



# Hon Kwok Land Investment Company, Limited

Stock Code: 160

# HON KWOK

*Interim Report 2010/11*

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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

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

## REGISTERED OFFICE

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Wing On Centre  
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Hong Kong

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## STOCK CODE

SEHK 160

## WEBSITE

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

## FINANCIAL RESULTS

The Group's unaudited consolidated turnover and net profit attributable to shareholders for the six months ended 30 September 2010 amounted to HK\$72 million (2009: HK\$442 million) and HK\$76 million (2009: HK\$286 million), respectively, decrease was mainly because the property units already pre-sold have yet to be recognized for the period under review. Basic earnings per share were 15.85 Hong Kong cents (2009: 59.45 Hong Kong cents). As at 30 September 2010, the shareholders' equity amounted to HK\$3,565 million (as at 31 March 2010: HK\$3,471 million) and net assets per share attributable to shareholders were HK\$7.42 (as at 31 March 2010: HK\$7.23).

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

## 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 and is scheduled for development and pre-sale by phases. All eight blocks of 332 units had been delivered to purchasers of **Botanica Phase 1 寶翠園一期** during the last financial year.

**Botanica Phase 2 寶翠園二期**, also comprises eight blocks totalled 420 residential units, are under construction and scheduled to be completed in two stages during the forthcoming year 2011. Pre-sale of the first four blocks of 221 units commenced in April 2010 and all have been sold out during the period under review, generated sales proceeds amounting to RMB287 million. The remaining four blocks of 199 units have also been launched to the market for pre-sale in September 2010 and approximately 85% have been pre-sold up to the date of this report, generated sales proceeds exceeding RMB280 million.

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

The project, situated in Da Li District with a total gross floor area of approximately 273,000 sq.m. (excluding carparking spaces), is scheduled for development by phases. Phase I comprises town houses of about 18,000 sq.m. and high-rise apartments of about 116,000 sq.m. Construction works of the town houses are in progress and scheduled to be completed in the first quarter of 2011.

# CHAIRMAN'S STATEMENT *(Continued)*

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

### **Property Development and Sales** *(Continued)*

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

The design of the conceptual development layout in respect of the project site at Dong Guan Zhuan Road, Tian He District with a total gross floor area of approximately 266,000 sq.m. is in progress. On the other hand, vacant possession of the development sites at 45-107 Beijing Nan Road, Yue Xiu District has been completed and planning for redevelopment is under progress.

### **Property Investment**

#### ***Shenzhen, PRC***

Foundation works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, a commercial/residential tower with 128,000 sq.m. situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, have been commenced in September 2010. Upon completion of construction of this 80-storey signature building which is expected to be in 2014, the Group intends to hold it for recurrent rental income.

Renovation works of **The Bauhinia Hotel (Shenzhen)** 寶軒酒店(深圳), a 159-room hotel at levels 3 to 5 of the commercial podium of **City Square** 城市天地廣場 situated at Jia Bin Road, Luo Hu District, are scheduled to be completed by the end of this year. Soft opening of this hotel is expected to be in the first quarter of 2011. Majority of the retail shops at ground level and the entire level 2 of the podium have been leased out. The occupancy rate of **City Suites** 寶軒公寓, our 64-unit serviced apartments situated on top of the podium, maintains at a satisfactory level.

#### ***Guangzhou, PRC***

As disclosed in our 2009/10 Annual Report, the Group completed in April 2010, the acquisition of **Ganghui Dasha** 港滙大廈, a 20-storey commercial and office building situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. Occupancy rate is currently about 85%.

Renovation works of **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, have been completed pending issuance of hotel licence by the relevant authorities after the close of Asian Games hosted by Guangzhou. Its soft opening is expected to be held by the end of this year.

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

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

#### **Chongqing, PRC**

**Chongqing Hon Kwok Centre** 重慶漢國中心, situated in Bei Bu Xin Qu, is a 22-storey twin-tower retail/commercial complex atop of a 3-storey podium with a total gross floor area of 107,802 sq.m. All three podium floors have been leased out. Leasing for one of the two towers has reached 60%.

The master development layout of the **Phase 2 Project** 重慶二期項目, with a total gross floor area of 133,502 sq.m. has been approved and detailed design is in progress. This project, adjacent to **Chongqing Hon Kwok Centre** 重慶漢國中心, will be developed into a grade A office tower and a 5-star hotel with serviced apartments on top of a retail/commercial podium.

