Strategic Investment

Prudent Management

漢國置業

Hon Kwok Land Investment Company, Limited

Stock Code: 160

HON KWOK

2009-10 Interim Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong *(Chairman)*
Madeline May-Lung Wong
Herman Man-Hei Fung *(Vice-Chairman)*
Dennis Kwok-Wing Cheung
Zuric Yuen-Keung Chan
Daniel Chi-Wai Tse*
Kenneth Kin-Hing Lam*
Hsin-Kang Chang*

* *Independent non-executive directors*

AUDIT COMMITTEE

Kenneth Kin-Hing Lam
Daniel Chi-Wai Tse
Hsin-Kang Chang

REMUNERATION COMMITTEE

Herman Man-Hei Fung
Daniel Chi-Wai Tse
Kenneth Kin-Hing Lam

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited

AUDITORS

Ernst & Young

REGISTRARS

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : (852) 2523 7177
Fax : (852) 2845 1629
E-mail : general@chinneyhonkwok.com

STOCK CODE

SEHK 160

WEBSITE

http://www.honkwok.com.hk

	2009 (Unaudited)	2008 (Unaudited)	*Increase/Decrease*	
	HK$'M	*HK$'M*	*HK$'M*	*+/-*
For the six months ended 30 September				
Turnover	**442**	147	*+295*	*+2 times*
Profit after tax attributable to shareholders	**286**	21	*+265*	*+12.6 times*
Basic earnings per share *(in HK cents)*	**59.45**	4.38	*+55.07*	*+12.6 times*
At 30 September				
Bank borrowings less bank balances	**565**	684	*-119*	*-17%*
Gearing ratio*	**25%**	30%		*-5%*
Shareholders' funds	**3,379**	3,111	*+268*	*+9%*
Net assets per share attributable to shareholders *(in HK$)*	**7.04**	6.48	*+0.56*	*+9%*

* *Representing ratio of "bank borrowings + convertible bonds – bank balances" to "shareholders' funds + minority interests".*

FINANCIAL RESULTS

The Group's unaudited profit attributable to shareholders for the six months ended 30 September 2009 was HK$286 million (2008: HK$21 million). The significant increase in profit was mainly arising from property sales profit of HK$100 million (2008: HK$28 million) and revaluation gain on our investment properties, net of deferred tax, of HK$208 million (2008: loss HK$8 million). The Group's turnover and basic earnings per share for the period under review were respectively HK$442 million (2008: HK$147 million) and 59.5 Hong Kong cents (2008: 4.4 Hong Kong cents). As of 30 September 2009, net assets per share attributable to shareholders amounted to HK$7.04 (2008: HK$6.48).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

APPOINTMENT OF EXECUTIVE DIRECTOR

Mr. Xiao-Ping Li has been appointed as an executive director of the Company with effect from 11 December 2009. Taking this opportunity, the Board would like to extend its warmest welcome to Mr. Li to join the Board.

BUSINESS REVIEW

1. Property Development and Sales

Li Wan Project 荔灣項目, Guangzhou, PRC

As a result of the Central Government's relaxed monetary policy and other stimulus measures in its effect to ease the impact of global financial crisis, the general economy and, in particular, the property and stock markets in Mainland China have improved substantially since April 2009. Our **Li Wan Project 荔灣項目** was sold for a cash consideration of HK$250 million. Sale of this 50/50 jointly-owned project was completed on 30 September 2009 and the Group's 50% share of profit amounted to approximately HK$77 million.

Botanica Phases 1 & 2 寶翠園一期及二期, Guangzhou, PRC

A total of 322 out of 332 flats in **Botanica Phase 1 寶翠園一期**, which is located in the greenery zone of Tian He District, have been sold, generating total sales proceeds of about RMB347 million. Construction works were fully completed in the third quarter of 2009. Handover of the flats to purchasers has been in progress since early October this year.

Construction works for **Botanica Phase 2 寶翠園二期**, which comprises about 400 residential units, are in good progress and scheduled for completion by the end of 2010.

