



# Hon Kwok Land Investment Company, Limited

Stock Code: 160

*Interim Report 2012/13*



# CONTENTS

Corporate Information . . . . .	2
Chairman's Statement . . . . .	3
General Information . . . . .	7
Condensed Consolidated Income Statement . . . . .	17
Condensed Consolidated Statement of Comprehensive Income . . . . .	18
Condensed Consolidated Statement of Financial Position . . . . .	19
Condensed Consolidated Statement of Changes in Equity . . . . .	21
Condensed Consolidated Statement of Cash Flows . . . . .	22
Notes to the Condensed Interim Consolidated Financial Statements . . . . .	23

# CORPORATE INFORMATION

## DIRECTORS

James Sai-Wing Wong (*Chairman*)  
Madeline May-Lung Wong  
Herman Man-Hei Fung (*Vice-Chairman*)  
Zuric Yuen-Keung Chan  
Xiao-Ping Li  
Emily Yen Wong (*Alternate director to  
Madeline May-Lung Wong*)  
Daniel Chi-Wai Tse\*  
Kenneth Kin-Hing Lam\*  
Hsin-Kang Chang\*

\* *Independent non-executive directors*

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## SECRETARY

Thomas Hang-Cheong Ma

## PRINCIPAL BANKERS

The Bank of East Asia, Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Industrial and Commercial Bank of  
China Limited  
Industrial and Commercial Bank of  
China (Asia) Limited  
Shanghai Commercial Bank Limited  
Wing Lung Bank, Limited

## AUDITORS

Ernst & Young

## REGISTRARS

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

## REGISTERED OFFICE

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## STOCK CODE

SEHK 160

## WEBSITE

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

# CHAIRMAN'S STATEMENT

## FINANCIAL RESULTS

The Group's unaudited consolidated turnover and net profit attributable to shareholders for the six months ended 30 September 2012 amounted to HK\$91 million (2011: HK\$404 million) and HK\$227 million (2011 (restated): HK\$95 million), respectively. Basic earnings per share were 47.20 Hong Kong cents (2011 (restated): 19.72 Hong Kong cents). As at 30 September 2012, the shareholders' equity amounted to HK\$4,639 million (as at 31 March 2012 (restated): HK\$4,472 million) and net assets per share attributable to shareholders were HK\$9.66 (as at 31 March 2012 (restated): HK\$9.31).

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: Nil).

## BUSINESS REVIEW

### Acquisition of Properties

In September 2012, the Group entered into an agreement to subscribe for 20% interests in Chinney Trading Company Limited at a cash consideration of HK\$368,537,000 which was determined by reference to the unaudited consolidated net assets of the aforesaid holding company as at 31 July 2012 after adjusting for (i) revaluation of the development project held via its wholly-owned subsidiary incorporated in PRC; (ii) shareholders' loans; and (iii) subscription monies receivable. The above project is a vacant site of 48,764 sq.m. situated at 中國深圳市南山區僑香路北側 (Qiaoxiang Road North, Nanshan District, Shenzhen, PRC) and is positioned by the relevant government authorities to be developed as 總部基地 (Advanced Business Park) which includes a group of buildings for composite use with total gross floor area of approximately 224,500 sq.m. The above subscription constituted a major and connected transaction for the Company and has been approved by the Company's independent shareholders at the extraordinary general meeting held on 9 November 2012. For details, please refer to the Company's announcements dated 18 September 2012 and 9 November 2012 and circular dated 25 October 2012. The above subscription is scheduled to be completed in February 2013.

