



遠東發展有限公司

Far East Consortium International Limited

Stock Code 股份代號：035



Interim Report
中期報告

2010-11

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CORPORATE INFORMATION

PLACE OF INCORPORATION

Cayman Islands

EXECUTIVE DIRECTORS

Deacon Te Ken CHIU, J.P. (*Chairman*)

David CHIU, Tan Sri Dato', B.Sc.

(*Deputy Chairman and
Chief Executive Officer*)

Dennis CHIU, B.A.

Craig Grenfell WILLIAMS,

B. ENG. (CIVIL)

NON-EXECUTIVE DIRECTORS

Ching Lan JU CHIU, J.P.

Daniel Tat Jung CHIU

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jian Yin JIANG

Kwok Wai CHAN

Peter Man Kong WONG, J.P.

MANAGING DIRECTOR

Chris Cheong Thard HOONG, B. ENG, ACA

CHIEF OPERATING OFFICER

Denny Chi Hing CHAN

QUALIFIED ACCOUNTANT, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Boswell Wai Hung CHEUNG

AUTHORIZED REPRESENTATIVES

Deacon Te Ken CHIU

David CHIU

SOLICITORS

Hong Kong

Woo, Kwan, Lee & Lo

AUSTRALIA

Freehills

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

Hong Kong

Cathay United Bank Company, Limited
Chong Hing Bank Limited
Citic Bank International Limited
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Nanyang Commercial Bank Limited
Public Bank (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Wing Hang Bank Limited

Malaysia

Affin Islamic Bank Berhad
Affrin Bank Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad

Singapore

The Hongkong and Shanghai
Banking Corporation Limited

Australia

Australia and New Zealand Banking
Group Limited
Commonwealth Bank of Australia Limited

China

Agricultural Bank of China Limited
Construction Bank of China
DBS Bank (China) Limited
HSBC Bank (China) Company Limited
Wing Hang Bank (China) Limited

REGISTERED OFFICE

P.O. Box 1043, Ground Floor,
Caledonian House, Mary Street,
George Town,
Grand Cayman, Cayman Islands,
British West Indies.

PRINCIPAL OFFICE

16/F., Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong.

SHARE REGISTRAR

Tricor Standard Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

LISTING INFORMATION

Ordinary Shares (Code: 035)
Convertible Bonds 2015 (Code: 4317)
The Stock Exchange of Hong Kong Limited

WEBSITE

<http://www.fecil.com.hk>

INTERIM RESULTS HIGHLIGHTS

INTERIM RESULTS

The Board of Directors of Far East Consortium International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September, 2010.

INTERIM DIVIDEND

The Board of Directors (the “Board”) has declared an interim dividend of HK2 cents per share (“Interim Dividend”) for the six months ended 30 September, 2010. Interim dividend will be paid to shareholders whose names appear on the Company’s Register of Members on 29 December, 2010. Interim dividend will be paid in the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the “Scrip Dividend Scheme”).

The Scrip Dividend Scheme will be subject to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 4 January, 2011. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or about 10 January, 2011. Dividends warrants or new share certificates will be posted on or about 16 February, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS AND FINANCIAL REVIEWS

Financial review

1. Interim result

Turnover for the first half of FY2011 decreased by 44% to HK\$782 million (1H 2010: HK\$1,393 million), mainly contributed by a HK\$850 million decrease in properties sale due to a lack of completion of development project. However, turnover of hotel division and car park division increased by HK\$120 million and HK\$118 million respectively (45% and 128% respectively). For the first half of FY2011, revenue of hotel division increased to HK\$384 million from HK\$264 million of the same period of last financial year. During the period, the car park division made full period contribution, as it was acquired in July 2009. For the first half of FY2011, revenue of car park division increased to HK\$210 million from HK\$92 million of the same period of last financial year.

Gross profit increased by HK\$6.9 million to HK\$374 million this period as compared to the same period of last financial year (1H 2010: HK\$367 million). Gross margin increased significantly to 48% from 26%, mainly due to significant increase in profit margin in our hotel division and sale of properties in Shanghai California Garden.

Net profit attributable to owners of the Company for the first half 2011 amounted to HK\$187 million, an increase of 10% from the same period of last financial year. The major contributions were from the hotel division, sale of inventory at our Shanghai California Garden project, investment property fair value increase and gain on disposal of 'available for sale' investments.

A number of one-off expenses were incurred during the first half of 2011, namely IPO expenses related to our hotel division spinoff amounting to HK\$19 million, write-off of Macau project expenses amounting to HK\$18 million and provision for impairment loss on receivable amounting to HK\$5 million. In addition, the Group also recorded a non-cash fair value decrease in interest rate swap of HK\$43 million during the period.

Finance costs for the period was HK\$84 million, an increase of HK\$29 million compared to the same period last year. The increase was mainly due to an increase of interest cost on the HK\$800 million convertible bonds issued in March, 2010 of HK\$24 million (of which HK\$10 million was a non-cash provision).

MANAGEMENT DISCUSSION AND ANALYSIS

2. Liquidity, financial resources and net gearing

Borrowings and charge on Group assets

	30 September, 2010 HK\$'000	31 March, 2010 HK\$'000
Bank and other loans	5,041,069	5,058,457
Convertible bond	682,187	675,013
Obligations under finances leases	1,203	1,761
	5,724,459	5,735,231
The above borrowings are repayable as follows:		
On demand or within one year	1,381,045	1,237,039
Amount due after one year	4,343,414	4,498,192
	5,724,459	5,735,231
Analysed as:		
Secured	5,042,272	5,060,218
Unsecured	682,187	675,013
	5,724,459	5,735,231

MANAGEMENT DISCUSSION AND ANALYSIS

	30 September, 2010	31 March, 2010
	HK\$'000	HK\$'000
Net asset value, other than bank balances and cash	4,842,721	4,480,990
Bank balances and cash (current pledged deposits, restricted bank deposits, deposits with investment banks, bank balances and cash)	1,420,256	1,579,139
Equity attributable to owners of the Group	6,262,977	6,060,129
Hotel revaluation surplus as at 30 June, 2010 (not recognised in consolidated statement of financial position)	4,987,000	4,987,000
	11,249,977	11,047,129
Net gearing ratio	69%	69%
Net gearing ratio (adjusted for hotel revaluation surplus)	38%	38%

The equity attributable to owners of the Company is HK\$6.26 billion as at 30 September, 2010 (31 March, 2010: HK\$6.06 billion), an increase of HK\$203 million or 3%. As at 30 September, 2010, bank balances and cash was HK\$1.4 billion (31 March, 2010: HK\$1.6 billion).

As at 30 September, 2010, the Group's net borrowing (total bank loans, obligations under finance lease, convertible bonds and derivative financial instruments less bank balances and cash) was HK\$4.4 billion (31 March, 2010: HK\$4.2 billion), representing a net gearing ratio of 70% (31 March, 2010: 69%).

Increase in fair value from hotel division (revalued as at 30 June, 2010) amounting to HK\$5 billion in relation to hotel assets was not recognized in consolidated statement of financial position. Adjusting for the increase in fair value of the hotels, the net gearing ratio would be 39% as at 30 September, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Capital expenditure

The Group is carrying out a number of residential property developments and hotel property developments in Asia Pacific. Capital expenditure in relation to expansion of our hotel portfolio is expected to be approximately HK\$570M for the second half of the financial year 2011. Capital expenditure in relation to property development including land acquisition cost after period ended is expected to be approximately HK\$500M for the second half of the financial year 2011.

We expect to fund our capital expenditure and residential property development from our existing cash resources, proceeds from property pre-sales, bank borrowings and fund generated from our operating activities.

Business review

1. Property division

Our property division operation includes property development and investment development property holding.

During the period ended 30 September, 2010, revenue from the property development was HK\$147 million, a decrease of 85% compared to the same period of last financial year. Gross profit contribution dropped to HK\$90 million from HK\$187 million for the same period between FY 2010 and 2011.

During the first half of the financial year 2011, a number of projects have been pre-sold. They include Upper West Side – phase 1 in Australia and Dorsett Residence in Singapore. Pre-sales value amounted to over HK\$2 billion. Revenue from these properties will be recognised when the development of the respective projects are completed and delivered to the buyers in the coming years.

On 7 September, 2010, the Group entered into an agreement to acquire a property comprising residential and commercial properties at San Wai Street, Hungghom, Hong Kong, for HK\$325 million. The property is located in the heart of Kowloon. The Group plans to redevelop the property into residential and commercial properties with gross floor areas of approximately 66,000 sq. feet. It is expected to launch presales in FY 2012, and the project is expected to be completed in FY 2014. The development represents our new focus on serviced apartment/residential development.

MANAGEMENT DISCUSSION AND ANALYSIS

In Kuala Lumpur, the Group plans to build approximately 2,000 apartments for Grand Dorsett Subang. The property carries about 1,127,000 sq. feet GFA and is located next to our Grand Dorsett Subang Hotel in Kuala Lumpur. The development is owned by KHI and it is under planning stage.