BUSINESS REVIEW *(Continued)*

1. Property Development and Sales *(Continued)*

No. 5 Residence 北京路5號公館, Guangzhou, PRC

Situated at Beijing Road near Tian Zi Pier 天字碼頭 in Yue Xiu District, pre-sale of the residential flats of this project since mid April 2009 has been favorably received. All of the 145 residential flats offered for sale have been sold with total sales proceeds exceeding RMB224 million. Interior fitting-out works have been completed recently and the flats are being handed over to purchasers. Profit of this development project will be recognized in the second half of this financial year.

Yayao Oasis 雅瑤綠洲, Nanhai, PRC

The master development plans of the project with a total gross floor area of about 272,790 sq.m. have been finalized. Phase I will comprise about 18,000 sq.m. low rise apartments and commencement of construction works is scheduled in the second half of 2010.

Hon Kwok City Commercial Centre 漢國城市商業中心, Shenzhen, PRC

Detailed construction plans of this 80-storey signature building at Shen Nan Zhong Road 深南中路 of Fu Tian District in Shenzhen have been approved. Foundation works will be commenced in the second quarter of 2010. Construction works of this 128,000 sq.m. commercial/residential tower are scheduled for completion in about 3.5 years.

Property Sales in Hong Kong

Amid the liquidity-driven upward trend in the Hong Kong property market, the Group has realized an aggregate sales proceeds of over HK$50 million upon disposal of certain property stocks and carparking spaces since April 2009.

2. Property Investment

Chongqing, PRC

Internal renovation works of our 108,000 sq.m. retail/commercial twin-tower complex, **Chongqing Hon Kwok Centre 重慶漢國中心**, in Bei Bu Xin Qu 北部新區 have been completed. Leasing negotiations for the retail shopping mall, certain commercial and office floors with a few target anchor tenants have been nearly finalized. Through internationally renowned property agents, the Group will launch its leasing program by stages in early 2010.

BUSINESS REVIEW *(Continued)*

2. Property Investment *(Continued)*

Chongqing, PRC *(Continued)*

Adjacent to the above completed development, the master development plans of our **Phase 2 Project** 重慶二期項目 are expected to be finalized in 2010. The development will comprise a grade A office tower and a 5-star hotel with serviced apartments atop of a retail podium with a total gross floor area of 133,502 sq.m.

Shenzhen, PRC

Majority of ground level retail areas of our **City Square** 城市天地廣場 commercial podium have been leased. Renovation works carrying out by our tenant at level 2 for a restaurant are well in progress and its opening is scheduled for the first quarter of 2010. This will facilitate the tenants of our 64 serviced apartments at **City Suites** 寶軒公寓 upstairs as well as guests of our upcoming 165-room **City Bauhinia Hotel** 城市寶軒酒店 located at levels 3 to 5 of the commercial podium.

Hong Kong

As part of our rental improvement plan for **The Bauhinia/Honwell Commercial Centre** 寶軒及漢貿商業中心 at Des Voeux Road Central, ground floor areas have recently been leased to a bank and a restaurant. Also, the interior refurbishment works for our 171-room serviced apartment, known as "**The Bauhinia** 寶軒", have been substantially finished. Renovation works for the 42-room boutique hotel at the four podium floors, to be known as "**The Bauhinia Hotel (Central)** 中環寶軒酒店", are planned for completion in the first half of 2010.

For our **Knutsford Place** 諾士佛廣場 (formerly known as "**Hon Kwok TST Centre** 漢國尖沙咀中心") in Tsimshatsui, conversion of 9 upper floors to a 44-room boutique hotel, to be known as "**The Bauhinia Hotel (TST)** 尖沙咀寶軒酒店", is expected to complete by the end of 2009. A new market positioning and tenant mix (including entertainment, private clubs, bars and restaurants) for other floors to enhance the overall rental yield on this upgraded property is being implemented.