# CHAIRMAN'S STATEMENT *(Continued)*

## BUSINESS REVIEW *(Continued)*

### Property Development and Sales

#### **Botanica Phase 3 寶翠園三期, Guangzhou, PRC**

The **Botanica 寶翠園**, comprises 39 blocks of highrise residential building with total gross floor area of approximately 229,000 sq.m., is situated in the greenery zone of Tian He District near the Botanical Garden. It is scheduled for development and pre-sale by phases. **Botanica Phases 1 and 2 寶翠園一及二期**, with total 16 blocks of over 750 units, had been sold out and delivered to individual purchasers in the prior financial years. Foundation works of **Botanica Phase 3 寶翠園三期**, comprises 12 blocks of about 530 units, have been commenced and are expected to be completed in the second quarter of 2013.

#### **Metropolitan Oasis 雅瑤綠洲, Nanhai, PRC**

This project, situated in Da Li District, Nanhai with total gross floor area of approximately 273,000 sq.m., is also scheduled for development by phases. Phase I comprises 71 completed 3-storey town houses of about 18,000 sq.m. and high-rise apartments of about 121,000 sq.m. under construction which is expected to be completed by stages commencing in the financial year 2013/14. The completed town houses together with certain blocks of the above apartment units are expected to be launched to the market for sale by the end of this year.

#### **Dong Guan Zhuan Road and Beijing Nan Road projects, Guangzhou, PRC**

The development sites at Dong Guan Zhuan Road, Tian He District and 45-107 Beijing Nan Road, Yue Xiu District are under the respective planning and design stage.

### Property Investment

#### **Shenzhen, PRC**

Superstructure works of **Hon Kwok City Commercial Centre 漢國城市商業中心**, with total gross floor area of 128,000 sq.m. and situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, are well in progress. This 80-storey commercial/office/residential tower is planned to be held by the Group for recurrent rental income upon completion of construction which is expected to be in 2015.

All the retail shops at ground level and the entire level 2 of the commercial podium of **City Square 城市天地廣場**, situated at Jia Bin Road, Luo Hu District, have been leased out. The average occupancy and room rates of **The Bauhinia Hotel (Shenzhen) 寶軒酒店 (深圳)**, a 158-room hotel at levels 3 to 5 of the above podium and **City Suites 寶軒公寓**, a 64-unit serviced apartments atop of the same podium, are satisfactory.

## **BUSINESS REVIEW** *(Continued)*

### **Property Investment** *(Continued)*

#### **Guangzhou, PRC**

**Ganghui Dasha** 港匯大廈, a 20-storey commercial/office building, is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. Its occupancy rate is currently over 85%. **The Bauhinia Hotel (Guangzhou)** 寶軒酒店 (廣州), a 166-room hotel leased by the Group and situated at Jie Fang Nan Road, Yue Xiu District, maintains an average occupancy and room rates at a satisfactory level.

#### **Chongqing, PRC**

The current occupancy rate of **Chongqing Hon Kwok Centre** 重慶漢國中心, a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium and situated in Bei Bu Xin Qu, is nearly 95%.

Superstructure works of **Chongqing International Finance Centre** 重慶國際金融中心, adjacent to the above completed property and with total gross floor area of 133,502 sq.m., is in progress. As at the date of this report, construction works have been completed up to the eighteenth floor level and the whole project is expected to be completed by the end of 2013. This twin-tower project is being developed as a grade A office tower and a 5-star hotel plus serviced apartments building with respective retail/commercial podium.

#### **Hong Kong**

Screening for tenants to fill up the only vacant retail shop at ground floor of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central is in progress. The average occupancy rate of **The Bauhinia Hotel (Central)** 寶軒酒店 (中環), a 42-room boutique hotel at the podium floors of the above building, exceeds 90% with encouraging room rate whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, approximates 80%.

The average occupancy rate of **The Bauhinia Hotel (TST)** 寶軒酒店 (尖沙咀), a 44-room boutique hotel at nine upper floors of 23-storey **Knutsford Place** 諾士佛廣場 situated at Observatory Court, Tsim Sha Tsui, is over 80% with encouraging room rate. Subsequent to the recent approval from the relevant authorities, renovation works for conversion of an additional ten lower floors of the above commercial/office building into 45 hotel rooms will be commenced in next month. Upon completion of the aforesaid renovation works which are expected to be by the end of 2013, the whole building will be a boutique hotel comprising a total of 89 rooms with the remaining floors for commercial use.

