>223,480</u>	<u>10</u>	<u>6,243</u>	<u>(71,892)</u>	<u>534,375</u>	<u>-</u>	<u>853,626</u>

12. Reserves *(Continued)*

Pursuant to a court order dated 17th October, 2000, the nominal value of the shares of the Company was adjusted from HK\$0.50 to HK\$0.10 by way of a capital reduction. The authorised share capital of the Company was restored to its original amount of HK\$1,750,000,000 by the creation of an additional 14,000,000,000 new shares of HK\$0.10 each at the same time.

As a result of the capital reduction, a credit of HK\$533,658,876 based on the 1,334,147,191 shares of the Company then in issue was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

- (a) shall not be treated as a realised profit; and
- (b) 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,

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.

During the year ended 31st March, 2004, the following transfers were effected from the special capital reserve to retained profits:

- (i) a sum of HK\$200,123,100 as a result of issuance of 200,123,100 rights shares at HK\$1 each in May 2003; and
- (ii) a sum of HK\$110,055,000 as a result of issuance of 66,700,000 new shares at a placing price of HK\$1.65 each in March 2004.

13. Commitments

(a) Capital commitments

As at 30th September, 2004, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK\$311,347,000 (as at 31st March, 2004: HK\$309,210,000).

There are no authorised and contracted capital commitments in respect of property development expenditure relating to jointly-controlled entities included in the above (as at 31st March, 2004: 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, 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30th September, 2004 (Unaudited) HK\$'000	As at 31st March, 2004 (Audited) HK\$'000
Within one year	1,895	1,393
In the second to fifth years, inclusive	1,703	–
	<u>3,598</u>	<u>1,393</u>

14. Related party transactions

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

	Notes	Six months ended 30th September,	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest paid to the immediate holding company	(i)	–	2,388
Commissions paid to the ultimate holding company	(ii)	1,313	1,313
Underwriting commissions paid to the immediate holding company	(iii)	–	2,632
Legal and professional fees paid to a firm of solicitors to which a director of the Company is a consultant	(iv)	119	235

Notes:

- (i) In last period, the interest was paid to the immediate holding company as a result of:
- interest payable on the 10% convertible guaranteed bonds due April 2003 (the "Bonds") held by the immediate holding company;
 - interest payable at normal commercial rate on deferral of the redemption date of the Bonds held by the immediate holding company from 22nd April, 2003 (original maturity date) to 21st May, 2003 (date of completion of the rights issue); and
 - interest payable at normal commercial rate on the bridging finance facilities provided by the immediate holding company.
- (ii) The commissions were paid to the ultimate holding company for the 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.
- (iii) The underwriting commissions were paid to the immediate holding company for underwriting of the rights issue of the Company.
- (iv) 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 firm.

14. Related party transactions *(Continued)*

- (b) On 12th February, 2003, Chinney Investments entered into an underwriting agreement with the Company on a rights issue of 200,123,100 rights shares at a subscription price of HK\$1.00 per share (the "Rights Issue"). Pursuant to the agreement, Chinney Investments undertook to subscribe for 94,842,711 rights shares and agreed to underwrite the remaining portion of 105,280,389 rights shares at a commission of 2.5%.

Upon completion of the Rights Issue on 21st May, 2003, Chinney Investments was issued and allotted a total of 168,210,078 rights shares and received HK\$2,632,000 from the Company as underwriting commission.

- (c) 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 interest being charged at normal commercial terms.
- (d) 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.

The Group paid interest at a normal commercial rate in respect of bridging finance facilities provided by Chinney Investments.

- (e) 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 above transaction was completed on 22nd October, 2003.

14. Related party transactions *(Continued)*

- (f) In December 2003, Lucky Year extended cash security arrangement in favour of the Company for a further period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to bank loans of HK\$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement.

- (g) The balances with the fellow subsidiaries and the related company are unsecured, interest-free, and have no fixed terms of repayment.

15. Subsequent event

As announced on 14th September, 2004, the Group entered into an agreement to dispose the entire issued share capital of Global Success and assign related shareholder's loans for a cash consideration of HK\$565,725,000. The transaction was approved by the shareholders of the Company on 1st November, 2004 and completed on 15th November, 2004.

16. Approval of the interim financial statements

These condensed interim financial statements were approved and authorised for issue by the board of directors on 14th December, 2004.