



Hon Kwok Land Investment Company, Limited

Interim Report  
2005/2006

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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**

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

**REGISTERED OFFICE**

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**STOCK CODE**

SEHK 160

## CONSOLIDATED RESULTS

The Group was profitable for the six months ended 30th September, 2005. The net profit after minority interests was HK\$91 million (2004 (restated): HK\$2.7 million) against increased turnover to HK\$649 million (2004 (restated): HK\$119 million) in the period.

**City Square** (城市天地廣場), our residential and commercial project in Shenzhen, the PRC, was completed with the occupation permit issued in June 2005. Turnover and profit deriving from pre-sale of the project since June 2004 were recognised in the first half of the year, which gave rise to the improved results.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2005 (2004: nil).

## REVIEW OF OPERATIONS

### Property development

#### *Hong Kong*

The Group sold all the remaining units in the **Grandeur** (采怡閣), a residential/commercial project in Causeway Bay. The two commercial floors and a residential unit were sold at a price of HK\$44.7 million. Turnover from sale of unsold units of completed properties in the same period last year was HK\$69 million.

#### *Mainland China*

**City Square** (城市天地廣場) was the main project under sale during the period. The development comprising six towers of 2,262 units erected on an 8-storey commercial podium in the Luo Hu District of Shenzhen was completed with the issue of an occupation permit in June 2005. In preparing the financial statements for the year ended 31st March, 2005, the Group early adopted the new accounting standard on recognition of turnover and profit arising from pre-sale of properties. Turnover and profit are now recognised in full only when the project has been completed. The early conformance to the new accounting standard has resulted in revenue of HK\$50 million and net profit of HK\$9 million previously recognised for pre-sale of **City Square** (城市天地廣場) in the first half of last year being booked in the first half of this year. As a result, prior year comparatives have been restated accordingly to reflect the change. Our sales activities in Mainland China contributed turnover of HK\$565 million in the period (2004 (restated): HK\$11 million).

In July 2005, the Group was successful in a public auction bid for a piece of vacant land with a site area of 4,817 square meters and a gross floor area of 46,494 square meters in the Liwan District of Guangzhou. The land use right was acquired for a consideration of RMB90.5 million. As announced on 21st October, 2005, the Group sold 50% interest of the land to a real estate fund for a consideration of about HK\$45.7 million and entered into a joint venture arrangement with the fund to co-develop the land into a commercial/residential development. The consideration of HK\$45.7 million, being negotiated on an arm's length basis, represented 50% of the cost incurred by the Group in acquiring the land. The disposal was completed on 28th October, 2005. Full details of the transaction are set out in the circular to the shareholders dated 14th November, 2005.

#### *Canada*

Construction works for Phase I of our Toronto project topped off and presently due for completion in June 2006. This project consists of a 16-storey residential tower of 525 residential units. Up to the date hereof, the Group has pre-sold more than 80% of the units with sales reaching CAD90 million.

### **Property investment**

#### *Hong Kong*

The office market in Hong Kong was in the up trend during the period, against the backdrop of continued economic growth and more overseas companies establishing their offices in Hong Kong. We have seen improved occupancies and increased rentals for our office properties in Sheung Wan and Tsimshatsui. **Bauhinia** (寶軒), our serviced apartment in Sheung Wan, continued to perform well. Room rates have been revised upwards in response to the favorable market situation while occupancy remained high exceeding 90%. Total rental income was HK\$32.2 million in the period (2004: HK\$28.6 million).

During the period, the Group purchased a portfolio of completed residential units in Kowloon with a total gross floor area of about 60,000 square feet for investment. The total purchase cost was HK\$234 million, which translated into an average price of approximately HK\$3,900 per square foot.

#### *Malaysia*

The commercial complex, **Plaza Ampang**, at Kuala Lumpur, Malaysia suffered a slight drop in occupancy from about 70% to about 65%. Rental income was HK\$5.4 million in the period (2004: HK\$6.0 million).