The occupancy rate of **Hon Kwok Jordan Centre** 漢國佐敦中心, a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui, is currently about 95% with satisfactory increment in rental rate upon renewal of tenancies.

## CHAIRMAN'S STATEMENT *(Continued)*

### OUTLOOK

The launch of the third round of quantitative easing by the U.S. in September 2012 coupled with the pledge of European Central Bank for an unlimited purchase of bonds to reduce the long-term borrowing costs for the Euro Zone countries are expected to have a positive impact on the global economic recovery.

On the other hand, Mainland China's GDP growth in the third quarter of 2012 further eased to 7.4% against same period of last year. In anticipation of this slowdown and to bolster the economy, the People's Bank of China lowered the benchmark lending rates in early July for the second time within a month. It is generally expected that the GDP growth in the fourth quarter will pick up and that for 2012 full year target will exceed 7.5%. Consumer inflation rate, nevertheless, declined to a trough of 1.7% in October, the lowest during the last nearly three years.

With the support of Central Government for infrastructure investments and a reduction in the lending rates, barring further restrictive measures to be imposed on residential property market, the momentum of enormous domestic demand, in particular for non-luxury units, will be sustained in the coming years. In Hong Kong, the recent announcement of punitive measures by means of Buyer's Stamp Duty and Special Stamp Duty are expected to stabilise and curb speculative demand on the over-heated residential property market. On the other hand, the commercial property market in which the Group's investment properties are being held and at prime locations, is expected to continue its current upward trend. The Group is closely monitoring the property markets in Mainland China and Hong Kong and intends to replenish its land bank and/or enlarges its rental property portfolios when suitable opportunity arises.

Finally, I wish to express my sincere thanks to my fellow directors for their valuable advices and to all staff members for their contributions and dedicated hard work during the period under review.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 28 November 2012

## GENERAL INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2012, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

<u>Name of director</u>	<u>Notes</u>	<u>Capacity and nature of interest</u>	<u>Number of ordinary shares held</u>	<u>Percentage of the Company's issued share capital</u>
James Sai-Wing Wong	1 & 2	Through controlled corporation	267,846,553	55.77
Madeline May-Lung Wong	1 & 2	Through controlled corporation	267,846,553	55.77
Herman Man-Hei Fung	1	Beneficially owned	220,000	0.05



## GENERAL INFORMATION *(Continued)*

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

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

Name of director	Notes	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ amount of paid-up registered capital held	Percentage of the associated corporation's issued share capital/paid-up registered capital
James Sai-Wing Wong	1 & 3	Chinney Investments, Limited ("Chinney Investments")	Through controlled corporation	320,759,324	58.18
	1 & 4	Chinney Holdings Limited ("Chinney Holdings")	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Beneficially owned	10,000	50.00
	1 & 5	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporation	RMB185,000,000	100.00
Madeline May-Lung Wong	1 & 3	Chinney Investments	Through controlled corporation	320,759,324	58.18
	1 & 4	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Lucky Year	Beneficially owned	10,000	50.00

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

Notes:

1. *All the interests stated above represent long positions.*
2. *These shares are beneficially held by Chinney Investments, which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which James Sai-Wing Wong and Madeline May-Lung Wong are also directors and have beneficial interests therein.*
3. *These shares are beneficially held by Chinney Holdings. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
4. *These shares are beneficially held by Lucky Year. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
5. *Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of the Company and RMB74,000,000 is held by a company controlled by James Sai-Wing Wong. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in this company.*

Save as disclosed herein, as at 30 September 2012, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## GENERAL INFORMATION *(Continued)*

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2012, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Investments	1 & 2	Directly beneficially owned	267,846,553	55.77
Chinney Holdings	1 & 2	Through controlled corporation	267,846,553	55.77
Lucky Year	1 & 2	Through controlled corporation	267,846,553	55.77

Notes:

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

Save as disclosed herein, as at 30 September 2012, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2012.