In addition, the Group entered into an agreement in October, 2010 to acquire a parcel of land located in Kuala Lumpur of approximately 330,000 sq. feet GFA for approximately HK\$80 million. The development is a residential/serviced apartment and property development is under planning stage.

The above three additions to our pipeline represent approximately 10% of our current gross floor area under development and also represent our recent efforts to strengthen our residential property development business. The Group expects that residential development will contribute significant revenue in the next few years.

Residential property development

China

One of our major sources of income is derived from sale of properties in California Garden, Shanghai. California Garden is a residential development of approximately 15 million sq. feet GFA, consisting of more than 10,000 various residential types of apartments, mid rise, low rise, high rise and townhouses. As at 30 September, 2010, approximately 7 million sq. ft gross floor area remained to be developed. This remaining area is expected to generate significant revenues within the next 5 to 6 years.

During the first half of the financial year 2011, revenue of HK\$129 million with respect to remaining stocks on built development with profit margin of 68% was recognised. Compared with the same period of last financial year, revenue and profit margin were HK\$182 million and 55% respectively. 36 units of apartments and townhouses were sold and delivered during the first half of 2011. Current phase with approximately 1.2 million sq. feet gross floor areas is under various stages of development and presales of a new phase of development is expected to commence in FY 2012 with completion in FY 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Australia

During the first half of the financial year 2011, revenue dropped to HK\$14 million, a decrease of HK\$777 million from the same period of last financial year 2010. Last year's revenue was mainly derived from the Northbank project which was all sold.

During the period, the Jarrah Estate development of 88 townhouses in Bundoora, a suburb of Melbourne, was completed. Out of these 88 townhouses, 66 townhouses were settled as at end of September. The company has 25% interest in this development. The remaining 22 townhouses are estimated to be settled within the second half of financial year 2011.

One of our major developments is Upper West side development which is located in the heart of Melbourne Central Business District. This is a residential development of approximately 1.3 million sq. feet GFA, with 2,700 apartments divided into four phases. The development is expected to contribute revenues in the next 4 to 5 years. Phase 1 will have 700 apartments with approximately 400,000 sq. feet GFA. Pre-sales commenced in July, 2010. Earthworks have started on the site and it is anticipated that phase 1 will be completed in FY 2014. Planning has commenced on phase 2 which will have 723 apartments with approximately 400,000 sq. feet GFA.

Hong Kong

The company did not have significant sale of properties during the first half of financial year 2011 in Hong Kong. Existing developments continued and a number of these projects including the Sai Yeung Choi Street North development are expected to make significant progress in the second half of financial year 2011. Show house for the Clearwater Bay Road project is near completion and pre-sale is expected to commence in the second half of FY2011.

Investment property

The Group primary investment properties comprise residence, retail space and commercial offices in Shanghai, Hong Kong and Singapore. As at 30 September, 2010, valuation of the investment properties was HK\$2.4 billion (as at 31 March, 2010: HK\$2.2 billion), of which valuation surplus of HK\$194 million was recognised during the period. For the first half financial year 2011, the Group's revenue and gross profit in relation to investment property reached HK\$29 million and HK\$19 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Hotel division

The hotel division currently has 7 hotels under development (2 in China; 1 in Singapore; and 4 in Hong Kong) with a total of 2,406 rooms.

The following table sets out the operating data of our hotels under operation during the period under review.

	Six months ended		
	2010	2009	% of growth
Hong Kong			
Occupancy rate	89%	75%	18%
Average room rate (HK\$)	709	587	21%
RevPAR (HK\$)	630	441	43%
Revenue (HK\$m)	211	133	59%
Malaysia			
Occupancy rate	73%	67%	9%
Average room rate (HK\$)	464	436	6%
RevPAR (HK\$)	340	294	16%
Revenue (HK\$m)	128	116	10%
China			
Occupancy rate	53%	48%	10%
Average room rate (HK\$)	604	247	145%
RevPAR (HK\$)	320	119	169%
Revenue (HK\$m)	45	15	200%
Group Total			
Occupancy rate	78%	71%	11%
Average room rate (HK\$)	615	513	20%
RevPAR (HK\$)	479	362	32%
Revenue (HK\$m)	384	264	45%

MANAGEMENT DISCUSSION AND ANALYSIS

The hotel division main operations are located in Hong Kong, Malaysia and China. As at 30 September, 2010, the division owned and managed a total of 15 hotels (8 in Hong Kong; 5 in Malaysia; and 2 in China) with a total of 3,889 rooms. For the first half financial year, increase in revenue and revenue per available room ("RevPar") were 45% and 32% respectively, mainly due to rebound of economic growth in Asia, and the recovery from H1N1 epidemic. Commencement of business of Yue Shanghai @ Century Park in February, 2010 and Cosmo Kowloon Hotel in July, 2010 further enhanced the hotel division's performance.

3. Car park division

The car park division main operations are located in Australia, New Zealand and Malaysia. As at 30 September, 2010, 254 car parks (235 third party car parks and 19 self owned car parks) with approximately 45,000 parking bays were under our Group's management. During the first half of financial year 2011, the Group added approximately 10 car parks under management.

Revenue and gross profit for the first half financial year were HK\$210 million and HK\$39 million respectively, an increase of 128% and 55% respectively from the same period of last financial year. The increase was due primarily to full period contribution following the acquisition of the operation in July, 2009. The car park division steady organic growth will continue to provide increasing recurring income to the Group.

Recent development

Our hotel division (Kosmopolito Hotels International Limited, "KHI", stock code 2266) was listed on the Hong Kong Stock Exchange Limited on 11 October, 2010. The hotel division spin-off strengthened the cash position both at the Group's level and at hotel division level. After the spinoff, the Group's holding in KHI was reduced to 73%.

Gain resulting from the spin-off was approximately HK\$450 million which was arrived at after deducting the related expenses at the time of completion of the global offering. This gain on disposal will be recognized as reserve movement in the consolidated financial statements of the company for the financial year ended 31 March, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

With the spin-off in October, 2010, FEC and KHI raised HK\$573 million and HK\$573 million, net of IPO expenses, respectively. This will add to the Groups cash and bank balance which, as at 30 September, 2010, was HK\$1.4 billion.

The spin off exercise also helps to prove some of the revaluation surplus on KHI's hotel properties. The revaluation surplus as at 30 June, 2010 was estimated to be HK\$5 billion approximately.

Contingent Liabilities

The Group has given guarantees in respect of mortgage loans provided to the home buyers of the Group's properties in the PRC. At 30 September, 2010, the total amount of mortgage loans outstanding which are under the guarantee was HK\$125,060,000 (31.3.2010: HK\$127,006,000). The directors considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of short maturity periods and low default rate of mortgage loans.

During the year ended 31 March, 2010, a subsidiary of the Company initiated a law suit against the contractor for the unsatisfactory performance in relation to the construction of a hotel for amount of HK\$14,735,000. In response to the claim, the contractor has filed counterclaims against the subsidiary for an amount of HK\$25,841,000. The financial impact and outcome of these proceedings cannot be estimated with reasonable certainty at this preliminary stage. The Directors are of the view that the counterclaims would not have a material adverse impact on the financial position of the Group as at 30 September, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

	30.9.2010	31.3.2010
	HK\$'000	HK\$'000
Capital expenditure contracted but not provided for in the interim financial information in respect of:		
Acquisition, development and refurbishment of hotel properties	446,985	315,527
Others	12,588	2,311
	459,573	317,838
Capital expenditure authorised but not contracted for in respect of:		
Development and refurbishment of hotel properties	123,342	271,948
Development and refurbishment of investment properties under development	52,579	52,579
	635,494	642,365

SIGNIFICANT EVENT

During the period, certain subsidiaries underwent corporate re-organisation to rationalise the hotel development and operation business in preparation for listing of the shares of a subsidiary, Kosmopolito Hotels International Limited, ("Kosmopolito" formerly known as Hong Kong Hotel REIT Holdings Limited). The corporate reorganisation involved transfers of certain wholly-owned subsidiaries of the Company to Kosmopolito and capitalisation of an amount of HK\$1,859,812,000 due by Kosmopolito and its subsidiaries to the Group by the subscription of 1,730,000,000 ordinary shares of Kosmopolito at a price of HK\$1.075. After the corporate re-organisation, the Company's interest in 270,000,000 ordinary shares of Kosmopolito were offered for sale to the public. The transfer of subsidiaries were completed on 17 September, 2010 whereas the capitalisation and offer for sale were completed on 11 October, 2010. Since then, the Company's interest in Kosmopolito has been reduced from 100% to 73%. As the Company has not lost control over Kosmopolito, the decrease in interest in Kosmopolito, being the difference

MANAGEMENT DISCUSSION AND ANALYSIS

between the consideration received and the increase in the carrying amount of the non-controlling interests will be recognised directly in reserve in the financial statements for the year ending 31 March, 2011 in accordance with HKAS 27 (Revised 2008). Had the previous accounting policy been applied, the amount will be recognised in profit or loss.