Contributing from the gradual recovery of the general economy, both the rental yield and occupancy rate of our **Hon Kwok Jordan Centre** 漢國佐敦中心 at Hillwood Road are expected to further improve in the coming year.

BUSINESS REVIEW *(Continued)*

3. "The Bauhinia 寶軒" Group of Serviced Apartments and Hotels

Upon fully completion and in operation which will be under "**The Bauhinia 寶軒**" brand, the Group will be leasing a chain of 652 serviced apartment and hotel rooms in Hong Kong, Shenzhen and Guangzhou. All these projects will be completed by mid 2010. This set-up will cater to the accommodation needs for both short-stay visitors as well as longer term tenants. Details are summarized as follows:

	No. of Serviced Apartment/Hotel Rooms			
	Hong Kong	**Shenzhen**	**Guangzhou**	**Total**
Serviced Apartments				
The Bauhinia 寶軒	171	–	–	171
City Suites 寶軒公寓	–	64	–	64
	171	64	–	235
Hotels				
The Bauhinia Hotel (TST) 尖沙咀 寶軒酒店	44	–	–	44
The Bauhinia Hotel (Central) 中環 寶軒酒店	42	–	–	42
City Bauhinia Hotel (Shenzhen) 深圳 城市寶軒酒店	–	165	–	165
City Bauhinia Hotel (Guangzhou) 廣州 城市寶軒酒店	–	–	166	166
	86	165	166	417
Total	**257**	**229**	**166**	**652**

To aim for operating synergy, economies of scale and centralized control, the Group is considering to form a joint venture with a hotel operator to manage our hotels together with **City Bauhinia Hotel (Guangzhou) 廣州城市寶軒酒店** which is a leasehold property of the Group.

In addition, the Group is devising master development plans for our **Chongqing Phase 2 Project 重慶二期項目**which also includes a 5-star hotel with serviced apartments.

BUSINESS REVIEW *(Continued)*

4. Repurchase of our Convertible Bonds due June 2011

Given a strong liquidity position, the Group bought back and cancelled in October this year an aggregate face value of HK$192 million Convertible Bonds issued by our wholly-owned subsidiary, Hon Kwok Land Treasury IV Limited. The Bonds were repurchased at par and represented 68.6% of the total Bonds originally issued in June 2006. The repurchase enables the Group to save interest charges (3.5% per annum) and premium on redemption (approximately 24.5% on face value) on the Bonds, totaling HK$58 million for the 21 months to maturity in June 2011.

OUTLOOK

As a result of the collective effort by various governments offering economic stimulus packages (including massive injection of liquidity and aggressive spending in infrastructure projects), economic downturn in certain countries in Asia and Europe has been gradually stabilized by late 2009. However, U.S. consumer confidence remains weak as mounting job losses, falling income and tumbling household wealth battered sentiment. Unemployment rate reached 26-year high of 10.2% in October this year. A back-log of foreclosure loans inevitably depressed property prices and delayed recovery. Over 120 banks collapsed since early 2009. Economic fundamentals in the States seem to indicate that a prolonged period of a few years may be necessary for the economy to return to normal.

Backed by a huge domestic market and the Central Government's ease in monetary policy and proactive investment in large scale infrastructure developments, China registered a 7.7% growth in GDP for the first 9 months in 2009. This implies that their 2009 target growth in GDP of 8% is very likely to be achieved. For the first 10 months in 2009, new bank borrowings exceeded RMB8.92 trillion which represented 2.44 times of that in the same period last year. The property market showed a gradual upward trend since the second quarter in 2009. As reported in our Business Review, the Group took this opportunity in realizing total sales proceeds exceeding HK$773 million from its three development projects in Guangzhou.

In Hong Kong, an unprecedented influx of over HK$500 billion has flooded our financial system since the fourth quarter in 2008. These funds, partly from overseas markets suffering economic recession with low/risky investment return and extended payback period, have driven up our stock index more than double and general property prices by over 35% than a year ago. Backed by largely Mainland investors, prices in the luxury residential sector soared even more drastically.

