



Hon Kwok Land Investment Company, Limited

Stock Code: 160

Interim Report 2011/12

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

* *Independent non-executive directors*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

SECRETARY

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
Nanyang Commercial Bank, Limited

AUDITORS

Ernst & Young

REGISTRARS

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REGISTERED OFFICE

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STOCK CODE

SEHK 160

WEBSITE

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FINANCIAL RESULTS

The Group's unaudited consolidated turnover and net profit attributable to shareholders for the six months ended 30 September 2011 amounted to HK\$404 million (2010: HK\$72 million) and HK\$88 million (2010: HK\$76 million), respectively. Basic earnings per share were 18.32 Hong Kong cents (2010: 15.85 Hong Kong cents). As at 30 September 2011, the shareholders' equity amounted to HK\$4,166 million (as at 31 March 2011: HK\$3,995 million) and net assets per share attributable to shareholders were HK\$8.67 (as at 31 March 2011: HK\$8.32).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

APPOINTMENT OF ALTERNATE DIRECTOR

Dr. Emily Yen Wong has been appointed as alternate director to Madam Madeline May-Lung Wong, non-executive director of the Company, with effect from 29 November 2011. Taking this opportunity, the Board would like to extend its warmest welcome to Dr. Wong to join the Board.

BUSINESS REVIEW

Property Development and Sales

Botanica Phase 2 寶翠園二期, Guangzhou, PRC

The **Botanica 寶翠園**, situated in the greenery zone of Tian He District near the Botanical Garden, comprises 39 blocks of high-rise residential building. This project, with total gross floor area of approximately 229,000 sq.m., is scheduled for development and pre-sale by phases. All eight blocks totalled 332 units had been delivered to purchasers of **Botanica Phase 1 寶翠園一期** in the prior years.

Botanica Phase 2 寶翠園二期 also comprises eight blocks of 420 units. Included therein are four blocks totalled 221 flats, of which over 98% have been delivered to individual purchasers and the profits derived therefrom have been recognised in the income statement during the period under review. Delivery of the remaining four blocks of 199 units, of which 99% have already been pre-sold, commenced in this month and the profits derived therefrom are to be recognised in the second half of this financial year. Construction works of **Botanica Phase 3 寶翠園三期**, comprises 12 blocks of about 550 units, are expected to be commenced in next quarter.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Development and Sales *(Continued)*

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

The project, with total gross floor area of approximately 273,000 sq.m. (excluding car parking spaces), is situated in Da Li District, Nanhai and scheduled for development by phases. Phase 1 comprises 71 town houses of about 18,000 sq.m. and high-rise apartments of about 120,000 sq.m. Construction works of the town houses are scheduled to be completed by early next year whilst foundation works of the high-rise apartments have been commenced. The aforesaid town houses, upon completion, will be launched to the market for sale in next year.

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

The development sites at Dong Guan Zhuan Road, Tian He District with total gross floor area of approximately 266,000 sq.m. are at the planning stage. The design of the project sites at 45-107 Beijing Nan Road, Yue Xiu District with total gross floor area of approximately 62,000 sq.m. is in progress.

Property Investment

Shenzhen, PRC

Foundation works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, an 80-storey commercial/residential tower with total gross floor area of 128,000 sq.m., are scheduled to be completed by the end of this year and superstructure construction is expected to be completed in 2014. This signature building, situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, is intended to be held by the Group for recurrent rental income upon completion.

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, enjoy full occupancy. The average occupancy rate of **The Bauhinia Hotel (Shenzhen)** 寶軒酒店(深圳), a 158-room hotel at levels 3 to 5 of the podium which opened for business in March 2011, is encouraging whilst that of **City Suites** 寶軒公寓, a 64-unit serviced apartments atop of the podium, maintains at a satisfactory level.

BUSINESS REVIEW *(Continued)*

Property Investment *(Continued)*

Guangzhou, PRC

Ganghui Dasha 港滙大廈, situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is a 20-storey commercial and office building with current occupancy rate over 95%.

The Bauhinia Hotel (Guangzhou) 寶軒酒店(廣州), situated at Jie Fang Nan Road, Yue Xiu District, is a 166-room hotel leased by the Group and has been opened for business since February 2011. Its average occupancy and room rates are both satisfactory.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, situated in Bei Bu Xin Qu, is a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium. Three floors of the podium and entire block of one tower have been fully leased out and leasing status for the other tower is approximately 80%.