PROSPECTS

The gradual economic recovery worldwide provides a favourable backdrop for property development market, hotel industry, and car park business. In Asia Pacific, the major markets of the Group, sales of residential property, revenue of hotel business and growth of car park division are expected to be helped by the increasing per capita disposable income and increasing living standard.

A strong balance sheet, strong cashflow and its asset backing provide a solid foundation and strong financing capacity for the Group's future development. Being a fast growing property player in Asia Pacific, the Group aims to expand its market share, by capturing new business opportunities and through development of its pipeline.

The Group is actively expanding its residential property development business and believes that revenue from residential property development will increase significantly in the coming years. We will continue to focus our future projects in the regions where we have an existing presence.

With respect to the hotel division, the Group witnessed a strong recovery in room rates and occupancy rates during the period under review. The Group believes that this trend will continue in the second half which will have a positive impact on profit margin. The Group sees strong potential for its own branded hotel portfolio and through completion of its current pipeline projects, the hotel division will continue its high growth in the next few years.

The car park division will continue to grow steadily and it will continue to adopt the model of third party carpark management as well as a selective ownership.

The Group is confident that with the implementation of its strategy in its 3 core businesses it can continue to bring steady long term return to its shareholders.

OTHER INFORMATION

EMPLOYEE AND REMUNERATION POLICIES

The number of employees of the Group as at 30 September, 2010 was approximately 2,300. Employees receive competitive remuneration packages that are constantly monitored in relation to the market, with incentives such as discretionary bonuses to reward employees based on individual performance. The Group provides a comprehensive benefit package and career development opportunities, including medical benefit and both internal and external training appropriate to each individual's requirements.

DISCLOSURE OF INTERESTS

Directors' interests in shares

As at 30 September, 2010, the interests and short positions of the directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows :

(a) Directors' interest in shares and underlying shares of the Company

Name of Director	Nature of Interests	Number of Ordinary Shares Held			Total	Percentage of Issued Share Capital of the Company
		Personal Interests	Corporate Interests	Family Interests		
Tan Sri Dato' David CHIU	Long Position	13,026,362	649,112,185 ⁽ⁱ⁾	557,000	662,695,547	34.73%
Deacon Te Ken CHIU	Long Position	12,353,578	133,439,825 ⁽ⁱⁱ⁾	-	145,793,403	7.64%
Dennis CHIU	Long Position	8,730	5,228,656 ⁽ⁱⁱⁱ⁾	-	5,237,386	0.27%
Daniel Tat Jung CHIU	Long Position	44,561	3,877,218 ^(iv)	-	3,921,779	0.21%
Ching Lan Ju CHIU	Long Position	1,540,853	-	-	1,540,853	0.08%

OTHER INFORMATION

Notes:

- (i) These Shares are held by Sumptuous Assets Limited and Modest Secretarial Services Limited, companies controlled by Tan Sri Dato' David CHIU.
- (ii) These Shares are held by various companies controlled by Mr. Deacon Te Ken CHIU.
- (iii) These Shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis CHIU and First Level Holdings Limited, a company controlled by Mr. Dennis CHIU and Mr. Daniel Tat Jung CHIU.
- (iv) These Shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis CHIU and Mr. Daniel Tat Jung CHIU and are entirely duplicated and included in the corporate interest of Mr. Dennis CHIU.

(b) Director's interest in shares and underlying shares of associated corporation

Name of Director	Nature of interests	Name of associated corporation	Number of ordinary shares held	Percentage of issued share capital of the associate corporation
Deacon Te Ken CHIU	Long Position	Kanic Property Management Limited	2	50%
Tan Sri Dato' David CHIU	Long Position	OiTak Enterprises Limited	250,000	25%

Save as disclosed above, none of the directors had registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies at 30 September, 2010.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September, 2010, the register of interests in shares or short positions required to be kept under Section 336 of the SFO showed that, other than the interests of directors as set out above, the following shareholders were interested in 5% or more of the issued share capital of the Company:

Name of substantial shareholders	Capacity	Nature of interests	No. of ordinary shares held	% of issued share capital
Penta Investment Advisers Limited	Investment manager	Long	556,773,697	29.18%
Penta Master Fund, Limited	Beneficial owner	Long	178,575,797	9.36%
UBS AG	Person having a security interest	Long	112,486,277	5.89%
		Beneficial owner		
	Long	866,222	0.05%	
	Short	870,000	0.05%	
	Interests in controlled corporation	Long	5,000	0.00%
		Short	5,000	0.00%
Penta Asia Long/ Short Fund, Limited	Beneficial owner	Long	108,725,200	5.7%

Note: "Long" refers to the long position in the shares of the Company held by such person/entity, while "Short" refers to short position in the shares of the Company held by such person/entity.

Save as disclosed herein, the Company has not been notified of any other person (other than directors or chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September, 2010.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 28 August, 2002 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the directors of the Company may grant options to eligible employees including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The terms of Share Option Scheme were adjusted pursuant to a resolution passed on 4 August, 2010 for the purpose of extending each of the exercise periods of the outstanding 16,300,000 share options and the outstanding 950,000 share options granted on 21 October, 2004 and 25 August, 2006 respectively (the "Share Options") by the Company and having a current exercise price of HK\$2.075 and HK\$3.29 respectively per ordinary share of HK\$0.1 each in the share capital of the Company to a full ten year period from each of their dates of grant.

During the period, no share options under the Share Option Scheme were granted to its employees.

Particulars of the Share Option Scheme are set out in note 22 to the condensed consolidated financial statements. The following table discloses movements in the Company's share options during the period:

Category of grantee	Date of grant	Exercise price HK\$	Outstanding at 1.4.2010	Granted during the period	Exercised during the period	Number of options		Exercise period
						Lapsed during the period	Outstanding at 30.09.2010	
<i>Senior management</i>								
Chris Cheong Thard HOONG	08.05.2009	1.50	1,850,000	-	-	-	1,850,000	16.09.2009 - 15.09.2019
			1,850,000	-	-	-	1,850,000	16.09.2010 - 15.09.2019
			1,850,000	-	-	-	1,850,000	16.09.2011 - 15.09.2019
			1,850,000	-	-	-	1,850,000	16.09.2012 - 15.09.2019
			<u>7,400,000</u>	-	-	-	<u>7,400,000</u>	

OTHER INFORMATION

Category of grantee	Date of grant	Exercise price HK\$	Outstanding at 1.4.2010	Granted during the period	Exercised during the period	Number of options		Exercise period
						Lapsed during the period	Outstanding at 30.09.2010	
Denny Chi Hing CHAN	21.10.2004	2.075	500,000	-	-	-	500,000	01.01.2007 – 20.10.2014
			1,800,000	-	-	-	1,800,000	01.01.2008 – 20.10.2014
			2,000,000	-	-	-	2,000,000	01.01.2009 – 20.10.2014
			<u>4,300,000</u>	-	-	-	<u>4,300,000</u>	
Bill Kwai Pui MOK	21.10.2004	2.075	1,200,000	-	-	-	1,200,000	01.01.2007 – 20.10.2014
			1,800,000	-	-	-	1,800,000	01.01.2008 – 20.10.2014
			2,000,000	-	-	-	2,000,000	01.01.2009 – 20.10.2014
			<u>5,000,000</u>	-	-	-	<u>5,000,000</u>	
Other employees in aggregate	21.10.2004	2.075	250,000	-	-	-	250,000	01.01.2004 – 20.10.2014
			425,000	-	-	-	425,000	01.01.2006 – 20.10.2014
			1,075,000	-	-	-	1,075,000	01.01.2007 – 20.10.2014
			2,275,000	-	-	-	2,275,000	01.01.2008 – 20.10.2014
			2,975,000	-	-	-	2,975,000	01.01.2009 – 20.10.2014
<u>7,000,000</u>	-	-	-	<u>7,000,000</u>				
Other employees in aggregate	25.08.2006	3.29	450,000	-	-	-	450,000	01.01.2009 – 24.08.2016
			500,000	-	-	-	500,000	01.01.2010 – 24.08.2016
			<u>950,000</u>	-	-	-	<u>950,000</u>	
Total			<u>24,650,000</u>	-	-	-	<u>24,650,000</u>	

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the Code Provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 September, 2010, except for the deviations from code provisions A.4.1 and A.4.2 of the Code described below.

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term of office. However, the Non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association. In the opinion of the Board of Directors, this meets the objective of the Code.

Under the second part of code provision A.4.2 of the Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Chairman of the Company, however, is not subject to retirement by rotation. In accordance with the second part of Article 115(B) of the Articles of Association of the Company, a Director appointed as an executive Chairman or as Managing or Joint Managing Director shall not while holding such office be subject to retirement by rotation or taken into account in determining the rotation retirement of Directors.