### Property revaluation

The Group's investment properties were stated at fair value of HK\$1,327 million as at 31st March, 2005. The new accounting standard requires all investment properties be measured at fair value at each reporting period end in case an entity chooses the fair value model for its investment properties. The frequency of revaluation is in contrast to the present policy that all investment properties of the Group are revalued annually to their open market values at the end of each financial year. The Directors considered not meaningful to revalue all investment properties at each interim period end, as there could be significant ups and downs on the capital value of properties over a financial year, which ends up a high volatility of earnings in the income statement. So, the Group will follow the existing policy to assess the fair value of the investment properties at 31st March, 2006 and at each subsequent year end.

## FINANCIAL REVIEW

### Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK\$1,733 million as at 30th September, 2005 (as at 31st March, 2005: HK\$1,434 million), of which approximately 40% of the debts were due and repayable within one year. The increase was mainly due to new bank loans being drawdown during the period to partially finance the acquisition of properties.

Total cash on hand was HK\$229 million as at 30th September, 2005 (as at 31st March, 2005: HK\$354 million). The Group had a total of HK\$257 million committed but undrawn banking facilities at the period end available for its working capital purpose.

Total shareholders' fund as at 30th September, 2005 was approximately HK\$1,628 million (as at 31st March, 2005 (restated): HK\$1,542 million). The increase was mainly due to the profit retained for the period.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$1,504 million over the total shareholders' fund of approximately HK\$1,628 million, was 92% as at 30th September, 2005 (as at 31st March, 2005: 70%).

### Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30th September, 2005, 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\$2,033 million as at 30th September, 2005 were pledged to secure certain banking facilities of the Group.

### **Contingent liabilities**

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, 2005.

### **Employees and remuneration policies**

The Group, not including its jointly-controlled entities, employed approximately 210 people as at 30th September, 2005. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

### **OVERVIEW**

The Hong Kong economy continued to improve during the period under review. The economy expanded with a GDP growth of 8.2% year-by-year in October 2005. Unemployment rate was 5.3%, down from the peak of 8.7% in July 2003, coupled with an inflation of 1.8% in October 2005. In the past, there had been excessive savings amongst Hong Kong people for fear of prolonged deflation and rising unemployment. All such fears are now dissipating as the local economy is on its way to recovery since 2004. The rise in home prices has released many home-owners from negative equity, which greatly restored consumer confidence. It is generally believed that Hong Kong will continue to prosper under the continued economic growth of its motherland. The fundamentals of the Hong Kong economy remain good, which would provide ongoing momentum to the property market especially when interest rate is forecasted peaking out in the forthcoming year.

Across the border, the Mainland economy remains in high gear. Foreign investors kept entering into the real estate market, in anticipation of property price and currency appreciation. During the first three quarters of 2005, real estate investment in Mainland China went up by more than 20% year-by-year to RMB1,000 billion. As a result, the Central Government introduced further macro-economic measures to cool the otherwise over-heated property sector. Your Group based in the Southern China is least affected, as property prices over there were relatively stable and indeed lagged behind as compared with the Eastern China market. Foreign investors are eyeing more on properties in the Southern China, as they increasingly recognise the price disparity between the two regions and the potential of Guangzhou as the core of the Pan-Pearl River Delta Economic Region consisting of Hong Kong, Macau and the nine provinces in the Southern China. Your Group entered into a joint venture agreement with a real estate fund in October 2005 to co-develop a bare land in Guangzhou. The joint venture forms part of the strategy of the Group to introduce capable partners into our property projects in Mainland China, so as to build a large platform for the Group's property developments in the future.

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, 16th December, 2005

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2005, 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 Issuers (the "Model Code"), were as follows:

### (a) Directors' interests in the ordinary 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 ordinary 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, Limited ("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	1,882,285	0.34
		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 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, 2005, 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, 2005, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than the 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:

<b>Name</b>	<i>Notes</i>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding</b>
Chinney Investments	1 & 2	231,438,553	57.83
Chinney Holdings	1 & 2	231,438,553	57.83
Lucky Year	1 & 2	231,438,553	57.83
DJE Investment S.A.	1 & 3	20,102,000	5.02
Dr. Jens Ehrhardt Kapital AG	1 & 3	20,102,000	5.02
Dr. Jens Alfred Karl Ehrhardt	1 & 3	20,102,000	5.02

*Notes:*

1. *All the interests stated above represent long positions.*
2. *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.*
3. *DJE Investment S.A., Dr. Jens Ehrhardt Kapital AG and Dr. Jens Alfred Karl Ehrhardt are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.*

**SUBSTANTIAL SHAREHOLDERS** *(Continued)*

Save as disclosed herein, as at 30th September, 2005, 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.

**PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30th September, 2005, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares.

**CORPORATE GOVERNANCE****Compliance with Model Code for Securities Transactions By Directors**

The Company has adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, 2005.

**Compliance with Code on Corporate Governance Practices**

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30th September, 2005, except for the CG Code provision C.2 on internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005) and the following deviations:

1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, Mr. James Sai-Wing Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

**CORPORATE GOVERNANCE** (Continued)**Compliance with Code on Corporate Governance Practices** (Continued)

2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. However, all non-executive directors of the Company are currently not appointed for specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. 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 CG Code.
3. CG Code provision A.4.2 stipulates that (a) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; and (b) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the articles of association of the Company, (a) any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election; (b) at each annual general meeting, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no director holding office as executive chairman or as a managing director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

The Board will ensure the retirement of each director, other than the one who holds the office as chairman, by rotation at least once every three years in order to comply with the CG Code provisions. The Board considered that the continuity of office of the chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

4. CG Code provision A.5.4 stipulates that the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in the securities of the issuer.

A Code for Securities Transactions for Relevant Employees which is on no less exacting terms than the Model Code has been adopted by the Board on 16th December, 2005.

**CORPORATE GOVERNANCE** (Continued)**Compliance with Code on Corporate Governance Practices** (Continued)

5. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference of the remuneration committee on 16th December, 2005 with certain deviation from the CG Code provisions. Pursuant to the terms of reference, the remuneration committee should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of Executive Directors only but not senior management.
6. CG Code provisions B.1.4 and C.3.4 stipulate that the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website.

At present, the Company does not maintain a website. However, the terms of reference of the two committees are available from the Company Secretary on request.

**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 control. The Company's interim results for the six months ended 30th September, 2005 has not been audited, but has been reviewed by the Audit Committee.

	<i>Notes</i>	<b>Six months ended</b>	
		<b>2005</b>	<b>2004</b>
		<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>648,910</b>	119,148
Cost of sales		<b>(482,102)</b>	(93,155)
Gross profit		<b>166,808</b>	25,993
Other revenue	3	<b>4,078</b>	5,158
Administrative expenses		<b>(15,090)</b>	(15,401)
Other operating expenses		<b>(1,827)</b>	(2,013)
Finance costs	4	<b>(22,310)</b>	(8,337)
Share of profits and losses of jointly-controlled entities	5	<b>153</b>	3,888
Write off of debt due from a jointly-controlled entity		–	(3,873)
Profit before tax	6	<b>131,812</b>	5,415
Tax	7	<b>(19,171)</b>	(1,880)
Profit for the period		<b><u>112,641</u></b>	<u>3,535</u>
Attributable to:			
Equity holders of the parent		<b>91,301</b>	2,660
Minority interests		<b>21,340</b>	875
		<b><u>112,641</u></b>	<u>3,535</u>
Earnings per share	8		
Basic		<b><u>22.81 cents</u></b>	<u>0.66 cents</u>

		As at 30th September, 2005 (Unaudited)	As at 31st March, 2005 (Audited and restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets		7,769	4,391
Properties under development		770,949	548,730
Investment properties		1,327,000	1,327,000
Interests in jointly-controlled entities		28,761	27,210
Interest in an associate		–	14,857
Investments		73,595	50,563
		<u>2,208,074</u>	<u>1,972,751</u>
<b>CURRENT ASSETS</b>			
Prepaid tax		129	404
Properties held for sale		1,258,168	1,108,460
Prepayments, deposits and other receivables	9	214,177	96,803
Amounts due from jointly-controlled entities		5,960	5,928
Loans to minority interests		85,632	39,747
Pledged time deposits		39,000	62,800
Time deposits		–	100,177
Cash and bank balances		190,052	190,897
		<u>1,793,118</u>	<u>1,605,216</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	10	171,648	78,561
Loans from minority interests		34,812	–
Amounts due to related companies		31,637	1,970
Customer deposits		120,759	307,637
Tax payable		18,174	1,833
Interest-bearing bank borrowings		696,409	131,745
		<u>1,073,439</u>	<u>521,746</u>
<b>NET CURRENT ASSETS</b>		<u>719,679</u>	<u>1,083,470</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,927,753</u>	<u>3,056,221</u>