Foundation works of **Chongqing International Finance Centre** 重慶國際金融中心, adjacent to the above completed project, have been commenced. This twin-tower project, with total gross floor area of 133,502 sq.m., is being developed into a grade A office tower and a 5-star hotel with serviced apartments on top of a retail/commercial podium.

Hong Kong

All ground floor retail areas at the hotel/apartment building at Connaught Road Central and Des Voeux Road Central have been fully leased out except for one small shop. The average occupancy and room rates of **The Bauhinia Hotel (Central)** 寶軒酒店(中環), a 42-room boutique hotel at the podium floors which opened for business in May 2011, are quite encouraging. **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, are currently being occupied with approximately 90%.

The Bauhinia Hotel (TST) 寶軒酒店(尖沙咀), a 44-room boutique hotel, is situated at nine upper floors of the 23-storey **Knutsford Place** 諾士佛廣場 at Observatory Court, Tsim Sha Tsui. It has been opened for business over one year with satisfactory average occupancy and room rates. The remaining commercial and office floors are being launched to the market for leasing.

Hon Kwok Jordan Centre 漢國佐敦中心, situated at Hillwood Road, Tsim Sha Tsui, is a 23-storey commercial and office building with current occupancy rate over 90%.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Investment *(Continued)*

The Bauhinia 寶軒 Group of Hotels and Serviced Apartments

About 650 guest rooms are currently being operated by the Group under the brand name of “**The Bauhinia 寶軒**” in Hong Kong, Shenzhen and Guangzhou. Coupled with our enlarged investment property portfolios in Mainland China, the Group's recurrent rental income has been enhanced during the period under review.

OUTLOOK

The global economy remains volatile. The Euro Zone's sovereign debt crisis, especially the events which led to changes in political leaderships of certain constituent countries, continued to assert a negative effect for economic recovery in the region. On the other hand, the recent U.S. economic data showed no signs of improvement in the near term.

China reported a 9.1% GDP growth for the third quarter of 2011 and 5.5% inflation in October. The continuous implementation of financial and administrative measures under Central Government's macroeconomic guidelines seemed to stabilize the once over-heated residential property market in its major cities. These measures are expected to remain until the property prices return to a reasonable and affordable level. A similar scenario appeared in Hong Kong's property market during the same period. Likewise, property prices in Hong Kong has eased in response to the tightening of monetary and regulatory measures introduced by the Government.

The Board remains optimistic about the property market in Mainland China due to its sustainable economic growth fostered by enormous domestic demand and competitive export workforce. The Hong Kong property market will remain volatile as affected by global economic uncertainties.

In closing, I wish to thank my fellow directors for their advice and all staff members for their dedication and hard work during the period under review.

James Sai-Wing Wong
Chairman

Hong Kong, 28 November 2011

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2011, 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	266,406,553	55.47
Madeline May-Lung Wong	1 & 2	Through controlled corporation	266,406,553	55.47
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	319,631,324	57.97
	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	319,631,324	57.97
	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 2011, 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 2011, 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	266,406,553	55.47
Chinney Holdings	1 & 2	Through controlled corporation	266,406,553	55.47
Lucky Year	1 & 2	Through controlled corporation	266,406,553	55.47

Notes:

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

Save as disclosed herein, as at 30 September 2011, 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 2011.

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

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

Pursuant to the 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, the Chairman of both the Company and Chinney Investments, ceases to be a major beneficial ultimate shareholder of Chinney Investments.

If an event of default under the 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 Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the Loan Facilities to be immediately due and payable.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2011.

GENERAL INFORMATION *(Continued)*

CORPORATE GOVERNANCE *(Continued)*

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2011, except for the following deviations:

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

Currently, Mr. James Sai-Wing Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group’s businesses which require considerable market expertise, the Board 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.

CORPORATE GOVERNANCE *(Continued)*

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

The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board 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.

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

3. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company adopted the terms of reference of the remuneration committee on 16 December 2005 with certain deviations from the CG Code provisions. Pursuant to the terms of reference, the remuneration committee should review (as opposed to determine) and make recommendations to the Board on the remuneration of directors (as opposed to directors and senior management).
4. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

Audit committee

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

Regular meetings have been held by the audit committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2011 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\$2,833 million as at 30 September 2011 (as at 31 March 2011: HK\$2,381 million), of which approximately 20% (as at 31 March 2011: 35%) of the debts were classified as current liabilities. Included therein was HK\$193 million (as at 31 March 2011: HK\$196 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 13%. The increase in total debts was mainly due to the refinancing of an investment property in Hong Kong with increased facility and the drawdown of additional bank loans for capital injection into mainland development projects.