In order to uphold good corporate governance practices, the executive Chairman voluntarily retired from his office and offered himself for re-election at the 2009 annual general meeting of the Company notwithstanding that he is not required to do so pursuant to the Company's Article 115(B). As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors by the Company, all Directors have confirmed they had complied with the required standards set out in the Model Code throughout the six months ended 30 September, 2010.

OTHER INFORMATION

REPURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of them are Independent Non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. Jian Yin JIANG and Mr. Peter Man Kong Wong. The Audit Committee has reviewed the unaudited consolidated interim results for the six months ended 30 september, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 29 December, 2010 to Tuesday, 4 January, 2011, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the Interim Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Standard Limited of 26 Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 28 December, 2010.

By order of the Board

DAVID CHIU

Deputy Chairman and Chief Executive Officer

Hong Kong, 26 November, 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September, 2010

	NOTES	Six months ended	
		30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Revenue	3	782,424	1,392,958
Depreciation and amortisation		(54,923)	(34,154)
Other cost of sales and services		(353,490)	(991,645)
Gross profit		374,011	367,159
Other income		11,762	18,697
Administrative expenses		(174,874)	(160,234)
Increase in fair value of investment properties		194,838	68,672
Other gains and losses	4	(33,509)	13,858
Spin off expenses		(19,000)	–
Share of results of associates		8,350	8,106
Share of results of jointly controlled entities		6,799	(1,452)
Finance costs	5	(84,214)	(55,249)
Profit before taxation		284,163	259,557
Income tax expense	6	(93,707)	(58,619)
Profit for the period	7	190,456	200,938
Attributable to:			
Owners of the Company		187,133	170,450
Non-controlling interests		3,323	30,488
		190,456	200,938
Earnings per share			
Basic	9	HK9.8 cents	HK10.0 cents
Diluted		HK9.8 cents	HK9.8 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September, 2010

	Six months ended	
	30.9.2010 HK\$'000 (unaudited)	30.9.2009 HK\$'000 (unaudited)
Profit for the period	190,456	200,938
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	115,403	171,943
Revaluation on available-for-sale investments	20,980	52,107
Reclassify to profit or loss on disposal of available-for-sale investments	(53,575)	(22,672)
Other comprehensive income for the period	82,808	201,378
Total comprehensive income for the period	273,264	402,316
Total comprehensive income attributable to:		
Owners of the Company	267,989	356,688
Non-controlling interests	5,275	45,628
	273,264	402,316

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September, 2010

	NOTES	30.9.2010 (unaudited) HK\$'000	31.3.2010 (restated) HK\$'000
Non-current assets			
Investment properties	10	2,412,248	2,179,330
Property, plant and equipment	10	5,618,101	5,448,882
Prepaid lease payments	10	604,254	741,144
Goodwill	11	68,400	68,400
Intangible assets	12	6,000	7,244
Interests in associates		188,710	181,620
Interests in jointly controlled entities		89,228	88,973
Available-for-sale investments	13	72,468	308,056
Financial assets classified as at fair value through profit or loss	14	4,683	4,574
Deposit for acquisition of properties		111,150	109,009
Amounts due from associates		90,260	90,443
Amount due from an investee company		119,995	119,995
Pledged deposits		7,750	12,397
Other non-current assets		1,903	2,398
		9,395,150	9,362,465
Current assets			
Properties for sale			
Completed properties		150,451	198,363
Properties for/under development		2,002,647	1,688,234
Other inventories		8,165	6,452
Prepaid lease payments	10	13,186	19,116
Debtors, deposits and prepayments	16	262,924	228,936
Amount due from a jointly controlled entity		–	5,152
Amounts due from associates		4,789	3,628
Tax recoverable		15,203	15,082
Available-for-sale investments	13	52,606	20,897
Financial assets classified as at fair value through profit or loss (including held for trading)	14	14,435	19,561
Derivative financial instruments	15	240	1,708
Pledged deposits		8,970	17,368
Restricted bank deposits		138,279	269,829
Deposits with investment banks		670,670	636,644
Bank balances and cash		602,337	655,298
		3,944,902	3,786,268

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September, 2010

	NOTES	30.9.2010 (unaudited) HK\$'000	31.3.2010 (restated) HK\$'000
Current liabilities			
Creditors and accruals	17	344,926	423,593
Obligations under finance leases		797	1,256
Amounts due to directors		–	892
Amounts due to related companies		47,043	46,061
Amounts due to associates		17,951	17,952
Amounts due to minority shareholders		30,030	29,462
Customers' deposits received		53,411	81,811
Derivative financial instruments	15	190	208
Tax payable		268,841	249,473
Secured bank and other borrowings	18	1,380,058	1,235,783
		2,143,247	2,086,491
Net current assets			
		1,801,655	1,699,777
Total assets less current liabilities			
		11,196,805	11,062,242
Capital and reserves			
Share capital	19	190,836	190,638
Share premium		2,750,970	2,746,668
Reserves		3,321,171	3,122,823
Equity attributable to owners of the Company		6,262,977	6,060,129
Non-controlling interests		101,055	95,780
Total equity			
		6,364,032	6,155,909
Non-current liabilities			
Derivative financial instruments	15	90,504	44,266
Liability component of convertible bonds	20	682,187	675,013
Amount due to a jointly controlled entity		13,682	13,682
Deferred taxation		384,983	350,193
Obligations under finance leases		406	505
Secured bank and other borrowings	18	3,661,011	3,822,674
		4,832,773	4,906,333
		11,196,805	11,062,242

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September, 2010

	Attributable to owners of the Company												
	Share capital	Share premium	Capital redemption reserve	Asset revaluation reserve	Investment revaluation reserve	Exchange reserve	Share options reserve	Convertible bond equity reserve	Special reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2009 (audited)	162,200	2,041,906	253	7,228	(36,560)	(60,648)	2,784	95,049	1,038,709	1,492,623	4,743,544	30,456	4,774,000
Profit for the period	-	-	-	-	-	-	-	-	-	170,450	170,450	30,488	200,938
Revaluation increase on available-for-sale investments	-	-	-	-	52,107	-	-	-	-	-	52,107	-	52,107
Exchange difference arising on translation of foreign operations	-	-	-	-	-	156,803	-	-	-	-	156,803	15,140	171,943
Reclassify to profit or loss on disposal of available-for-sale investments	-	-	-	-	(22,672)	-	-	-	-	-	(22,672)	-	(22,672)
Other comprehensive income for the period	-	-	-	-	29,435	156,803	-	-	-	-	186,238	15,140	201,378
Total comprehensive income for the period	-	-	-	-	29,435	156,803	-	-	-	170,450	356,688	45,628	402,316
Shares issued on conversion of convertible bonds	7,708	340,768	-	-	-	-	-	(113,831)	-	-	234,645	-	234,645
Reversal of deferred tax on conversion of convertible bonds	-	-	-	-	-	-	-	18,782	-	-	18,782	-	18,782
Acquisition of assets	8,172	141,330	-	-	-	-	-	-	-	149,502	-	-	149,502
Acquisition of business	10,233	179,075	-	-	-	-	-	-	-	189,308	52,944	-	242,252
Share issue expense	-	(709)	-	-	-	-	-	-	-	-	(709)	-	(709)
Recognition of equity-settled share based payments	-	-	-	-	-	-	1,593	-	-	-	1,593	-	1,593
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(85,271)	(85,271)
Dividends declared	-	-	-	-	-	-	-	-	(37,663)	-	(37,663)	-	(37,663)
At 30 September, 2009 (unaudited)	188,313	2,702,370	253	7,228	(7,125)	96,155	4,377	-	1,038,709	1,625,410	5,655,690	93,757	5,749,447
Profit for the period	-	-	-	-	-	-	-	-	-	133,821	133,821	4,079	137,900
Revaluation increase on available-for-sale investment	-	-	-	-	7,473	-	-	-	-	-	7,473	-	7,473
Exchange difference arising on translation of foreign operations	-	-	-	-	-	126,312	-	-	-	-	126,312	(1,260)	125,052
Reclassify to profit or loss on disposal of available-for-sale investments	-	-	-	-	27,066	-	-	-	-	-	27,066	-	27,066
Revaluation increase on properties, plant and equipment on transfer to investment properties less deferred tax of HK\$2,201,000 thereon	-	-	-	6,632	-	-	-	-	-	-	6,632	-	6,632
Other comprehensive income for the period	-	-	-	6,632	34,539	126,312	-	-	-	-	167,483	(1,260)	166,223
Total comprehensive income for the period	-	-	-	6,632	34,539	126,312	-	-	-	133,821	301,304	2,819	304,123
Shares issued in lieu of cash dividend	2,325	44,298	-	-	-	-	-	-	-	-	46,623	-	46,623
Issue of 2015 bond	-	-	-	-	-	-	-	115,410	-	-	115,410	-	115,410
Deferred tax on equity component of 2015 bond	-	-	-	-	-	-	-	(19,042)	-	-	(19,042)	-	(19,042)
Recognition of equity-settled share based payments	-	-	-	-	-	-	760	-	-	-	760	-	760
Convertible bonds issue expenses	-	-	-	-	-	-	-	(2,623)	-	-	(2,623)	-	(2,623)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(796)	(796)
Dividends paid	-	-	-	-	-	-	-	-	(37,993)	-	(37,993)	-	(37,993)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September, 2010