OUTLOOK *(Continued)*

Ample liquidity also results in extremely low borrowing costs which are likely to linger and to entice asset investments. Many economists opine that RMB assets will appreciate gradually in the years ahead as long as HKD is pegged with the greenback. Hence, in addition to holding our completed commercial projects in Shenzhen and Chongqing for long term investment purposes, the Group is also actively identifying other appropriate investment opportunities in the Mainland.

As part of our strategies to retain high potential investment properties and to strengthen our recurrent rental income base, the Group is in the course of establishing a network of over 650 serviced apartment and hotel rooms in Hong Kong, Shenzhen and Guangzhou. All these projects will be completed in 2010. The further ease of visa rules in the Mainland, extended cross-border economic integration and kick-off of the Guangzhou-Shenzhen-Hong Kong Express Rail Link Project are all positive signs for increasing accommodation needs for tourists and business travelers in these cities. The Group is optimistic to the return on investment for these projects and the **Hon Kwok City Commercial Centre 漢國城市商業中心** (soon to commence development in Shenzhen). They will enhance the total asset value of the Group and long term wealth for our shareholders.

In our 2005-06 Annual Report, I explicitly stated that our management has decided not to engage further property development in Hong Kong and we would focus our resources on China property market while retaining our retail/commercial properties in Hong Kong for long term rental investment purposes. The reaping of decent development profits in Guangzhou and the successful revamp of our rental properties to enhance rental yield and asset value in Hong Kong affirmatively marked the success of this corporate strategy, in which our management will continue to pursue.

Finally, I take this opportunity to thank my fellow directors and all our supporting staff for their contributions, dedicated efforts and hardworking during the period.

James Sai-Wing Wong
Chairman

Hong Kong, 10 December 2009

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, 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	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	*1 & 2*	Through controlled corporation	261,112,553	54.37
Madeline May-Lung Wong	*1 & 2*	Through controlled corporation	261,112,553	54.37
Herman Man-Hei Fung	*1*	Beneficially owned	300,000	0.06

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

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

Name of director	*Notes*	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ amount of paid up registered capital held	Percentage of the associated corporation's issued share capital/paid up registered capital
James Sai-Wing Wong	*1 & 3*	Chinney Investments, Limited ("Chinney Investments")	Through controlled corporation	318,675,324	57.80
	1 & 4	Chinney Holdings Limited ("Chinney Holdings")	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Beneficially owned	10,000	50.00
	1 & 5	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporation	RMB185,000,000	100.00
Madeline May-Lung Wong	*1 & 3*	Chinney Investments	Through controlled corporation	318,675,324	57.80
	1 & 4	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Lucky Year	Beneficially owned	10,000	50.00

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. *All the interests stated above represent long positions.*

2. *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 also directors and have beneficial interests therein.*

3. *These shares are beneficially held by Chinney Holdings. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

4. *These shares are beneficially held by Lucky Year. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

5. *Out of the RMB185,000,000 paid up registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of the Company and RMB74,000,000 is held by a company controlled by James Sai-Wing Wong. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in this company.*

Save as disclosed herein, as at 30 September 2009, 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, so far as is known to the directors of the Company, the following substantial shareholders and other persons (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	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Chinney Investments	*1 & 2*	Directly beneficially owned	261,112,553	54.37
Chinney Holdings	*1 & 2*	Through controlled corporation	261,112,553	54.37
Lucky Year	*1 & 2*	Through controlled corporation	261,112,553	54.37
Morgan Stanley	*1 & 3*	Directly beneficially owned	37,179,494	7.74

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. *In June 2006, a wholly-owned subsidiary of the Company issued 3.5% convertible guaranteed bonds due 2011 (the "Bonds") with a principal sum of HK$280 million. The bondholders have the right to convert the Bonds into shares of the Company at a conversion price, subject to adjustment in certain events, of HK$4.00 per share. Morgan Stanley subscribed for a principal sum of HK$145 million of the Bonds and was regarded to be interested in 36,250,000 shares of the Company at the issue date of the Bonds. The Bonds are freely transferable and there has been no conversion of the Bonds since issuance. The conversion price of the Bonds has been adjusted to HK$3.90 per share and further adjusted to HK$3.80 per share with effect from 6 October 2009.*

   Based on the latest corporate substantial shareholder notice dated 12 October 2009, Morgan Stanley ceased to be a substantial shareholder of the Company as from 8 October 2009.