Total cash and bank balances including time deposits were approximately HK\$1,340 million as at 30 September 2011 (as at 31 March 2011: HK\$1,089 million). The Group had a total of approximately HK\$603 million committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2011 were approximately HK\$4,166 million (as at 31 March 2011: HK\$3,995 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\$1,493 million (as at 31 March 2011: HK\$1,292 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$4,378 million (as at 31 March 2011: HK\$4,175 million), was 34% as at 30 September 2011 (as at 31 March 2011: 31%).

FINANCIAL REVIEW *(Continued)*

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2011, 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\$5,323 million as at 30 September 2011 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 360 employees as at 30 September 2011. 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 13 to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
	Notes		
Revenue	2	403,888	71,588
Cost of sales		<u>(288,833)</u>	<u>(43,644)</u>
Gross profit		115,055	27,944
Other income	3	6,679	4,970
Fair value gains on investment properties, net		98,782	128,893
Administrative expenses		(25,333)	(25,259)
Other operating expenses, net		(3,676)	(7,898)
Finance costs	4	(25,648)	(19,879)
Share of profits and losses of jointly-controlled entities		<u>327</u>	<u>211</u>
Profit before tax	5	166,186	108,982
Income tax expense	6	<u>(51,300)</u>	<u>(32,559)</u>
Profit for the period		<u><u>114,886</u></u>	<u><u>76,423</u></u>
Attributable to:			
Owners of the Company		87,965	76,136
Non-controlling interests		<u>26,921</u>	<u>287</u>
		<u><u>114,886</u></u>	<u><u>76,423</u></u>
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic		<u>18.32 HK cents</u>	<u>15.85 HK cents</u>
Diluted		<u>17.98 HK cents</u>	<u>15.11 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	114,886	76,423
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	149,168	81,755
Total comprehensive income for the period	264,054	158,178
Attributable to:		
Owners of the Company	230,698	153,945
Non-controlling interests	33,356	4,233
	264,054	158,178

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		49,887	50,386
Investment properties		5,016,209	4,776,851
Investments in jointly-controlled entities		262	257
Total non-current assets		5,066,358	4,827,494
CURRENT ASSETS			
Amounts due from jointly-controlled entities		54	31
Tax recoverable		23,913	32,198
Properties held for sale under development and properties held for sale		1,819,946	1,794,748
Trade receivables	8	5,122	2,389
Prepayments, deposits and other receivables		66,256	74,123
Pledged deposits		122,085	96,974
Cash and cash equivalents		1,217,681	992,403
Total current assets		3,255,057	2,992,866
CURRENT LIABILITIES			
Trade payables and accrued liabilities	9	126,691	94,160
Interest-bearing bank borrowings		570,021	730,802
Customer deposits		441,201	670,433
Convertible bonds	10	–	108,355
Tax payable		70,912	59,676
Total current liabilities		1,208,825	1,663,426
NET CURRENT ASSETS		2,046,232	1,329,440
TOTAL ASSETS LESS CURRENT LIABILITIES		7,112,590	6,156,934
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		2,263,360	1,541,687
Deferred tax liabilities		470,972	440,607
Total non-current liabilities		2,734,332	1,982,294
Net assets		4,378,258	4,174,640

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	480,286	480,286
Equity component of convertible bonds		–	7,802
Reserves		3,685,842	3,447,342
Proposed final dividend		–	60,036
		4,166,128	3,995,466
Non-controlling interests		212,130	179,174
Total equity		4,378,258	4,174,640