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Share options reserve HK\$'000	Convertible bond equity reserve HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31 March, 2010 (audited)	190,638	2,746,668	253	13,860	27,414	222,467	5,137	93,745	1,038,709	1,721,238	6,060,129	95,780	6,155,909
Profit for the period	-	-	-	-	-	-	-	-	-	187,133	187,133	3,323	190,456
Revaluation increase on available-for-sale investments	-	-	-	-	20,980	-	-	-	-	-	20,980	-	20,980
Exchange difference arising on translation of foreign operations	-	-	-	-	-	113,451	-	-	-	-	113,451	1,952	115,403
Reclassify to profit or loss on disposal of available-for-sale investments	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Other comprehensive income for the period	-	-	-	-	(32,595)	113,451	-	-	-	-	80,856	1,952	82,808
Total comprehensive income for the period	-	-	-	-	(32,595)	113,451	-	-	-	187,133	267,989	5,275	273,264
Shares issued in lieu of cash dividend	605	13,196	-	-	-	-	-	-	-	-	13,801	-	13,801
Repurchase of own shares on available-for-sale investments	(407)	(8,894)	-	-	-	-	-	-	-	-	(9,301)	-	(9,301)
Recognition of equity-settled share based payments	-	-	-	-	-	-	6,451	-	-	-	6,451	-	6,451
Dividend paid	-	-	-	-	-	-	-	-	-	(76,092)	(76,092)	-	(76,092)
At 30 September, 2010 (unaudited)	190,836	2,750,970	253	13,860	(5,181)	335,918	11,588	93,745	1,038,709	1,832,279	6,262,977	101,055	6,364,032

Special reserve arose from group reorganisation in 1991 representing the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal value of the share issued for the acquisition.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September, 2010

	Six months ended	
	30.9.2010 HK\$'000	30.9.2009 HK\$'000
Net cash from operating activities	63,586	646,224
Net cash from (used in) investing activities	172,766	(576,156)
Net cash used in financing activities	(300,577)	(269,565)
Net decrease in cash and cash equivalents	(64,225)	(199,497)
Cash and cash equivalents at beginning of the period	655,298	626,678
Effect of foreign exchange rate changes	11,264	7,393
Cash and cash equivalents at end of the period	602,337	434,574
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	602,337	434,574

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the preparation of condensed consolidated financial statements are consistent with those in the preparation of the Group’s annual financial statements for the year ended 31 March, 2010, except for leases and intangible assets as detailed below.

Application of new and revised Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, the following Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 April, 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards *(Continued)*

Except as disclosed below in relation to the amendments to HKAS 17 as part of Improvements to HKFRSs issued in 2009, the adoption of the above new and revised HKFRSs has had no material effect on the interim financial information of the Group for the current and prior accounting periods.

The Group has not early applied the following new and revised Hong Kong Financial Reporting Standards, amendments that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July, 2010 and 1 January, 2011, as appropriate

² Effective for annual periods beginning on or after 1 July, 2010

³ Effective for annual periods beginning on or after 1 January, 2011

⁴ Effective for annual periods beginning on or after 1 July, 2011

⁵ Effective for annual periods beginning on or after 1 January, 2013

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 9 "Financial Instruments" as issued in November 2009 introduces new requirements for the classification and measurement of financial assets. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets. In addition, HKFRS 9 as revised in November 2010 adds requirements for the classification and measurement of financial liabilities and derecognition. HKFRS 9 will be effective from 1 January, 2013, with earlier application permitted.

The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of other new and revised Hong Kong Financial Reporting Standards will have no material impact on the results and the financial position of the Group.

Amendments to HKAS 17 Leases

As part of improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 17 Leases (Continued)

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land at 1 April, 2010 based on information that existed at the inception of leases. Leasehold land that qualified for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively, resulting in a reclassification of prepaid lease payment with previous carrying amount of HK\$1,203,562,000 and HK\$1,208,997,000 as at 1 April, 2009 and 31 March, 2010 respectively to property, plant and equipment. Accordingly, the carrying amounts of property, plant and equipment increased from HK\$3,141,956,000 and HK\$4,239,885,000 as at 1 April, 2009 and 31 March, 2010 to HK\$4,345,518,000 and HK\$5,448,882,000 respectively.

HKFRS 3 (Revised) Business Combinations

HKFRS 3 (Revised) *Business Combinations* has been applied prospectively from 1 April, 2010. The impact of adoption of HKFRS 3 (Revised 2008) has been:

- It allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as “minority” interests);
- It changes the recognition and subsequent accounting requirements for contingent consideration; and
- It requires acquisition-related costs to be accounted for separately from the business combination.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group’s accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in ownership interests in subsidiaries that about result in the loss of control are dealt with in equity, with no impact on goodwill or profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date when the control is lost any gain or loss of control is recognised in profit or loss as the difference between the proceeds if any, and these adjustments.

As there was no business combination occurred nor increase or decrease in ownership interests in subsidiaries during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised 2008) is applicable, the application of HKFRS 3 (Revised) and HKAS 27 (Revised 2008) had no effect on the consolidated financial statements for the current or prior accounting periods. However, the consolidated financial statements for the year ending 31 March, 2011 will be affected by the partial disposal of the Group's interest in certain subsidiaries set in note 27.

Intangible assets acquired in a business combination

Intangible assets are recognised when they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are measured at fair value on initial recognition. Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful live is provided on a straight-line basis over their estimated useful lives.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

3. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker who is the executive directors of the Company for the purposes of resource allocation and assessment of performance is mainly focused on each of the geographical areas, namely, Hong Kong, PRC, Australia, Malaysia and Singapore in property development, property investment, hotel operation, car park operation and financial product investments.

The following is an analysis of the Group's revenue and results by reportable segment for the period. Segment profit or loss represents pre-tax profit or loss earned by each segment without allocation of central administrative cost, and directors' salaries, gain from change in fair value on financial liabilities classified as at fair value through profit or loss and finance costs.

	Segment revenue		Segment profit(loss)	
	Six months ended 30.9.2010 HK\$'000	Six months ended 30.9.2009 HK\$'000	Six months ended 30.9.2010 HK\$'000	Six months ended 30.9.2009 HK\$'000
Property development				
– Australia	14,515	791,631	5,829	47,424
– HK	3,930	22,943	2,130	20,886
– PRC	128,772	182,529	102,513	93,278
– Malaysia	–	–	–	(20)
	147,217	997,103	110,472	161,568
Property investment				
– HK	12,034	15,082	136,747	82,953
– PRC	5,711	5,257	(925)	4,530
– Singapore	11,925	10,383	60,655	22,147
	29,670	30,722	196,477	109,630

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

3. SEGMENT INFORMATION (Continued)

	Segment revenue		Segment profit(loss)	
	Six months ended	Six months ended	Six months ended	Six months ended
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hotel operation				
– HK	211,096	132,912	61,634	24,289
– Malaysia	127,805	115,969	25,420	28,125
– PRC	45,261	15,199	7,400	(19,779)
– Singapore	–	–	(6,422)	–
	384,162	264,080	88,032	32,635
Car park operation				
– Australia and New Zealand	202,718	91,175	21,118	12,512
– Malaysia	8,095	1,088	4,232	478
	210,813	92,263	25,350	12,990
Financial product investments	9,433	5,610	835	31,965
Other operation	1,129	3,180	(17,330)	(6,297)
Segment revenue/segment profit	<u>782,424</u>	<u>1,392,958</u>	403,836	342,491
Unallocated corporate expenses			(35,459)	(28,636)
Gain from change in fair value of financial liabilities classified as at fair value through profit or loss			–	951
Finance costs			(84,214)	(55,249)
Profit before taxation			<u>284,163</u>	<u>259,557</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

3. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's assets by reportable segment as at the end of the reporting period. Segment assets represent assets held by each segment without allocation of corporate assets which are mainly bank balances and cash.