		As at 30th September, 2005 (Unaudited)	As at 31st March, 2005 (Audited and restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>1,036,581</b>	1,302,254
Loans from minority interests		<b>33,715</b>	53,720
Deferred tax		<b>4,419</b>	4,109
		<b>1,074,715</b>	1,360,083
		<b>1,853,038</b>	1,696,138
<b>CAPITAL AND RESERVES</b>			
Equity attributable to equity holders of the parent			
Issued capital	11	<b>400,239</b>	400,239
Reserves	12	<b>1,227,498</b>	1,141,938
		<b>1,627,737</b>	1,542,177
Minority interests	12	<b>225,301</b>	153,961
		<b>1,853,038</b>	1,696,138

	Six months ended 30th September,	
	2005 (Unaudited) <i>HK\$'000</i>	2004 (Unaudited and restated) <i>HK\$'000</i>
<hr/>		
Total equity as at 1st April:		
As previously reported as equity	1,544,802	1,268,821
As previously reported separately as minority interests	<u>153,961</u>	<u>22,682</u>
	<b>1,698,763</b>	1,291,503
Prior period and opening adjustments attributable to equity holders of the parent	<u>(2,625)</u>	<u>(5,088)</u>
As restated	<b>1,696,138</b>	1,286,415
Changes in equity during the period:		
Exchange differences on translation of the financial statements of foreign entities	<u>26,278</u>	<u>(1,143)</u>
Net income/(expenses) recognised directly in equity	<b>26,278</b>	(1,143)
Profit for the period	<u>112,641</u>	<u>3,535</u>
Total recognised income and expenses for the period	<b>138,919</b>	2,392
Final dividend in respect of previous financial year	<b>(32,019)</b>	(24,014)
Capital injection from minority shareholders	<u>50,000</u>	<u>–</u>
Total equity as at 30th September	<u><b>1,853,038</b></u>	<u>1,264,793</u>
Total recognised income and expenses for the period attributable to:		
Equity holders of the parent	<b>117,579</b>	1,517
Minority interests	<u>21,340</u>	<u>875</u>
	<u><b>138,919</b></u>	<u>2,392</u>



	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow/(outflow) from operating activities	<b>(339,875)</b>	16,465
Net cash inflow/(outflow) from investing activities	<b>(47,998)</b>	77,826
Net cash inflow/(outflow) from financing activities	<b>258,925</b>	(66,404)
Net increase/(decrease) in cash and cash equivalents	<b>(128,948)</b>	27,887
Cash and cash equivalents at beginning of the period	<b>291,074</b>	192,451
Effects of foreign exchange rate changes, net	<b>6,437</b>	–
Cash and cash equivalents at end of the period	<b>168,563</b>	220,338
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>190,052</b>	163,758
Non-pledged time deposits	–	56,580
Bank overdrafts	<b>(21,489)</b>	–
	<b>168,563</b>	220,338

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the Appendix 16 of the Listing Rules and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March, 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC) – Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets

**1. Basis of preparation and accounting policies** (Continued)

- i. The adoption of the HKAS 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 28, 31, 32, 33, 36, 37, 39, HKFRS 3 and HKFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:
- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly-controlled entities and other disclosures.
  - HKAS 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 27, 28, 31, 32, 33, 36, 37, 39 and HKFRS 3 had no material effect on the Group's policies.
  - HKAS 24 has affected the identification of related parties and some other related-party disclosures.
  - HKFRS 5 has affected the identification of non-current assets held for sale.

The impact of adopting the other HKFRSs is summarised as follows:

a. HKAS 40 – Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in fair values of investment properties are included in the profit and loss account in the period in which they arise.