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

- (a) In March 2010, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement (the "HK\$400 million Facility Agreement") relating to a HK\$400 million transferable term and revolving loan facilities (the "HK\$400 million Loan Facilities") with a syndicate of banks. The HK\$400 million Loan Facilities had a term of 36 months commencing from the date of the HK\$400 million Facility Agreement and to be used as general working capital of the Group.

Pursuant to the HK\$400 million Facility Agreement, it shall be an event of default if (i) Chinney Investments ceases to be the single largest shareholder of the Company or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in the Company; or (ii) James Sai-Wing Wong, Chairman of both the Company and Chinney Investments, ceases to be the major beneficial ultimate shareholder of Chinney Investments.

If an event of default under the HK\$400 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK\$400 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK\$400 million Loan Facilities to be immediately due and payable.

The outstanding amount of the above loan facilities was fully repaid by the Group during the period.

- (b) In June 2012, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement (the "HK\$600 million Facility Agreement") relating to a HK\$600 million transferable term and revolving loan facilities (the "HK\$600 million Loan Facilities") with a syndicate of banks. The HK\$600 million Loan Facilities have a term of 36 months commencing from the date of the HK\$600 million Facility Agreement and to be used to refinance the HK\$400 million Loan Facilities with outstanding balance of HK\$272 million and as general working capital of the Group.

## GENERAL INFORMATION *(Continued)*

### **DISCLOSURE PURSUANT TO RULE 13.18 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE “LISTING RULES”)** *(Continued)*

Pursuant to the HK\$600 million Facility Agreement, it shall be an event of default if (i) Chinney Investments ceases to be the single largest shareholder of the Company or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in the Company; or (ii) James Sai-Wing Wong, Chairman of both the Company and Chinney Investments, ceases to be the major beneficial ultimate shareholder of Chinney Investments.

If an event of default under the HK\$600 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK\$600 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK\$600 million Loan Facilities to be immediately due and payable.

### **CORPORATE GOVERNANCE**

#### **Compliance with Model Code for Securities Transactions By Directors**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2012.

### CORPORATE GOVERNANCE *(Continued)*

#### Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2012, except for the following deviations:

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

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

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

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

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

## GENERAL INFORMATION *(Continued)*

### CORPORATE GOVERNANCE *(Continued)*

#### Compliance with the Corporate Governance Code *(Continued)*

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

- CG Code provision A.5.1 stipulates that the Company should establish a nomination committee which should be chaired by the Chairman of the Board or an independent non-executive director. However, the Company has not established a nomination committee. The Board collectively reviews and approves the appointment of any new director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.
- CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Madam Madeline May-Lung Wong, non-executive director of the Company, Dr. Emily Yen Wong, alternate director to Madam Madeline May-Lung Wong and Dr. Daniel Chi-Wai Tse and Mr. Kenneth Kin-Hing Lam, independent non-executive directors of the Company, did not attend the 2012 annual general meeting of the Company held on 23 August 2012 due to their own business engagements or other commitments.
- CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the revised terms of reference of the remuneration committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the remuneration committee should review and make recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

#### Audit committee

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

Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2012 have not been audited, but have been reviewed by the audit committee.

## FINANCIAL REVIEW

### Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$2,911 million as at 30 September 2012 (as at 31 March 2012: HK\$2,798 million), of which approximately 26% (as at 31 March 2012: 29%) of the debts were classified as current liabilities. Included therein was HK\$187 million (as at 31 March 2012: HK\$195 million) related to bank loans with repayable on demand clause. Based on the repayment schedules pursuant to the related loan agreements, the current portion of the total interest-bearing debts was approximately 19%. The increase in total debts was mainly due to the refinancing of a syndicated bank loan with increased facility.