	As at 30.9.2010 HK\$'000	As at 31.3.2010 HK\$'000
Property development		
– PRC	1,526,618	1,701,343
– HK	469,908	472,180
– Australia	590,539	527,185
– Malaysia	283,049	241,823
	2,870,114	2,942,531
Property investment		
– HK	1,425,203	1,271,166
– Singapore	509,050	421,950
– PRC	2,890	2,604
	1,937,143	1,695,720
Hotel operation		
– HK	2,986,504	2,839,156
– PRC	1,525,094	1,443,151
– Malaysia	1,055,644	1,000,083
– Singapore	472,695	419,092
	6,039,937	5,701,482
Car park operation		
– Australia and New Zealand	665,629	635,552
– Malaysia	42,773	151,004
	708,402	786,556
Financial product investments	170,155	423,401
Other operation	341,293	307,101
Segment assets	12,067,044	11,856,791
Unallocated corporate assets	1,273,008	1,291,942
	13,340,052	13,148,733

Segment liabilities are not disclosed as they are not regularly reviewed by chief operating decision maker.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
Gain on disposal of available-for-sale investments	53,575	22,672
Gain from change in fair value of financial assets classified as at fair value through profit or loss	3,241	4,461
Gain from change in fair value of financial liabilities classified as at fair value through profit or loss	–	951
Loss from change in fair value of derivative financial instruments	(66,873)	(2,026)
Allowance for amount due from a jointly controlled entity	(5,152)	(12,200)
Impairment loss on other building under development	(18,300)	–
	<u>(33,509)</u>	<u>13,858</u>

5. FINANCE COSTS

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
Interest on:		
Bank loans		
– wholly repayable within five years	58,624	63,795
– not wholly repayable within five years	20,517	11,119
Other loans		
– wholly repayable within five years	813	1,026
Interest expense on convertible bonds	23,755	5,691
Finance leases	15	46
Amortisation of front-end fee	6,284	6,235
Others	3,385	311
	<u>113,393</u>	<u>88,223</u>
Total interest costs	113,393	88,223
Less: Amounts capitalised	(29,179)	(32,974)
	<u>84,214</u>	<u>55,249</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

6. INCOME TAX EXPENSE

	Six months ended	
	30.9.2010 HK\$'000	30.9.2009 HK\$'000
The income tax expense comprises:		
Current period:		
Hong Kong	7,849	5,227
PRC	46,428	43,447
Other jurisdictions	6,257	4,056
	60,534	52,730
Under (over)-provision in prior periods:		
Hong Kong	646	(2,089)
PRC	269	–
	915	(2,089)
Deferred taxation	32,258	7,978
	93,707	58,619

Taxation arising in each region is calculated at the rates prevailing in the relevant jurisdictions.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods of each individual companies comprising the Group.

PRC Enterprise Income Tax is provided at the rate of 25%. The PRC Enterprise Income Tax charge includes land appreciation tax of HK\$26,831,000 (six months ended 30.9.2009: HK\$27,201,000).

The domestic statutory tax rates of Australia and Singapore are provided at the rates of 30% and 17% respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Allowance for amount due from a jointly controlled entity	5,152	12,200
Allowance for trade and loans receivable	–	153
Amortisation of prepaid lease payments	9,682	1,119
Depreciation on property, plant and equipment	51,130	40,805
Impairment loss on other building under development	18,300	–
Share of taxation of associates (included in share of results of associates)	1,650	1,714
Share option expense	6,451	1,593
	<hr/>	<hr/>
and crediting:		
Bank interest income	2,172	1,966
Reversal of allowance for trade and loans receivable	12,429	–
Dividend income from:		
Investments held for trading	332	16
Available-for-sale investments	369	1,056
	<hr/>	<hr/>
	701	1,072
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

8. DIVIDENDS

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Final dividend for the year ended 31 March, 2010 of HK4 cents (2009: final dividend for the year ended 31 March, 2009 of HK2 cents) per share	<u>76,092</u>	<u>37,663</u>

Subsequent to 30 September, 2010, the directors declared an interim dividend of HK2 cents (2009: HK2 cents) per share. Shareholders have an option to receive new shares of the Company in lieu of cash.

Of the total final dividend in respect of the year ended 31 March, 2010, HK\$62,291,000 (2009: HK\$7,876,000) was paid in cash and HK\$13,801,000 (2009: HK\$29,787,000) was settled by the issue of shares on 27 August, 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

9. EARNINGS PER SHARE

The calculation of the basis and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.9.2010 HK\$'000	30.9.2009 HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share	187,133	170,450
Effect of convertible bonds		
– gain from change in fair value of convertible bonds designated as financial liabilities classified as at fair value through profit or loss	–	(951)
– interest expense on convertible bonds	–	5,691
	<u>187,133</u>	<u>175,190</u>
Earnings for the purpose of diluted earnings per share	<u>187,133</u>	<u>175,190</u>

	Number of shares	
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,904,117	1,702,335
Effect of dilutive potential ordinary shares		
– conversion of convertible bonds	–	88,655
– share options	3,218	–
	<u>1,907,335</u>	<u>1,790,990</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,907,335</u>	<u>1,790,990</u>

The computation of diluted earnings per share for six months ended 30 September, 2010 does not assume the conversion of outstanding convertible bonds since their exercise would result in an increase in earnings per share.

The computation of diluted earnings per share for six months ended 30 September, 2009 did not assume the conversion of outstanding share options since the exercise price of the Company's share options was higher than the average market price of its shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

10. MOVEMENTS IN INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

During the period, the Group acquired certain property, plant and equipment amounting to HK\$184,766,000 (six months ended 30.9.2009: HK\$402,333,000). In prior period, the Group also acquired car park building on freehold land through business combination amounting to HK\$398,157,000.

The fair value of the investment properties in Hong Kong, PRC, Malaysia and Singapore at 30 September, 2010 and 31 March, 2010 are based on the valuation carried out on those dates by DTZ Debenham Tie Leung Limited, Raine & Horne International Zaki + Partners Sdn. Bhd. and Jones Lang LaSalle Property Consultants Pte Limited, independent qualified professional valuers not connected with the Group, respectively.

DTZ Debenham Tie Leung Limited, is a member of the Hong Kong Institute of Surveyors and Raine & Horne International Zaki + Partners Sdn. Bhd. and Jones Lang LaSalle Property Consultants Pte Ltd. are members of Royal Institution of Chartered Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties at similar locations.

The fair value of investment properties under construction with carrying amount of HK\$184,215,000 was not reliably determinable at 31 March, 2010, and accordingly, such investment properties under construction were measured at cost less impairment. During the period, the Group has submitted application to lands tribunal for the compulsory sale of the remaining units of the investment properties not yet purchased by the Group. Based on the current development, the Group has finalised the development plan and the estimated fair value of the properties as at 30 September, 2010 to be HK\$261,000,000 based on the development plan. As a result, the Group recognised an increase in fair value of HK\$76,785,000 relating to such investment properties under construction in the current period.

The fair value of the investment properties under development, the valuations have been arrived at by adopting direct comparison approach with reference to comparable transactions in the locality and taken into account the potential of the property for development in accordance with the approved building plans upon successful site amalgamation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

11. GOODWILL

On 17 July, 2009 the Group acquired 73.75% issued share capital of Care Park Group Pty ("Care Park"), a company incorporated in Australia. Goodwill arose from the acquisition was provisionally determined to be HK\$73,047,000 on the date of acquisition.

In the current period, the determination of the fair value of the intangible asset has been finalised. The recognition of intangible assets with fair value of HK\$9,000,000, as disclosed in note 12, at the date of acquisition has resulted in a reduction in goodwill.

The management determines that there is no impairment on the carrying amount of the goodwill at the end of the reporting period based on the estimated cash generated from the car park operation. The calculation uses cash flow projections based on financial budgets approved by the management covering a 5-years period, and at a discount rate of 18.82%. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the goodwill exceeding its recoverable amount.

12. INTANGIBLE ASSETS

Intangible assets relate to the rights to manage the operation of certain carparks. Based on the valuation performed by independent chartered accountants, Nexia ASR Pty Ltd's, on the carpark operation business, an intangible asset in relation to the rights to manage the carparks is identified and has a value of approximately HK\$9,000,000, determined on the income-based method, at the date of the acquisition. Adjustment is made in the consolidated financial statements to reflect the value of such management rights. The comparative figures for the prior period have been restated accordingly.

The contracts to manage the operation of carparks have finite useful lives, and are amortised on a straight-line basis over their estimated useful lives of 3 ½ years.

The management determines that there is no impairment on the carrying amount of the intangible assets based on the estimated recoverable amount of cash generated from the management contracts of car park operation. The calculation uses cash flow projections based on financial budgets approved by the management covering a 5-years period, and at a discount rate of 18.82%. The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the intangible assets exceeding its recoverable amount.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

13. AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
Listed equity securities:		
Hong Kong	21,960	193,230
Overseas	19,573	5,292
	41,533	198,522
Unlisted securities:		
Equity securities	23,023	61,990
Debt securities	13,648	48,009
Investment funds	46,870	20,432
	83,541	130,431
	125,074	328,953
Analysed for reporting purposes as:		
Non-current assets	72,468	308,056
Current assets	52,606	20,897
	125,074	328,953

Available-for-sale investments are stated at fair value except that the unlisted equity securities are measured at cost less impairment as the directors are of the opinion that their fair values cannot be measured reliably.