The Directors considered not meaningful to revalue all investment properties at each interim period end, as there could be significant ups and downs on the capital value of properties over a financial year, which ends up a high volatility of earnings in the income statement. So, the Group will follow the existing policy to assess the fair value of the investment properties at 31st March, 2006 and at each subsequent year end.

**1. Basis of preparation and accounting policies** (Continued)

## a. HKAS 40 – Investment Property (Continued)

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements.

The adoption of HKAS 40 has resulted in an increase in the Group's retained earnings by HK\$62,635,000 and a corresponding decrease in the Group's investment property revaluation reserve as at 1st April, 2005.

## b. HK(SIC) – Int 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC) – Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The adoption of HK(SIC) – Int 21 has resulted in an increase in the Group's deferred tax liabilities as at 30th September, 2005 and 31st March, 2005 by HK\$2,935,000 and HK\$2,625,000 respectively. As a consequence, the consolidated profit attributable to equity holders of the parent for the period ended 30th September, 2005 has been impacted by an additional charge of HK\$310,000 (2004: nil) and the investment property revaluation reserve as at 1st April, 2005 and 2004 have been decreased by HK\$2,625,000 and HK\$5,088,000 respectively.

**1. Basis of preparation and accounting policies** (Continued)

- ii. As disclosed in the Group's financial statements for the year ended 31st March, 2005, the Group has early adopted HK Interpretation 3 – "Revenue – Pre-completion contracts for the sale of development properties" ("HK Int 3") in the financial statements for the year ended 31st March, 2005. The Group has retrospectively applied HK Int 3 to pre-completion contracts for the sale of development properties entered into before 1st January, 2005.

HK Int 3 was re-issued in May 2005 after the Group published its unaudited condensed consolidated interim financial statements for the six months ended 30th September, 2004 and accordingly, the Group's profits arising on the pre-completion contracts for the sale of development properties for the six months ended 30th September, 2004 as previously reported, was recognised over the course of the development and was calculated on each project as a proportion of the total estimated profit to completion, after taking into account further costs to completion. The proportion used was the estimated construction costs of pre-sold units over the total estimated construction costs of the development properties. The profit per pre-sold unit so recognised was restricted to the amount of instalments received and receivable under legally binding contracts at the balance sheet date.

Upon the adoption of HK Int 3, revenue is to be recognised only when all of the criteria specified in paragraph 14 of HKAS 18 are met.

As a consequence, the early adoption of HK Int 3 impacted the Group's result for the period ended 30th September, 2004 as previously reported, and resulted in a reduction of turnover and profit attributable to equity holders of the parent by HK\$49,944,000 and HK\$7,541,000 respectively. The comparative amounts had been restated accordingly.

## 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, 2005		Six months ended 30th September, 2004		Six months ended 30th September, 2005		Six months ended 30th September, 2004	
	(Unaudited) HK\$'000	(Unaudited and restated) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited and restated) HK\$'000
Segment revenue:								
Sales to external customers	<u>609,195</u>	<u>80,532</u>	<u>37,589</u>	<u>34,599</u>	<u>2,126</u>	<u>4,017</u>	<u>648,910</u>	<u>119,148</u>
Segment results	<u>138,132</u>	<u>(3,285)</u>	<u>24,559</u>	<u>23,712</u>	<u>1,351</u>	<u>3,205</u>	<u>164,042</u>	<u>23,632</u>
Interest income							1,201	1,966
Unallocated gains							277	197
Unallocated expenses							(11,551)	(12,058)
Interest expenses							(22,310)	(8,337)
Share of profits and losses of jointly-controlled entities	161	3,873	-	-	(8)	15	153	3,888
Write off of debt due from a jointly-controlled entity	-	(3,873)	-	-	-	-	-	(3,873)
Profit before tax							<u>131,812</u>	<u>5,415</u>
Tax							<u>(19,171)</u>	<u>(1,880)</u>
Profit for the period							<u>112,641</u>	<u>3,535</u>