Total cash and bank balances including time deposits were approximately HK\$609 million as at 30 September 2012 (as at 31 March 2012: HK\$949 million). The Group had a total of approximately HK\$724 million committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2012 were approximately HK\$4,639 million (as at 31 March 2012 (restated): HK\$4,472 million). The increase was mainly due to current period's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$2,302 million (as at 31 March 2012: HK\$1,849 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$4,887 million (as at 31 March 2012 (restated): HK\$4,720 million), was 47% as at 30 September 2012 (as at 31 March 2012 (restated): 39%).

### Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2012, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

### Pledge of assets

Properties and bank balances with an aggregate carrying value of approximately HK\$5,957 million as at 30 September 2012 were pledged to secure certain banking facilities of the Group.



## GENERAL INFORMATION *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### **Employees and remuneration policies**

The Group, not including its jointly-controlled entities, employed approximately 380 employees as at 30 September 2012. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

#### **Contingent liabilities**

Particulars of the Group's contingent liabilities are set out in note 12 to the condensed interim consolidated financial statements.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended 30 September</b>	
	<i>Notes</i>	<b>2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000 (Restated)
Revenue	3	<b>91,224</b>	403,888
Cost of sales		<u><b>(37,402)</b></u>	<u>(288,833)</u>
Gross profit		<b>53,822</b>	115,055
Other income	4	<b>7,383</b>	6,679
Fair value gains on investment properties, net		<b>228,827</b>	98,782
Administrative expenses		<b>(25,785)</b>	(25,333)
Other operating expenses, net		<b>(1,869)</b>	(3,676)
Finance costs	5	<b>(25,423)</b>	(25,648)
Share of profits and losses of jointly-controlled entities		<u>—</u>	<u>327</u>
Profit before tax	6	<b>236,955</b>	166,186
Income tax expense	7	<u><b>(10,226)</b></u>	<u>(44,568)</u>
Profit for the period		<u><b>226,729</b></u>	<u>121,618</u>
Attributable to:			
Owners of the Company		<b>226,691</b>	94,697
Non-controlling interests		<u><b>38</b></u>	<u>26,921</u>
		<u><b>226,729</b></u>	<u>121,618</u>
Earnings per share attributable to ordinary equity holders of the Company	8		
Basic		<u><b>47.20 HK cents</b></u>	<u>19.72 HK cents</u>
Diluted		<u><b>47.20 HK cents</b></u>	<u>19.36 HK cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<i>HK\$'000</i>
		(Restated)
<b>Profit for the period</b>	<b>226,729</b>	121,618
<b>Other comprehensive income for the period</b>		
Exchange differences on translation of foreign operations	15	149,168
<b>Total comprehensive income for the period</b>	<b>226,744</b>	270,786
<b>Attributable to:</b>		
Owners of the Company	226,706	237,430
Non-controlling interests	38	33,356
	<b>226,744</b>	270,786

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Restated) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		48,539	51,371
Investment properties		5,623,893	5,226,846
Investments in jointly-controlled entities		199	199
Total non-current assets		<u>5,672,631</u>	<u>5,278,416</u>
<b>CURRENT ASSETS</b>			
Tax recoverable		633	387
Properties held for sale under development and properties held for sale		1,944,895	1,775,360
Trade receivables	9	3,297	3,076
Prepayments, deposits and other receivables		84,289	41,760
Pledged deposits		120,371	120,371
Cash and cash equivalents		488,463	828,734
Total current assets		<u>2,641,948</u>	<u>2,769,688</u>
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	10	139,601	145,375
Interest-bearing bank borrowings		742,750	817,265
Customer deposits		24,881	23,612
Tax payable		61,104	79,485
Total current liabilities		<u>968,336</u>	<u>1,065,737</u>
<b>NET CURRENT ASSETS</b>		<u>1,673,612</u>	<u>1,703,951</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,346,243</u>	<u>6,982,367</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		2,168,455	1,980,897
Deferred tax liabilities		290,898	281,289
Total non-current liabilities		<u>2,459,353</u>	<u>2,262,186</u>
<b>Net assets</b>		<u><u>4,886,890</u></u>	<u><u>4,720,181</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Restated) HK\$'000
	<i>Note</i>		
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	11	480,286	480,286
Reserves		4,158,500	3,931,793
Proposed final dividend		–	60,036
		<b>4,638,786</b>	4,472,115
Non-controlling interests		<b>248,104</b>	248,066
Total equity		<b>4,886,890</b>	4,720,181