Save as disclosed herein, as at 30 September 2009, 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 LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2009.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

On 22 November 2007, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facilities agreement (the "Facilities Agreement") relating to a HK$280 million transferable term and revolving loan facilities (the "Loan Facilities") with a syndicate of banks. The Loan Facilities have a term of 36 months commencing from the date of the Facilities Agreement and are being granted for general working capital of the Group.

Pursuant to the Facilities Agreement, it shall be an event of default if (i) Chinney Investments ceases to remain as the single largest shareholder of the Company or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in the Company; or (ii) James Sai-Wing Wong, the Chairman of both the Company and Chinney Investments, ceases to hold a controlling shareholding interest in Chinney Investments.

If an event of default under the Facilities Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the Loan Facilities to be immediately due and payable.

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 Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2009.

CORPORATE GOVERNANCE *(Continued)*

Compliance with the 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 30 September 2009, except for 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 for the time being 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.

2. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association does not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, 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), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

CORPORATE GOVERNANCE *(Continued)*

Compliance with the Code on Corporate Governance Practices *(Continued)*

The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considered that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

3. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the remuneration committee on 16 December 2005 with certain deviations 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 of directors (as opposed to directors and senior management).

4. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

Audit committee

The Company has established an audit committee comprising Kenneth Kin-Hing Lam, Daniel Chi-Wai Tse and Hsin-Kang Chang.

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 30 September 2009 has not been audited, but has been reviewed by the audit committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK$1,723 million as at 30 September 2009 (as at 31 March 2009: HK$1,551 million), of which approximately 14% (as at 31 March 2009: 24%) of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were HK$848 million as at 30 September 2009 (as at 31 March 2009: HK$324 million). The Group had a total of HK$319 million committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2009 was HK$3,379 million (as at 31 March 2009: HK$3,150 million). The increase was mainly due to current period's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of HK$875 million (as at 31 March 2009: HK$1,227 million) over the shareholders' funds plus minority interests totalling of HK$3,545 million (as at 31 March 2009: HK$3,294 million), was 25% as at 30 September 2009 (as at 31 March 2009: 37%).

During the period, completion of the disposal of a development site in Guangzhou via a jointly-controlled entity had generated a net cash inflow of HK$123 million to the Group. At period end, with its enhanced financial position, the Group committed to repurchase at par an aggregate principal amount of HK$192 million out of HK$280 million 3.5% guaranteed convertible bonds which were issued by a wholly-owned subsidiary of the Group in June 2006. The aforementioned repurchased bonds had been cancelled upon completion of the repurchases in October 2009, thus saving the Group's total future interest costs and redemption premium payable upon maturity in June 2011 of HK$58 million.

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2009, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of HK$3,371 million as at 30 September 2009 were pledged to secure certain banking facilities of the Group.

FINANCIAL REVIEW *(Continued)*

Contingent liabilities

Particulars of the Group's contingent liabilities are set out in note 11 to the condensed interim consolidated financial statements.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 320 employees as at 30 September 2009. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Revenue	2	**441,620**	147,392
Cost of sales		**(361,611)**	(115,560)
Gross profit		**80,009**	31,832
Other income	3	**3,258**	26,567
Fair value gains/(losses) on investment properties, net		**249,680**	(56,395)
Change in fair value of properties held for sale transferred to investment properties		**–**	38,188
Gain on disposal of a jointly-controlled entity		**76,922**	–
Administrative expenses		**(23,026)**	(20,329)
Other operating income/(expenses), net		**(4,432)**	2,364
Finance costs	4	**(10,922)**	(10,965)
Share of profits and losses of jointly-controlled entities		**(930)**	285
Profit before tax	5	**370,559**	11,547
Tax	6	**(63,225)**	10,419
Profit for the period		**307,334**	21,966
Attributable to:			
Equity holders of the Company		**285,536**	21,058
Minority interests		**21,798**	908
		307,334	21,966
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic		**59.45 HK cents**	4.38 HK cents
Diluted		**51.72 HK cents**	3.83 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**307,334**	21,966
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	**3,621**	50,568
Other comprehensive income for the period, net of tax	**3,621**	50,568
Total comprehensive income for the period	**310,955**	72,534
Attributable to:		
Equity holders of the Company	**289,035**	68,510
Minority interests	**21,920**	4,024
	310,955	72,534