## 2. Segment information (Continued)

### Geographical segments

	Hong Kong		Mainland China		Malaysia		Consolidated	
	Six months ended 30th September, 2005		Six months ended 30th September, 2005		Six months ended 30th September, 2005		Six months ended 30th September, 2005	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)	(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>78,968</u>	<u>101,760</u>	<u>564,515</u>	<u>11,355</u>	<u>5,427</u>	<u>6,033</u>	<u>648,910</u>	<u>119,148</u>

## 3. Other revenue

	Six months ended 30th September, 2005		2004	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from bank deposits	<u>1,118</u>	<u>1,118</u>	<u>1,836</u>	<u>1,836</u>
Interest income from mortgages	<u>83</u>	<u>83</u>	<u>130</u>	<u>130</u>
Other property management income	<u>1,804</u>	<u>1,804</u>	<u>2,372</u>	<u>2,372</u>
Others	<u>1,073</u>	<u>1,073</u>	<u>820</u>	<u>820</u>
	<u><u>4,078</u></u>	<u><u>4,078</u></u>	<u><u>5,158</u></u>	<u><u>5,158</u></u>

**4. Finance costs**

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
Bank loans wholly repayable within five years	<b>33,801</b>	19,453
Bank loans wholly repayable after five years	<b>1,354</b>	708
Other loans	<b>563</b>	–
Bank overdrafts	<b>83</b>	16
	<b>35,801</b>	20,177
Less: Amounts capitalised under property development projects	<b>(13,491)</b>	(11,840)
	<b>22,310</b>	8,337

**5. Share of profits and losses of jointly-controlled entities**

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating profit, net	<b>153</b>	15
Waiver of debts	<b>–</b>	3,873
	<b>153</b>	3,888

In prior 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.



**6. Profit before tax**

Profit before tax is arrived at after charging:

	<b>Six months ended 30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>549</b>	555
Staff costs (including directors' emoluments)	<b>7,217</b>	6,829

**7. Tax**

	<b>Six months ended 30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Group:		
Current – Hong Kong		
Tax charge/(credit) for the period	<b>(2)</b>	13
Current – Elsewhere	<b>18,863</b>	1,880
Deferred	<b>310</b>	(13)
	<b>19,171</b>	1,880

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% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There is no share of tax attributable to jointly-controlled entities included in note 5 "Share of profits and losses of jointly-controlled entities" (2004: share of tax charge of HK\$165,000).

**8. Earnings per share**

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the parent of HK\$91,301,000 (2004 (restated): HK\$2,660,000) and 400,238,501 (2004: 400,238,501) ordinary shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30th September, 2005 and 2004 have not been disclosed, as there was no diluting event existing during these periods.

**9. Prepayments, deposits and other receivables**

Included in prepayments, deposits and other receivables are trade receivables of HK\$94,309,000 (as at 31st March, 2005: HK\$7,540,000). An aged analysis of trade receivables, based on invoice/contract date, is as follows:

	<b>As at 30th September, 2005 (Unaudited) HK\$'000</b>	<b>As at 31st March, 2005 (Audited) HK\$'000</b>
Current to 30 days	<b>92,781</b>	5,800
31-60 days	<b>616</b>	677
61-90 days	<b>346</b>	481
Over 90 days	<b>566</b>	582
Total	<b><u>94,309</u></b>	<b><u>7,540</u></b>

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 for 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\$10,261,000 (as at 31st March, 2005: HK\$3,304,000). An aged analysis of trade payables, based on invoice date, is as follows:

	<b>As at 30th September, 2005 (Unaudited) HK\$'000</b>	<b>As at 31st March, 2005 (Audited) HK\$'000</b>
Current to 30 days	<u>10,261</u>	<u>3,304</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.

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.

In prior years, new shares were issued upon a rights issue and a share placement. Resulting from the issue of shares, HK\$310,179,000, representing the amount of shares issued together with the corresponding premium, was released from the special capital reserve and credited to retained profits.