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Equity component of convertible bonds (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2011, as previously reported	480,286	396,352	10	7,802	434,954	2,616,026	60,036	3,995,466	179,174	4,174,640
Change in accounting policy – Adoption of HKAS 12 Amendments (Note 2)	–	–	–	–	9,139	193,590	–	202,729	–	202,729
At 1 April 2011, as restated	480,286	396,352	10	7,802	444,093	2,809,616	60,036	4,198,195	179,174	4,377,369
Profit for the period (restated)	–	–	–	–	–	94,697	–	94,697	26,921	121,618
Other comprehensive income for the period: Exchange differences on translation of foreign operations	–	–	–	–	142,733	–	–	142,733	6,435	149,168
Total comprehensive income for the period (restated)	–	–	–	–	142,733	94,697	–	237,430	33,356	270,786
Redemption of convertible bonds	–	–	–	(7,802)	–	7,802	–	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(400)	(400)
Final dividend in respect of previous financial year	–	–	–	–	–	–	(60,036)	(60,036)	–	(60,036)
At 30 September 2011 (restated)	<u>480,286</u>	<u>396,352</u>	<u>10</u>	<u>–</u>	<u>586,826</u>	<u>2,912,115</u>	<u>–</u>	<u>4,375,589</u>	<u>212,130</u>	<u>4,587,719</u>
At 1 April 2012, as previously reported	480,286	396,352	10	–	550,780	2,770,279	60,036	4,257,743	248,066	4,505,809
Change in accounting policy – Adoption of HKAS 12 Amendments (Note 2)	–	–	–	–	10,714	203,658	–	214,372	–	214,372
At 1 April 2012, restated	480,286	396,352	10	–	561,494	2,973,937	60,036	4,472,115	248,066	4,720,181
Profit for the period	–	–	–	–	–	226,691	–	226,691	38	226,729
Other comprehensive income for the period: Exchange differences on translation of foreign operations	–	–	–	–	15	–	–	15	–	15
Total comprehensive income for the period	–	–	–	–	15	226,691	–	226,706	38	226,744
Final dividend in respect of previous financial year	–	–	–	–	–	–	(60,036)	(60,036)	–	(60,036)
At 30 September 2012	<u>480,286</u>	<u>396,352</u>	<u>10</u>	<u>–</u>	<u>561,509</u>	<u>3,200,628</u>	<u>–</u>	<u>4,638,785</u>	<u>248,104</u>	<u>4,886,889</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash flows used in operating activities	<b>(260,338)</b>	(88,402)
Net cash flows used in investing activities	<b>(254,763)</b>	(235,114)
Net cash flows from financing activities	<b>72,830</b>	342,084
Net increase/(decrease) in cash and cash equivalents	<b>(442,271)</b>	18,568
Cash and cash equivalents at beginning of the period	<b>828,734</b>	992,403
Effects of foreign exchange rate changes, net	<b>–</b>	34,710
Cash and cash equivalents at end of the period	<b><u>386,463</u></b>	<b><u>1,045,681</u></b>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>252,051</b>	847,434
Non-pledged time deposits	<b>236,412</b>	370,247
Cash and cash equivalents as stated in the statement of financial position	<b>488,463</b>	1,217,681
Less: non-pledged time deposits with original maturity of more than three months when acquired	<b>(102,000)</b>	(172,000)
Cash and cash equivalents as stated in the statement of cash flows	<b><u>386,463</u></b>	<b><u>1,045,681</u></b>

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2012 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2012.