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Equity component									
	Issued capital	Share premium account	Capital redemption reserve	of convertible bonds	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	480,286	396,352	10	7,802	314,828	2,211,777	60,036	3,471,091	172,887	3,643,978
Profit for the period	-	-	-	-	-	76,136	-	76,136	287	76,423
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	77,809	-	-	77,809	3,946	81,755
Total comprehensive income for the period	-	-	-	-	77,809	76,136	-	153,945	4,233	158,178
Final dividend in respect of previous financial year	-	-	-	-	-	-	(60,036)	(60,036)	-	(60,036)
At 30 September 2010	<u>480,286</u>	<u>396,352</u>	<u>10</u>	<u>7,802</u>	<u>392,637</u>	<u>2,287,913</u>	<u>-</u>	<u>3,565,000</u>	<u>177,120</u>	<u>3,742,120</u>
At 1 April 2011	480,286	396,352	10	7,802	434,954	2,616,026	60,036	3,995,466	179,174	4,174,640
Profit for the period	-	-	-	-	-	87,965	-	87,965	26,921	114,886
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	-	-	-	-	142,733	87,965	-	230,698	33,356	264,054
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	<u>480,286</u>	<u>396,352</u>	<u>10</u>	<u>-</u>	<u>577,687</u>	<u>2,711,793</u>	<u>-</u>	<u>4,166,128</u>	<u>212,130</u>	<u>4,378,258</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	(88,402)	194,716
Net cash flows used in investing activities	(235,114)	(182,797)
Net cash flows from financing activities	342,084	276,663
Net increase in cash and cash equivalents	18,568	288,582
Cash and cash equivalents at beginning of the period	992,403	542,704
Effects of foreign exchange rate changes, net	34,710	9,999
Cash and cash equivalents at end of the period	1,045,681	841,285
Analysis of balances of cash and cash equivalents		
Cash and bank balances	847,434	755,999
Non-pledged time deposits	370,247	85,286
Cash and cash equivalents as stated in the statement of financial position	1,217,681	841,285
Less: non-pledged time deposits with original maturity of more than three months when acquired	(172,000)	–
Cash and cash equivalents as stated in the statement of cash flows	1,045,681	841,285

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2011 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 2011.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2011 except the Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s financial year beginning on or after 1 April 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 April 2011 although there are separate transitional provisions for each standard.

The adoption of these new and revised HKFRSs has had no significant financial effect on the unaudited condensed interim consolidated financial statements.

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 2011. The Group has not early adopted these new and revised HKFRSs.

2. 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 2011 (Unaudited)			
	Property development	Property investment	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>332,157</u>	<u>52,447</u>	<u>19,284</u>	<u>403,888</u>
Segment results	<u>79,405</u>	<u>127,969</u>	<u>(5,291)</u>	<u>202,083</u>
<i>Reconciliation:</i>				
Interest income				3,232
Unallocated expenses				(13,808)
Finance costs				(25,648)
Share of profits and losses of jointly-controlled entities				<u>327</u>
Profit before tax				<u>166,186</u>

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

	Six months ended 30 September 2010 (Unaudited)			
	Property development	Property investment	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>24,122</u>	<u>31,225</u>	<u>16,241</u>	<u>71,588</u>
Segment results	<u>638</u>	<u>147,060</u>	<u>(1,122)</u>	146,576
<i>Reconciliation:</i>				
Interest income				1,261
Unallocated expenses				(19,187)
Finance costs				(19,879)
Share of profits and losses of jointly-controlled entities				<u>211</u>
Profit before tax				<u>108,982</u>

3. OTHER INCOME

	Six months ended	
	30 September	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Bank interest income	<u>3,232</u>	1,261
Gain on disposal of investment properties, net	<u>1,050</u>	860
Others	<u>2,397</u>	<u>2,849</u>
	<u>6,679</u>	<u>4,970</u>

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

4. FINANCE COSTS

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	34,172	28,828
Interest on bank loans wholly repayable after five years	<u>1,175</u>	<u>2,144</u>
	35,347	30,972
Less: Interest capitalized under property development projects	<u>(9,699)</u>	<u>(11,093)</u>
	<u>25,648</u>	<u>19,879</u>

5. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	3,816	1,753
Employee benefits expense (including directors' remuneration)	12,165	13,970
Less: Amounts capitalized under property development projects	<u>(2,290)</u>	<u>(2,700)</u>
	<u>9,875</u>	<u>11,270</u>

6. INCOME TAX

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Group:		
Current – Outside Hong Kong	26,213	5,571
Deferred	25,087	26,988
	<hr/>	<hr/>
Total tax charge for the period	51,300	32,559
	<hr/> <hr/>	<hr/> <hr/>

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.

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

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

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all outstanding convertible bonds into ordinary shares.