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2009 (Unaudited) HK$'000	At 31 March 2009 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**25,520**	26,340
Properties under development		**1,666,995**	1,712,258
Investment properties		**2,831,873**	2,558,115
Interests in jointly-controlled entities		**16,584**	24,848
Total non-current assets		**4,540,972**	4,321,561
CURRENT ASSETS			
Amounts due from jointly-controlled entities		**145,671**	178,837
Tax recoverable		**220**	191
Properties held for sale		**452,147**	533,608
Trade receivables	*8*	**38,211**	1,479
Prepayments, deposits and other receivables		**53,616**	26,320
Cash and cash equivalents		**847,780**	324,455
Total current assets		**1,537,645**	1,064,890
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*9*	**162,736**	154,242
Interest-bearing bank borrowings		**233,364**	379,091
Customer deposits		**230,161**	76,191
Dividend payable		**60,036**	–
Tax payable		**65,353**	60,393
Total current liabilities		**751,650**	669,917
NET CURRENT ASSETS		**785,995**	394,973
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,326,967**	4,716,534
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,179,909**	872,227
Promissory note payable		**20,000**	20,000
Convertible bonds		**309,987**	299,475
Deferred tax liabilities		**271,864**	230,544
Total non-current liabilities		**1,781,760**	1,422,246
Net assets		**3,545,207**	3,294,288

	Notes	At 30 September 2009 (Unaudited) HK$'000	At 31 March 2009 (Audited) HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*10*	**480,286**	480,286
Equity component of convertible bonds		**24,826**	24,826
Reserves		**2,874,072**	2,585,037
Proposed final dividend		**–**	60,036
		3,379,184	3,150,185
Minority interests		**166,023**	144,103
Total equity		**3,545,207**	3,294,288

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Issued capital (Unaudited) *HK$'000*	Share premium account (Unaudited) *HK$'000*	Capital redemption reserve (Unaudited) *HK$'000*	Equity component of convertible bonds (Unaudited) *HK$'000*	Exchange fluctuation reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Proposed final dividend (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
At 1 April 2008	480,286	396,352	10	24,826	276,305	1,864,459	60,036	3,102,274	148,321	3,250,595
Other comprehensive income for the period	–	–	–	–	47,452	–	–	47,452	3,116	50,568
Profit for the period	–	–	–	–	–	21,058	–	21,058	908	21,966
Total comprehensive income for the period	–	–	–	–	47,452	21,058	–	68,510	4,024	72,534
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(2,813)	(2,813)
Final dividend in respect of previous financial year	–	–	–	–	–	–	(60,036)	(60,036)	–	(60,036)
At 30 September 2008	480,286	396,352	10	24,826	323,757	1,885,517	–	3,110,748	149,532	3,260,280
At 1 April 2009	480,286	396,352	10	24,826	307,752	1,880,923	60,036	3,150,185	144,103	3,294,288
Other comprehensive income for the period	–	–	–	–	3,499	–	–	3,499	122	3,621
Profit for the period	–	–	–	–	–	285,536	–	285,536	21,798	307,334
Total comprehensive income for the period	–	–	–	–	3,499	285,536	–	289,035	21,920	310,955
Final dividend in respect of previous financial year	–	–	–	–	–	–	(60,036)	(60,036)	–	(60,036)
At 30 September 2009	**480,286**	**396,352**	**10**	**24,826**	**311,251**	**2,166,459**	**–**	**3,379,184**	**166,023**	**3,545,207**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**281,687**	(65,102)
Net cash inflow from investing activities	**85,616**	327,905
Net cash inflow/(outflow) from financing activities	**142,719**	(534,493)
Net increase/(decrease) in cash and cash equivalents	**510,022**	(271,690)
Cash and cash equivalents at beginning of the period	**324,455**	519,226
Effects of foreign exchange rate changes, net	**13,303**	4,149
Cash and cash equivalents at end of the period	**847,780**	251,685
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**685,241**	186,357
Non-pledged time deposits	**162,539**	65,328
	847,780	251,685