#### **Hong Kong**

Conversion works of the four office podium floors at Des Voeux Road Central to a 42-room boutique hotel named as “**The Bauhinia Hotel (Central)** 寶軒酒店(中環)” have been completed pending issuance of hotel licence by the relevant authorities. Its soft opening is scheduled to be in early 2011. Over 90% of the ground floor areas have also been leased out. Rental rate of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, has recently been raised in view of the gradual recovery of the global economy and completion of interior refurbishment. Occupancy rate currently approximates 90%.

**The Bauhinia Hotel (TST)** 寶軒酒店(尖沙咀), a 44-room boutique hotel at nine upper floors of **Knutsford Place** 諾士佛廣場 situated at Observatory Court, Tsim Sha Tsui, has been opened for business in September 2010. The initial occupancy and room rate are satisfactory and both of which are expected to rise further given the recent trend of increase number of visitor arrivals from various sectors. After opening of the hotel, the commercial and office floors are currently being launched to the market for lease in order to enhance the overall rental yield on this upgraded property.

The occupancy rate of **Hon Kwok Jordan Centre** 漢國佐敦中心, a 23-storey commercial and office building situated at Hillwood Road, Tsim Sha Tsui, is encouraging. To sustain a higher rental yield, its tenant mix already includes bars, private clubs and learning centres etc.

## CHAIRMAN'S STATEMENT *(Continued)*

### OUTLOOK

The U.S. Federal Reserve announced earlier this month the second phase of quantitative easing amounting to US\$600 billion to stimulate its stagnant economy. However, it is the general observations that the likely consequences of such quantitative easing could result in the proliferation of liquidity and exporting inflation to the emerging nations which inevitably would disrupt currency exchange and interest rates, thus exacerbate asset bubbles in developing countries, Hong Kong in particular.

Mainland China, on the other hand, surpassed Japan as the world's second-largest economy according to the economic output data in the second quarter of 2010 and its gross domestic product recorded a growth of 9.6% in the third quarter. Nevertheless, inflation rate reached 4.4% in October against September's 3.6%, the fastest upsurge in two years and well above the government's target rate of 3%.

In order to curb the rising inflation and soaring property prices, the People's Bank of China raised the benchmark lending rate by 0.25% last month for the first time in almost three years. In addition, the newly raise of reserve requirement ratio by 0.5% twice within ten days to 18.5% for major banks and coupled with the recent promulgation by the Central Government of tougher measures such as tightening of property lending and proposal to levy property taxes shortly throughout the country, resulted in significant drop in property transactions across major cities. However, property prices stubbornly remained at the present level albeit with significantly reduced transactions.

Barring introduction of further austerity measures by the Central Government, property prices are not expected to decrease substantively. In anticipation of progressive appreciation of Renminbi as well as enormous domestic demand, the Board remains optimistic to the property market in Mainland China and intends to replenish the Group's land bank there when appropriate opportunities arise.

Finally, I wish to thank my fellow directors and all staff for their dedicated efforts and contributions during the period under review.

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

Hong Kong, 24 November 2010

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

As at 30 September 2010, 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>	<i>Notes</i>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
James Sai-Wing Wong	1 & 2	Through controlled corporation	261,112,553	54.37
Madeline May-Lung Wong	1 & 2	Through controlled corporation	261,112,553	54.37
Herman Man-Hei Fung	1	Beneficially owned	300,000	0.06



## 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	318,675,324	57.80
	1 & 4	Chinney Holdings Limited ("Chinney Holdings")	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Beneficially owned	10,000	50.00
	1 & 5	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporation	RMB185,000,000	100.00
Madeline May-Lung Wong	1 & 3	Chinney Investments	Through controlled corporation	318,675,324	57.80
	1 & 4	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Lucky Year	Beneficially owned	10,000	50.00

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

*Notes:*

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

Save as disclosed herein, as at 30 September 2010, 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 2010, 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:

<b>Name</b>	<b>Notes</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Chinney Investments	1 & 2	Directly beneficially owned	261,112,553	54.37
Chinney Holdings	1 & 2	Through controlled corporation	261,112,553	54.37
Lucky Year	1 & 2	Through controlled corporation	261,112,553	54.37

*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 2010, 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 2010.

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

- (a) In November 2007, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement (the “HK\$280 million Facility Agreement”) relating to a HK\$280 million transferable term and revolving loan facilities (the “HK\$280 million Loan Facilities”) with a syndicate of banks. The HK\$280 million Loan Facilities had a term of 36 months commencing from the date of the HK\$280 million Facility Agreement and were used as general working capital of the Group.

Pursuant to the HK\$280 million Facility Agreement, it would be an event of default if (i) Chinney Investments ceased to remain as the single largest shareholder of the Company or ceased 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, ceased to hold a controlling shareholding interest in Chinney Investments.