The fair value of the listed equity securities are determined based on the quoted market bid prices available on the relevant stock exchanges. The fair value of the debt securities are determined in accordance with generally accepted pricing models based on discounted cash flow using market interest rates. The investment funds are redeemable at the holder's discretion at redemption amount determined based on the fair value of the underlying net assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

14. FINANCIAL ASSETS CLASSIFIED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
Equity-linked notes	12,318	11,958
Investments held for trading		
Equity securities listed in Hong Kong	2,477	9,040
Equity securities listed overseas	4,323	3,137
	19,118	24,135
Analysed for reporting purposes as:		
Non-current assets	4,683	4,574
Current assets	14,435	19,561
	19,118	24,135

Note:

The fair values of the equity-linked notes which are outstanding as at 30 September, 2010 and 31 March, 2010 are determined using generally accepted pricing models based on discounted cashflow using prices or rates from observable current market transactions. Key assumptions include prices of underlying shares and market interest rate. The fair value of investment held for trading are determined based on quoted market bid price available on the relevant stock exchanges.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

15. DERIVATIVE FINANCIAL INSTRUMENTS

	30.9.2010		31.3.2010	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps (<i>note i</i>)	173	(83,571)	1,678	(37,908)
Index swap (<i>note ii</i>)	–	(6,933)	–	(6,358)
Call/put options in listed equity securities (<i>note iii</i>)	67	(190)	30	(208)
	<u>240</u>	<u>(90,694)</u>	<u>1,708</u>	<u>(44,474)</u>
Analysed for reporting of purpose as:				
Current assets	240	–	1,708	–
Current liabilities	–	(190)	–	(208)
Non-current liabilities	–	(90,504)	–	(44,266)
	<u>240</u>	<u>(90,694)</u>	<u>1,708</u>	<u>(44,474)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

15. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notes:

(i) Major terms of the interest rate swap contracts entered into by the Group to reduce its exposure to interest rate fluctuation of the bank borrowings that carry interest at variable interest rate outstanding at the end of the reporting period are set out below. These derivatives are not accounted for under hedge accounting.

(a)	Notional amount:	HK\$1,900,000,000
	Maturity:	September 2013
	Interest payment:	From 3 months HIBOR to fixed rate of 2.395% per annum.
(b)	Notional amount:	Aggregate total of HK\$1,900,000,000
	Maturity:	September 2013
	Interest payment:	Pay interest at 3 months HIBOR with a maximum capped at 7.5% per annum and receive interest at 3 months HIBOR with upfront payment of HK\$19.9 million
(c)	Notional amount:	SGD 10,000,000
	Contract date:	28 July, 2010
	Effective date:	7 October, 2010
	Maturity date:	December 2013
	Interest payment:	Pay interest at a fixed rate of 1.46% and receive interest at 3 months SGD Swap Offer Rate

The fair value of the interest rate swap contracts are determined based on the discounted cash flow analysis using the applicable yield curve and the remaining duration of the instruments.

(ii) Major terms of the contract, which is linked to Nikkei Heikin Kabula 225 Index ("Nikkei 225 Index"), are set out below:

Notional amount:	JPY1,734,750,000
Maturity:	February 2018 with an option of early termination by the banker
Interest payment:	6 month JPY LIBOR BBA payable semi-annually with additional coupon calculated at 20 Year JPY Constant Maturity Swap - 2 Year JPY Constant Maturity Swap plus 0.60% of on the relevant fixing date, the closing price of Nikkei 225 Index is above 11,000 or 0.10% per annum if Nikkei 225 Index is equal to or below 11,000.

The fair value of the index swap is determined in accordance with discounted cash flow analysis based on data obtained from current market transaction and applicable yield curve and remaining durations of the instruments.

(iii) Call and put options represents right to purchase or sell listed equity securities with predetermined prices. The contracts with maturity dates ranging from one to three months.

The fair value of the call and put options is determined in accordance with generally accepted pricing model based on the data obtained from dealer quotes for similar instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

16. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$89,596,000 (31.3.2010: HK\$107,374,000) and other debtors net of allowance of HK\$27,657,000 (31.3.2010: HK\$51,977,000).

Trade debtors mainly comprise of receivable from renting of properties and hotel operation. Rentals are payable on presentation of demand notes. No credit is allowed to these customers. Hotel room revenue is normally settled by cash or credit card. The Group allows on average credit period of 30 to 60 days to travel agents and corporate customers.

The following is an aged analysis of the trade debtors, based on the invoice date, at the reporting dates:

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
0-60 days	80,162	95,597
61-90 days	5,049	4,926
Over 90 days	4,385	6,851
	<u>89,596</u>	<u>107,374</u>

17. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$94,946,000 (31.3.2010: HK\$131,586,000). The following is an aged analysis of the trade creditors at the reporting dates:

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
0-60 days	51,708	57,736
61-90 days	9,046	30,528
Over 90 days	34,192	43,322
	<u>94,946</u>	<u>131,586</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

18. SECURED BANK AND OTHER BORROWINGS

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
The borrowings comprise:		
Bank loans	5,089,110	5,111,693
Other loans	1,199	2,288
	5,090,309	5,113,981
Less: front-end fee	(49,240)	(55,524)
	<u>5,041,069</u>	<u>5,058,457</u>
Analysed for reporting purposes as:		
Current liabilities	1,380,058	1,235,783
Non-current liabilities	3,661,011	3,822,674
	<u>5,041,069</u>	<u>5,058,457</u>
The borrowings are repayable:		
On demand or within one year	1,380,058	1,235,783
More than one year, but not exceeding two years	527,691	422,711
More than two years, but not exceeding three years	94,777	404,120
More than three year, but not exceeding five years	2,745,378	2,668,379
More than five years	342,405	382,988
	<u>5,090,309</u>	<u>5,113,981</u>

Bank loans with the aggregate carrying amount of HK\$141,550,000 (31.3.2010: HK\$184,554,000) bear interest at fixed rates ranging from 5.75% to 5.94% (31.3.2010: 5.75% to 7.00%) per annum. Other bank loans and other loans are secured, repayable on demand and bear floating interest rates ranging from 0.63% to 7.85% (31.3.2010: 0.63% to 8.50%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

19. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value HK\$'000
Authorised:	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 April, 2009	1,622,001,940	162,200
Issue of shares for acquisition of business <i>(note (a) below)</i>	102,328,571	10,233
Issue of shares for acquisition of assets <i>(note (a) below)</i>	81,714,285	8,172
Issue of shares on conversion of 2013 Convertible Bond at HK\$4.30 per share	<u>77,080,232</u>	<u>7,708</u>
At 30 September, 2009	1,883,125,028	188,313
Issue of shares in lieu of cash dividends at HK\$1.8 per share	16,546,626	1,655
Issue of shares in lieu of cash dividends at HK\$2.51 per share	<u>6,706,613</u>	<u>670</u>
At 31 March, 2010	1,906,378,267	190,638
Issue of shares in lieu of cash dividends at HK\$0.04 per share	6,051,909	605
Repurchase of shares <i>(note (b) below)</i>	<u>(4,070,000)</u>	<u>(407)</u>
At 30 September, 2010	<u>1,908,360,176</u>	<u>190,836</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

19. SHARE CAPITAL (Continued)

- (a) On 17 July, 2009 and 27 August, 2009, 102,328,571 and 81,714,285 ordinary shares of HK\$0.1 each were allotted at a price of HK\$1.85 and HK\$1.40, for a total consideration of HK\$189,308,000 and HK\$149,502,000, respectively, for the acquisition of business and assets. The share price is determined based on the fair value of the shares at the completion date and the fair value of the assets acquired respectively.
- (b) During the six months ended 30 September, 2010, the Company, through its subsidiary, repurchased certain of its own shares as follows:

Month of repurchase	No. of ordinary share purchased	Price per share		Aggregate consideration paid HK\$
		Highest	Lowest	
		HK\$	HK\$	
March	2,250,000	2.282	2.254	5,119,000
April	1,540,000	2.370	2.206	3,529,000
May	280,000	2.224	2.201	653,000

The shares were cancelled in May 2010 and, accordingly the issued share capital and the share premium was reduced by the nominal value of these shares and the premium paid on repurchase respectively.

20. LIABILITY COMPONENT OF CONVERTIBLE BONDS

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
At 1 April	675,013	228,995
Issue of 2015 Bonds	–	684,590
Amortised interest charged to profit or loss	23,755	9,805
Payment of coupon interest	(17,678)	(2,066)
Issue expenses	–	(12,890)
Amortised issue expenses charged to profit or loss	1,097	1,264
Conversion of 2013 Bond	–	(234,685)
	682,187	675,013
At 30 September/31 March		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

20. LIABILITY COMPONENT OF CONVERTIBLE BONDS *(Continued)*

The carrying amount at the end of the reporting period represent the liability component of HKD denominated convertible bonds with principal amount of HK\$800,000,000 due in 2015 ("2015 Bond") carried at amortised cost.