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2012 except the Group has adopted the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s financial year beginning on or after 1 April 2012 as disclosed in note 2 below.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for the accounting period beginning 1 April 2012. The Group has not early adopted these new and revised HKFRSs.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s interim consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for the First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures- Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKFRS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs has had no material impact on the Group’s result of operations and financial position.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group has adopted the amendments retrospectively and comparative amounts for the corresponding comparative prior periods have been restated.



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

In Mainland China, the Group's business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has recognised deferred taxes on the basis that the values of its investment properties in Mainland China are recovered through use. In respect of the Group's investment properties in Hong Kong, the presumption has not been rebutted and accordingly deferred tax is recognized on the basis of recovery through sale.

The Group has completed investment properties measured at their values totaling HK\$4,098,229,000 as of 1 April 2012. As required by the amendments, the Group has re-measured the deferred tax relating to certain investment properties amounting to HK\$2,695,790,000 according to their tax consequences.

The effects of the above changes are summarized below:

	For the six months ended 30 September		
	2012	2011	
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
<i>Consolidated income statement for the six months ended 30 September</i>			
Decrease in income tax expenses	30,905	6,732	
	<u>30 September</u>	<u>31 March</u>	<u>1 April</u>
	2012	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
<i>Consolidated statement of financial position</i>			
Decrease in deferred tax liabilities	245,277	214,372	202,729
Increase in exchange reserve	(10,714)	(10,714)	(9,139)
Increase in retained profits	<u>(234,563)</u>	<u>(203,658)</u>	<u>(193,590)</u>
	<u>—</u>	<u>—</u>	<u>—</u>

The change in accounting policy gives increment on the basic and diluted earnings per share by 6.44 HK cents (2011: 1.40 HK cents) and 6.44 HK cents (2011: 1.38 HK cents), respectively for the period.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in property development, property investment and property related activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel. An analysis of the Group's revenue and results by operating segments is as follows:

	Six months ended 30 September 2012 (Unaudited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>				
Sales to external customers	–	71,905	19,319	91,224
<b>Segment results</b>	<b>(1,915)</b>	<b>278,877</b>	<b>(1,265)</b>	<b>275,697</b>
<i>Reconciliation:</i>				
Interest income				3,487
Unallocated expenses				(16,806)
Finance costs				(25,423)
Profit before tax				<b>236,955</b>

	Six months ended 30 September 2011 (Unaudited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>				
Sales to external customers	332,157	52,447	19,284	403,888
<b>Segment results</b>	<b>79,405</b>	<b>127,969</b>	<b>(5,291)</b>	<b>202,083</b>
<i>Reconciliation:</i>				
Interest income				3,232
Unallocated expenses				(13,808)
Finance costs				(25,648)
Share of profits and losses of jointly-controlled entities				327
Profit before tax				<b>166,186</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 4. OTHER INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Bank interest income	3,487	3,232
Gain on disposal of investment properties, net	1,711	1,050
Others	2,185	2,397
	<u>7,383</u>	<u>6,679</u>

### 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	38,843	34,172
Interest on bank loans wholly repayable after five years	1,371	1,175
	<u>40,214</u>	35,347
Less: Interest capitalized under property development projects	<u>(14,791)</u>	<u>(9,699)</u>
	<u>25,423</u>	<u>25,648</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 6. PROFIT BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>4,020</b>	3,816
Employee benefit expense (including directors' remuneration)	<b>14,351</b>	12,165
Less: Amounts capitalized under property development projects	<b>(4,500)</b>	(2,290)
	<b><u>9,851</u></b>	<u>9,875</u>

### 7. INCOME TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Group:		
Current – Outside Hong Kong	<b>616</b>	26,213
Deferred	<b>9,610</b>	18,355
Total tax charge for the period	<b><u>10,226</u></b>	<u>44,568</u>