If an event of default under the HK\$280 million Facility Agreement occurred, the agent acting for the lending banks might, and would if so requested by a majority of the lending banks, terminate the HK\$280 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK\$280 million Loan Facilities to be immediately due and payable.

The whole outstanding amount of the above loan facilities had been repaid by the Group in the prior year.

- (b) 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 have a term of 36 months commencing from the date of the HK\$400 million Facility Agreement and are 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, 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 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.

### **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 2010.

#### **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 2010, 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.

### **CORPORATE GOVERNANCE** *(Continued)*

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

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.

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.

## GENERAL INFORMATION *(Continued)*

### CORPORATE GOVERNANCE *(Continued)*

#### **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 2010 has not been audited, but has been reviewed by the audit committee.

### FINANCIAL REVIEW

#### **Liquidity and financial resources**

The total interest-bearing debts of the Group amounted to approximately HK\$2,191 million as at 30 September 2010 (as at 31 March 2010: HK\$1,830 million), of which approximately 14% (as at 31 March 2010: 12%) of the debts were due and repayable within one year.

Total cash and bank balances including time deposits were approximately HK\$932 million as at 30 September 2010 (as at 31 March 2010: HK\$634 million). The Group had a total of approximately HK\$791 million committed but undrawn banking facilities at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2010 were approximately HK\$3,565 million (as at 31 March 2010: HK\$3,471 million).

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$1,259 million (as at 31 March 2010: HK\$1,196 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$3,742 million (as at 31 March 2010: HK\$3,644 million), was 34% as at 30 September 2010 (as at 31 March 2010: 33%).

#### **Funding and treasury policies**

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2010, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

### **FINANCIAL REVIEW** *(Continued)*

#### **Pledge of assets**

Properties and bank balances with an aggregate carrying value of approximately HK\$3,779 million as at 30 September 2010 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 2010. 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</b>	
		<b>30 September</b>	
		<b>2010</b>	<b>2009</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2	<b>71,588</b>	441,620
Cost of sales		<u><b>(43,644)</b></u>	<u>(361,611)</u>
Gross profit		<b>27,944</b>	80,009
Other income	3	<b>4,970</b>	3,258
Fair value gains on investment properties, net		<b>128,893</b>	249,680
Gain on disposal of a jointly-controlled entity		–	76,922
Administrative expenses		<b>(25,259)</b>	(23,026)
Other operating expenses, net		<b>(7,898)</b>	(4,432)
Finance costs	4	<b>(19,879)</b>	(10,922)
Share of profits and losses of jointly-controlled entities		<u><b>211</b></u>	<u>(930)</u>
Profit before tax	5	<b>108,982</b>	370,559
Income tax expense	6	<u><b>(32,559)</b></u>	<u>(63,225)</u>
Profit for the period		<u><b>76,423</b></u>	<u>307,334</u>
Attributable to:			
Owners of the Company		<b>76,136</b>	285,536
Non-controlling interests		<u><b>287</b></u>	<u>21,798</u>
		<u><b>76,423</b></u>	<u>307,334</u>
Earnings per share attributable to ordinary equity holders of the Company			
Basic	7	<u><b>15.85 HK cents</b></u>	<u>59.45 HK cents</u>
Diluted		<u><b>15.11 HK cents</b></u>	<u>51.72 HK cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<hr/>		
<b>Profit for the period</b>	<b>76,423</b>	<b>307,334</b>
<b>Other comprehensive income for the period</b>		
Exchange differences on translation of foreign operations	<u>81,755</u>	<u>3,621</u>
<b>Total comprehensive income for the period</b>	<b><u>158,178</u></b>	<b><u>310,955</u></b>
<b>Attributable to:</b>		
Owners of the Company	<b>153,945</b>	<b>289,035</b>
Non-controlling interests	<u>4,233</u>	<u>21,920</u>
	<b><u>158,178</u></b>	<b><u>310,955</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 September 2010 (Unaudited) <i>HK\$'000</i>	At 31 March 2010 (Audited) <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		45,888	41,995
Properties under development		1,352,025	1,407,522
Investment properties		4,189,769	3,746,995
Interests in jointly-controlled entities		274	63
<b>Total non-current assets</b>		<b>5,587,956</b>	5,196,575
<b>CURRENT ASSETS</b>			
Amounts due from jointly-controlled entities		31	25
Tax recoverable		7	988
Properties held for sale		285,411	148,273
Trade receivables	8	7,305	18,899
Prepayments, deposits and other receivables		50,198	40,904
Pledged deposits		91,200	91,200
Cash and cash equivalents		841,285	542,704
<b>Total current assets</b>		<b>1,275,437</b>	842,993
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	9	98,121	183,492
Interest-bearing bank borrowings		196,316	213,655
Promissory note payable		20,000	20,000
Customer deposits		405,965	7,200
Convertible bonds		104,556	–
Tax payable		62,930	71,518
<b>Total current liabilities</b>		<b>887,888</b>	495,865
<b>NET CURRENT ASSETS</b>		<b>387,549</b>	347,128
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,975,505</b>	5,543,703
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		1,890,316	1,515,409
Convertible bonds		–	100,900
Deferred tax liabilities		343,069	283,416
<b>Total non-current liabilities</b>		<b>2,233,385</b>	1,899,725
<b>Net assets</b>		<b>3,742,120</b>	3,643,978