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

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

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

	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
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Earnings

Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	87,965	76,136
Interest on convertible bonds, net of tax and interest capitalization	<u>157</u>	<u>—</u>
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	<u><u>88,122</u></u>	<u><u>76,136</u></u>

Number of shares

	2011 (Unaudited)	2010 (Unaudited)
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Shares

Number of ordinary shares in issue during the period used in the basic earnings per share calculation	480,286,201	480,286,201
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	<u>9,745,719</u>	<u>23,466,667</u>
	<u><u>490,031,920</u></u>	<u><u>503,752,868</u></u>

8. 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 2011 (Unaudited) <i>HK\$'000</i>	At 31 March 2011 (Audited) <i>HK\$'000</i>
Within 30 days	4,575	1,752
31 to 60 days	303	431
61 to 90 days	116	206
Over 90 days	128	–
Total	<u>5,122</u>	<u>2,389</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.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK\$10,859,000 (at 31 March 2011: HK\$13,320,000). 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 2011 (Unaudited) <i>HK\$'000</i>	At 31 March 2011 (Audited) <i>HK\$'000</i>
Within 30 days	<u>10,859</u>	<u>13,320</u>

10. CONVERTIBLE BONDS

During the period, the outstanding principal of the 3.5% Convertible Bonds due June 2011 in the amount of HK\$88 million was redeemed in full upon maturity on 27 June 2011 together with the redemption premium. The aggregate redemption amount was HK\$109,602,000.

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

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. BUSINESS COMBINATION

On 21 April 2010, the Group completed the acquisition of the entire issued share capital of Guru Star Investments Limited (“Guru Star”) and the assignment of related shareholder’s loan to the Group at an aggregate cash consideration of HK\$144,211,000. Guru Star is engaged in property investment.

The fair values of the identifiable assets and liabilities of Guru Star and its subsidiaries (the “Guru Star Group”) as at the date of acquisition were as follows:

	Fair value recognised on acquisition <i>HK\$'000</i>
<hr/>	
Net assets acquired:	
Property, plant and equipment	55
Investment properties	210,227
Prepayments, deposits and other receivables	246
Cash and cash equivalents	11,562
Trade payables and accrued liabilities	(3,570)
Interest-bearing bank borrowings	(43,590)
Deferred tax liabilities	(29,473)
Shareholder’s loan	<u>(43,126)</u>
	102,331
Gain from bargain purchase	(1,246)
Assignment of shareholder’s loan	<u>43,126</u>
	<u><u>144,211</u></u>
Satisfied by cash	<u><u>144,211</u></u>

12. BUSINESS COMBINATION *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries was as follows:

	<i>HK\$'000</i>
Cash consideration	144,211
Cash and cash equivalents acquired	<u>(11,562)</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>132,649</u>

Since its acquisition, Guru Star Group contributed HK\$3,822,000 to the Group's turnover and HK\$1,367,000 to the consolidated profit for the six months ended 30 September 2010.

Had the above business combination taken place at the beginning of last period, the revenue and the profit of the Group for that period would have been approximately HK\$73 million and HK\$77 million, respectively.

13. CONTINGENT LIABILITIES

As at 30 September 2011, the Group has given guarantees of HK\$210,729,000 (as at 31 March 2011 (audited): HK\$306,671,000) 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.

14. 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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2011 (Unaudited) <i>HK\$'000</i>	At 31 March 2011 (Audited) <i>HK\$'000</i>
Within one year	84,687	60,272
In the second to fifth years, inclusive	208,765	161,035
Over five years	<u>430,202</u>	<u>433,934</u>
	<u><u>723,654</u></u>	<u><u>655,241</u></u>

(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 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2011 (Unaudited) <i>HK\$'000</i>	At 31 March 2011 (Audited) <i>HK\$'000</i>
Within one year	11,881	11,832
In the second to fifth years, inclusive	<u>6,723</u>	<u>8,855</u>
	<u><u>18,604</u></u>	<u><u>20,687</u></u>

15. CAPITAL COMMITMENTS

At 30 September 2011, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK\$528,880,000 (at 31 March 2011 (audited): HK\$524,445,000).

16. RELATED PARTY TRANSACTIONS

(a) On 8 March 2010, Join Ally Limited, a wholly-owned subsidiary of the Group, as purchaser, entered into a sale and purchase agreement with Enhancement Investments Limited (“Enhancement”), as vendor, for the acquisition of the entire issued share capital of Guru Star and the assignment of related shareholder’s loan to the Group at an aggregate cash consideration of HK\$144,211,000. Enhancement is a company controlled by James Sai-Wing Wong, the Chairman and substantial shareholder of the Company. The above acquisition was completed on 21 April 2010.

(b) Compensation of key management personnel of the Group is as follows:

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Short-term employee benefits	5,408	4,740
Post-employment benefits	279	244
	5,687	4,984

17. 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 2011.