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2009.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2009 except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on or after 1 April 2009.

HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligation Arising on Liquidation*
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payments – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments Disclosures – Improving Disclosures about Financial Instruments*

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

Accounting policies *(Continued)*

HKFRS 8	*Operating Segments*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition* and *Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreement for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfer of Assets from Customers*[2]
HKFRSs (Amendments)	*Improvements to HKFRSs* issued in 2008[1]

1 *Except for the amendments to HKFRS 5 which is effective for annual period beginning on or after 1 July 2009*

2 *Effective for transfers of assets from customers received on or after 1 July 2009*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the revised standard introduces the statement of comprehensive income, with all items of income and expense recognised in income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8, which replaced HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 *Segment Reporting*.

Except for the adoption of HKAS 1 (Revised) and HKFRS 8, the adoption of other new and revised HKFRSs has had no material effect on the Group's results of operation and financial position.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

Accounting policies *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 2 Amendments	*Group cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 5 Amendments	*Plan to sell the controlling interest in a subsidiary*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HKFRSs (Amendments)	*Improvements to HKFRSs* issued in 2008 and 2009[3]

[1] *Effective for annual periods beginning on or after 1 July 2009*

[2] *Effective for annual periods beginning on or after 1 January 2010*

[3] *Except for the amendments to HKFRS 2, HKFRS 5, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1 July 2009, and no effective date or transitional provisions for the amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010, although there are separate transitional provisions for certain standards*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group is principally engaged in property development, property investment and property related activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic operating unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel. The adoption of HKFRS 8 had no material effect on the presentation of segment information. An analysis of the Group's revenue and results by operating segments is as follows:

	Six months ended 30 September 2009 (Unaudited)			
	Property development	**Property investment**	**Others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:				
Sales to external customers	**405,552**	**18,638**	**17,430**	**441,620**
Segment results	**56,420**	**258,452**	**3,355**	**318,227**
Interest income				**556**
Unallocated expenses				**(13,294)**
Gain on disposal of a jointly-controlled entity				**76,922**
Finance costs				**(10,922)**
Share of profits and losses of jointly-controlled entities	**(930)**	**–**	**–**	**(930)**
Profit before tax				**370,559**
Tax				**(63,225)**
Profit for the period				**307,334**

2. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 September 2008 (Unaudited)			
	Property development	Property investment	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	100,061	27,512	19,819	147,392
Segment results	46,405	(14,711)	3,590	35,284
Interest income				1,713
Unallocated expenses				(14,770)
Finance costs				(10,965)
Share of profits and losses of jointly-controlled entities	285	–	–	285
Profit before tax				11,547
Tax				10,419
Profit for the period				21,966

3. OTHER INCOME

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**556**	1,709
Interest income from mortgage loans receivable	**–**	4
Exchange gain	**123**	1,051
Gain on disposal of investment properties	**853**	22,085
Others	**1,726**	1,718
	3,258	26,567

4. FINANCE COSTS

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	**29,747**	38,581
Less: Interest capitalized under property development projects	**(18,825)**	(27,616)
	10,922	10,965

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**1,532**	1,536
Employee benefits expense (including directors' remuneration)	**12,947**	12,720
Less: Amounts capitalized under property development projects	**(2,984)**	(2,984)
	9,963	9,736