## 12. Reserves

	Share premium account (Unaudited) HK\$'000	Special capital reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Investment property 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	Minority interests (Unaudited) HK\$'000
At 1st April, 2004									
As previously reported	161,410	223,480	10	6,243	(70,749)	524,174	24,014	868,582	22,682
Prior period adjustment: HK(SIC)-Int 21 – Deferred tax arising from revaluation of investment properties (note 1(i)(b))	–	–	–	(5,088)	–	–	–	(5,088)	–
As restated	161,410	223,480	10	1,155	(70,749)	524,174	24,014	863,494	22,682
Exchange realignments	–	–	–	–	(1,143)	–	–	(1,143)	–
Profit for the period (as restated)	–	–	–	–	–	2,660	–	2,660	875
Final dividend in respect of previous financial year	–	–	–	–	–	–	(24,014)	(24,014)	–
At 30th September, 2004 (as restated)	<u>161,410</u>	<u>223,480</u>	<u>10</u>	<u>1,155</u>	<u>(71,892)</u>	<u>526,834</u>	<u>–</u>	<u>840,997</u>	<u>23,557</u>
At 1st April, 2005									
As previously reported	161,410	223,480	10	65,260	(59,387)	721,771	32,019	1,144,563	153,961
Prior period adjustment: HK(SIC)-Int 21 – Deferred tax arising from revaluation of investment properties (note 1(i)(b))	–	–	–	(2,625)	–	–	–	(2,625)	–
As restated, before opening adjustment	161,410	223,480	10	62,635	(59,387)	721,771	32,019	1,141,938	153,961
Opening adjustment: HKAS 40 – Investment properties (note 1(i)(a))	–	–	–	(62,635)	–	62,635	–	–	–
As restated, after opening adjustment	161,410	223,480	10	–	(59,387)	784,406	32,019	1,141,938	153,961
Exchange realignments	–	–	–	–	26,278	–	–	26,278	–
Profit for the period	–	–	–	–	–	91,301	–	91,301	21,340
Final dividend in respect of previous financial year	–	–	–	–	–	–	(32,019)	(32,019)	–
Capital injection from minority shareholders	–	–	–	–	–	–	–	–	50,000
At 30th September, 2005	<u>161,410</u>	<u>223,480</u>	<u>10</u>	<u>–</u>	<u>(33,109)</u>	<u>875,707</u>	<u>–</u>	<u>1,227,498</u>	<u>225,301</u>

### 13. Commitments

#### (a) Capital commitments

As at 30th September, 2005, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to HK\$417,050,000 (as at 31st March, 2005: HK\$545,543,000).

There are no authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties relating to jointly-controlled entities included in the above (as at 31st March, 2005: 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 two years.

As at 30th September, 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30th September, 2005 (Unaudited) HK\$'000</b>	<b>As at 31st March, 2005 (Audited) HK\$'000</b>
Within one year	<b>1,956</b>	2,010
In the second to fifth years, inclusive	<b>38</b>	1,003
	<b><u>1,994</u></b>	<b><u>3,013</u></b>

**14. Related party transactions**

## (a) Significant transactions with related parties

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Commissions paid to the ultimate holding company	<b>1,313</b>	1,313
Legal and professional fees paid to a firm of solicitors to which a director of the Company is a consultant	<b>337</b>	119

## (b) Outstanding balances due to related parties

	<b>As at</b>	<b>As at</b>
	<b>30th September,</b>	<b>31st March,</b>
	<b>2005</b>	<b>2005</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
A company in which a director of the Company is a shareholder	<b>30,000</b>	–
A subsidiary of a related company	<b>1,637</b>	1,970

## (c) Compensation of key management personnel of the Group

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries and other short-term employee benefits	<b>2,779</b>	2,689
Post-employment benefits	<b>193</b>	186

**14. Related party transactions** *(Continued)*

- (d) 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. Please refer to paragraph (a) above for commission paid in the current period.
- (e) In last period, the Group and its joint venture partner wrote off the debts amounted to HK\$3,873,000 which were non-recoverable from a jointly-controlled entity.
- (f) The balances with the related companies are unsecured and have no fixed terms of repayment.

**15. Comparative amounts**

As explained in note 1, due to the adoption of new and revised HKFRSs during the current period, the presentation of certain items and balances in the condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

**16. Approval of the interim financial report**

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 16th December, 2005.