The 2015 Bond carries interest at 3.625 percent and are convertible, at the option of the holders, into ordinary shares of HK\$0.10 each of the Company at an adjusted conversion price of HK\$3.41 per share, subject to further adjustments during the period from 15 April, 2010 to 28 February, 2015. The bondholders may require the Company to redeem all or part of the 2015 Bonds on 5 March, 2012 at 100% of their principal amount together with interest accrued. The outstanding 2015 Bond is redeemable by the Company after 5 March, 2012 and prior to maturity at the principal amount together with interest accrued under certain specified conditions. Any remaining outstanding bonds will be redeemed at nominal value on maturity.

The 2015 Bond contains three components, liability element, equity element and early redemption option. As the option is closely related to the host debt contract, it is not separately accounted for from the host contract. The fair value of liability component on initial recognition is estimated at HK\$684,590,000 based on the valuation carried out by Vigers Appraisal and Consulting Limited. The residual balance of HK\$115,410,000 is recognised in equity and presented as convertible bond equity reserve. The liability element, which is stated at amortised cost at an effective interest rate of 9.68% per annum.

The carrying amount at 1 April, 2009 represents a zero coupon convertible bond with principal amount of HK\$331,445,000 due in 2013 (the "2013 Bond") issued in connection with the acquisition of assets disclosed in note 21(b). The 2013 Bond was convertible, at the option of the holder, into ordinary shares of the Company at a conversion price of HK\$4.30 per share or redeemable by the Company at nominal value on maturity. The 2013 Bond was fully converted into the Company's ordinary shares during the year ended 31 March, 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

21. ACQUISITION OF ASSET/BUSINESS

(a) Acquisition of business

On 17 July, 2009, the Group acquired 73.75% issued share capital of Care Park Group Pty ("Care Park"), a company incorporated in Australia. Of the total acquisition, 84% of the acquisition was acquired from a director of the Company who is also a substantial shareholder of the Company, and the consideration was settled by the issuance of 102,328,571 ordinary shares of the Company. The remaining 7% and 9% of the acquisition which were acquired from another director of the Company and independent third parties respectively were settled in cash. The principal activity of Care Park Group and its subsidiaries is car park operation. The acquisition was accounted for using the purchase method.

(b) Acquisition of assets

On 27 August, 2009, the Group acquired from a director who is also a substantial shareholder of the Company, the entire issued share capital of Best Impact Limited, which is the owner of and the operator of certain car parks in Malaysia, with a fair value of HK\$149,501,000, together with the assignment of the shareholder's loan of HK\$35,101,000. The consideration was satisfied by the issuance of 81,714,285 ordinary shares of the Company at a price of HK\$1.40 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

22. SHARE OPTION SCHEMES

(a) FECIL Scheme

On 28 August, 2002, the share option scheme of the Company was approved by the Company for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The share options were granted by the Company on 21 October, 2004, 25 August, 2006 and 8 May, 2009, at an initial exercise price at HK\$2.075, HK\$3.290 and HK\$1.50 per share, during the vesting periods ranging from 21 October, 2004 to 31 December, 2008, 25 August, 2006 to 31 December, 2006 and 8 May, 2009 to 15 September, 2012 respectively. During the period, the Company had passed a resolution to extend the exercise period for a further five years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

22. SHARE OPTION SCHEMES (Continued)

(a) FECIL Scheme (Continued)

The movement of the number of share options under a share option scheme during the period are as follows:

	1.4.2010 to 30.9.2010 '000	1.4.2009 to 31.3.2010 '000
At beginning of the period	24,650	18,150
Granted during the period	–	7,400
Forfeited during the period	–	(900)
	<u> </u>	<u> </u>
At end of the period	<u>24,650</u>	<u>24,650</u>

During the period, the Company modified the terms of options granted on 21 October, 2004 and 25 August, 2006 by extending the exercise period of five years to 25 June, 2010. As the modification occurred after original vesting period date, the incremental fair value determined the date of modification using the Binomial model of HK\$5,776,000 was recognised immediately to condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

22. SHARE OPTION SCHEMES *(Continued)*

(b) **Kosmopolito Hotels International Limited (“Kosmopolito”) Scheme**

On 10 September, 2010, a share option scheme of Kosmopolito, an indirect wholly-owned subsidiary of the Company, (the “Kosmopolito Scheme”) was approved by the Company for the primary purpose of providing the employees or executive or officers (including executive and non-executive Directors) of the Company and Kosmopolito or any of its subsidiaries and advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service provider of any member of the Group who will contribute or have contributed to the Company and Kosmopolito or any of its subsidiaries. Under the Kosmopolito Scheme, the board of directors of the Kosmopolito may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

No options were granted since the adoption of the scheme.

23. PLEDGE OF ASSETS

At 30 September, 2010, bank loans of HK\$5,089,110,000 (31.3.2010: HK\$5,111,693,000) are secured by a charge over the Group’s properties (presented as completed properties for sale, investment properties, property, plant and equipment and prepaid lease payments) with an aggregate carrying amount of HK\$8,656,442,000 (31.3.2010: HK\$7,630,207,000) together with a floating charge over certain other assets and benefits accrued to the properties and a pledge of the bank deposits of HK\$16,720,000 (31.3.2010: HK\$29,765,000).

Other loans facilities are secured by a pledge of the Group’s investments classified as held for trading and available for-sale investments and deposits with financial institutions with an aggregate carrying amount of HK\$7,360,000 (31.3.2010: HK\$8,764,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

24. CONTINGENT LIABILITIES

The Group has given guarantees in respect of mortgage loans provided to the home buyers of the Group's properties in the PRC. At 30 September, 2010, the total amount of mortgage loans outstanding which are under the guarantee was HK\$125,060,000 (31.3.2010: HK\$127,006,000). The directors considered that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of short maturity periods and low default rate of mortgage loans.

During the year ended 31 March, 2010, a subsidiary of the Company initiated a law suit against the contractor for the unsatisfactory performance in relation to the construction of a hotel for amount of HK\$14,735,000 and response to the claim, the contractor has filed counterclaims against the subsidiary for an amount of HK\$25,841,000. The financial impact and outcome of these proceedings cannot be estimated with reasonable certainty at this preliminary stage. The Directors are of the view that the counterclaims would not have a material adverse impact on the financial position of the Group as at 30 September, 2010.

25. CAPITAL COMMITMENTS

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
Capital expenditure contracted but not provided for in the interim financial information in respect of:		
Acquisition, development and refurbishment of hotel properties	446,985	315,527
Others	12,588	2,311
	459,573	317,838
Capital expenditure authorised but not contracted for in respect of:		
Development and refurbishment of hotel properties	123,342	271,948
Development and refurbishment of investment properties under development	52,579	52,579
	635,494	642,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

26. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group entered into the following transactions with related parties:

	Six months ended	
	30.9.2010 HK\$'000	30.9.2009 HK\$'000
Provision of building management service by associates	1,958	2,701
Renting of premise to jointly controlled entities	1,200	1,200
Provision of management service to a jointly controlled entity	<u>3,666</u>	<u>—</u>

Details of the balances with related parties as at the end of the reporting period are set out in the condensed consolidated statement of financial position and the relevant notes.

Apart from the above, the Group acquired certain business and assets from a director during the preceding year as disclose in note 21.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September, 2010

26. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) The remuneration of directors and other members of key management during the period is as follows:

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
Short-term benefits	6,035	9,553
Post-employment benefits	112	90
	6,147	9,643

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

27. SIGNIFICANT EVENT

During the period, certain subsidiaries underwent corporate re-organisation to rationalise the hotel development and operation business in preparation for listing of the shares of a subsidiary, Kosmopolito Hotels International Limited, ("Kosmopolito" formerly known as Hong Kong Hotel REIT Holdings Limited). The corporate reorganisation involved transfers of certain wholly-owned subsidiaries of the Company to Kosmopolito and capitalisation of an amount of HK\$1,859,812,000 due by Kosmopolito and its subsidiaries to the Group by the subscription of 1,730,000,000 ordinary shares of Kosmopolito at a price of HK\$1.075. After the corporate re-organisation, the Company's interest in 270,000,000 ordinary shares of Kosmopolito were offered for sale to the public. The transfer of subsidiaries were completed on 17 September, 2010 whereas the capitalisation and offer for sale were completed on 11 October, 2010. Since then, the Company's interest in Kosmopolito has been reduced from 100% to 73%. As the Company has not lost control over Kosmopolito, the decrease in interest in Kosmopolito, being the difference between the proceeds received in the offer and the increase in the carrying amount of the non-controlling interests will be recognised directly in reserve in the consolidated financial statements for the year ending 31 March, 2011 in accordance with HKAS 27 (Revised 2008). Had the previous accounting policy been applied, the amount will be recognised in profit or loss.

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