6. TAX

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current – Outside Hong Kong	**21,905**	(463)
Deferred	**41,320**	(9,956)
Total tax charge/(credit) for the period	**63,225**	(10,419)

No Hong Kong profits tax has been provided as the Group companies have available tax losses brought forward from prior years to offset the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company and the number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds, net of tax and interest capitalization, if any. The number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the number of ordinary shares assumed to have been issued on the deemed conversion of all convertible bonds into ordinary shares.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

The calculation of basic and diluted earnings per share are based on:

	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**285,536**	21,058
Interest on convertible bonds, net of tax and interest capitalization	**–**	–
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**285,536**	21,058

	Number of shares	
	2009	2008
	(Unaudited)	(Unaudited)
Shares		
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	**480,286,201**	480,286,201
Effect of dilution – number of ordinary shares: Convertible bonds	**71,794,872**	70,000,000
	552,081,073	550,286,201

8. TRADE RECEIVABLES

An aged analysis of the trade receivables, based on the invoice/contract date, is as follows:

	At 30 September 2009 (Unaudited) *HK$'000*	At 31 March 2009 (Audited) *HK$'000*
Within 30 days	**36,886**	778
31 to 60 days	**562**	314
61 to 90 days	**378**	228
Over 90 days	**385**	159
Total	**38,211**	1,479

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 the 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 monitored closely by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$19,339,000 (at 31 March 2009: HK$10,155,000). An aged analysis of the trade payables, based on the invoice date, is as follows:

	At 30 September 2009 (Unaudited) *HK$'000*	At 31 March 2009 (Audited) *HK$'000*
Within 30 days	**19,339**	10,155

10. SHARE CAPITAL

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

11. CONTINGENT LIABILITIES

As at 30 September 2009, the Group had the following contingent liabilities:

(a) the Group has given guarantees of HK$234,158,000 (as at 31 March 2009 (audited): HK$34,556,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers; and

(b) pursuant to the share transfer agreement dated 17 August 2009 for the sale and purchase of the entire issued share capital of Rich Central Limited, an indirect jointly-controlled entity of the Group, together with the related shareholder's loan at an aggregate cash consideration of HK$250,000,000, the Group has executed a guarantee in favour of the purchaser to guarantee certain warranties given by the vendor upon completion of the share transfer agreement on 30 September 2009 for a period of 6 months. The maximum liability under the guarantee will not be greater than HK$250,000,000. In connection therewith, the joint venture partner counter indemnifies the Group for 50% of any loss suffered by the Group pursuant to the above guarantee.

12. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2009 (Unaudited) ***HK$'000***	At 31 March 2009 (Audited) *HK$'000*
Within one year	**22,640**	14,437
In the second to fifth years, inclusive	**45,238**	15,811
Over five years	**26,529**	–
	94,407	30,248

(b) As Lessee

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

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2009 (Unaudited) ***HK$'000***	At 31 March 2009 (Audited) *HK$'000*
Within one year	**18,055**	16,078
In the second to fifth years, inclusive	**17,809**	15,112
	35,864	31,190

13. CAPITAL COMMITMENTS

At 30 September 2009, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to HK$184,624,000 (at 31 March 2009 (audited): HK$245,118,000).

The Group's share of the jointly-controlled entities' authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties, which are not included in the above, amounted to HK$32,836,000 (at 31 March 2009 (audited): HK$26,380,000).

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group is as follows:

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**5,687**	5,489
Post-employment benefits	**331**	328
	6,018	5,817

15. POST BALANCE SHEET EVENT

On 30 September 2009, the Group committed to repurchase at par an aggregate principal amount of HK$192 million out of HK$280 million 3.5% guaranteed convertible bonds which were issued by a wholly-owned subsidiary of the Group in June 2006. The aforementioned repurchased bonds had been cancelled upon completion of the repurchases in October 2009. For details, please refer to the Company's announcement dated 2 October 2009.

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 10 December 2009.