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



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 9. TRADE RECEIVABLES

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

	At 30 September 2012 (Unaudited) <i>HK\$'000</i>	At 31 March 2012 (Audited) <i>HK\$'000</i>
Within 30 days	2,740	2,850
31 to 60 days	314	220
61 to 90 days	78	6
Over 90 days	<u>165</u>	<u>–</u>
Total	<u><u>3,297</u></u>	<u><u>3,076</u></u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are monitored closely by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

### 10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK\$60,733,000 (at 31 March 2012: HK\$30,194,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2012 (Unaudited) <i>HK\$'000</i>	At 31 March 2012 (Audited) <i>HK\$'000</i>
Within 30 days	<u><u>60,733</u></u>	<u><u>30,194</u></u>

**11. SHARE CAPITAL**

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

**12. CONTINGENT LIABILITIES**

As at 30 September 2012, the Group has given guarantees of HK\$141,390,000 (as at 31 March 2012 (audited): HK\$153,169,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

**13. OPERATING LEASE ARRANGEMENTS**

**(a) As lessor**

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

At 30 September 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>At 30 September 2012 (Unaudited) HK\$'000</b>	<b>At 31 March 2012 (Audited) HK\$'000</b>
<hr/>		
Commitments from third parties:		
Within one year	<b>87,970</b>	91,876
In the second to fifth years, inclusive	<b>216,384</b>	224,494
Over five years	<b>398,103</b>	417,594
	<hr/> <b>702,457</b> <hr/>	<hr/> 733,964 <hr/>
Commitments from a related company:		
Within one year	<b>8,769</b>	10,881
In the second to fifth years, inclusive	<b>376</b>	2,634
	<hr/> <b>9,145</b> <hr/>	<hr/> 13,515 <hr/>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 13. OPERATING LEASE ARRANGEMENTS *(Continued)*

#### (b) As lessee

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

At 30 September 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2012 (Unaudited) <i>HK\$'000</i>	At 31 March 2012 (Audited) <i>HK\$'000</i>
Within one year	14,058	9,677
In the second to fifth years, inclusive	<u>15,165</u>	<u>2,958</u>
	<u><b>29,223</b></u>	<u><b>12,635</b></u>

### 14. CAPITAL COMMITMENTS

At 30 September 2012, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK\$869,348,000 (at 31 March 2012 (audited): HK\$863,837,000).



**15. RELATED PARTY TRANSACTIONS**

- (a) On 18 September 2012, Bliss Ally Investments Limited (“Bliss Ally”), a wholly-owned subsidiary of the Group, as subscriber, entered into a subscription agreement with Chinney Trading Company Limited (“Chinney Trading”), as issuer, Chinney Development Company Limited (“Chinney Development”) and Wan Thai Group Limited (“Wan Thai”), as guarantors, pursuant to which Bliss Ally has agreed to subscribe for, and Chinney Trading has agreed to allot and issue, 2,600 new shares of HK\$100 each in the share capital of Chinney Trading at a cash consideration of HK\$368,537,000. Chinney Trading is currently being held by Chinney Development and Wan Thai as to 75% and 25% respectively and upon completion of the above subscription, Chinney Trading will be held by Chinney Development, Wan Thai and Bliss Ally as to 60%, 20% and 20% respectively. Chinney Development is beneficially owned by Dr. James Sai-Wing Wong, Chairman and substantial shareholder of the Company. The above subscription constituted a major and connected transaction for the Company which has been approved by the Company’s independent shareholders at the extraordinary general meeting held on 9 November 2012 and is scheduled to be completed in February 2013.
- (b) Compensation of key management personnel of the Group is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short-term employee benefits	<b>6,422</b>	5,408
Post-employment benefits	<b>337</b>	279
	<b><u>6,759</u></b>	<u>5,687</u>

**16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 28 November 2012.