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

		<b>At 30 September 2010 (Unaudited) HK\$'000</b>	<b>At 31 March 2010 (Audited) HK\$'000</b>
	<i>Notes</i>		
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	10	<b>480,286</b>	480,286
Equity component of convertible bonds		<b>7,802</b>	7,802
Reserves		<b>3,076,912</b>	2,922,967
Proposed final dividend		<u>—</u>	<u>60,036</u>
		<b>3,565,000</b>	3,471,091
Non-controlling interests		<u>177,120</u>	<u>172,887</u>
Total equity		<u><b>3,742,120</b></u>	<u>3,643,978</u>

## 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 2009	480,286	396,352	10	24,826	307,752	1,880,923	60,036	3,150,185	144,103	3,294,288
Total comprehensive income for the period	-	-	-	-	3,499	285,536	-	289,035	21,920	310,955
Final dividend in respect of previous financial year	-	-	-	-	-	-	(60,036)	(60,036)	-	(60,036)
At 30 September 2009	<u>480,286</u>	<u>396,352</u>	<u>10</u>	<u>24,826</u>	<u>311,251</u>	<u>2,166,459</u>	<u>-</u>	<u>3,379,184</u>	<u>166,023</u>	<u>3,545,207</u>
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
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>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash flows from operating activities	<b>194,716</b>	281,687
Net cash flows from/(used in) investing activities	<b>(182,797)</b>	85,616
Net cash flows from financing activities	<b>276,663</b>	142,719
	<b>288,582</b>	510,022
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	<b>542,704</b>	324,455
Effects of foreign exchange rate changes, net	<b>9,999</b>	13,303
	<b>841,285</b>	847,780
Cash and cash equivalents at end of the period	<b>841,285</b>	847,780
 Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>755,999</b>	685,241
Non-pledged time deposits	<b>85,286</b>	162,539
	<b>841,285</b>	847,780
	<b>841,285</b>	847,780

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2010 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2010.

### 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 2010 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 2010.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs</i>

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

**Accounting policies** (Continued)

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring since 1 April 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. These revised standards were applied by the Group prospectively.

Except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised), the adoption of the new and amended HKFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these interim financial statements.

**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:

	<b>Six months ended 30 September 2010 (Unaudited)</b>			
	<b>Property development HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
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>	<u>146,576</u>
<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>



**2. OPERATING SEGMENT INFORMATION** *(Continued)*

	Six months ended 30 September 2009 (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>405,552</u>	<u>18,638</u>	<u>17,430</u>	<u>441,620</u>
Segment results	<u>56,420</u>	<u>258,452</u>	<u>3,355</u>	318,227
<i>Reconciliation:</i>				
Interest income				556
Unallocated expenses				(13,294)
Gain on disposal of a jointly-controlled entity				76,922
Finance costs				(10,922)
Share of profits and losses of jointly-controlled entities				<u>(930)</u>
Profit before tax				<u>370,559</u>

**3. OTHER INCOME**

	Six months ended 30 September	
	2010	2009
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Bank interest income	<u>1,261</u>	556
Exchange gain	–	123
Gain on disposal of investment properties, net	<u>860</u>	853
Others	<u>2,849</u>	<u>1,726</u>
	<u>4,970</u>	<u>3,258</u>

**4. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	<b>28,828</b>	29,747
Interest on bank loans wholly repayable after five years	<b>2,144</b>	–
	<b>30,972</b>	29,747
Less: Interest capitalized under property development projects	<b>(11,093)</b>	(18,825)
	<b>19,879</b>	10,922

**5. PROFIT BEFORE TAX**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>1,753</b>	1,532
Employee benefits expense (including directors' remuneration)	<b>13,970</b>	12,947
Less: Amounts capitalized under property development projects	<b>(2,700)</b>	(2,984)
	<b>11,270</b>	9,963

**6. INCOME TAX**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<hr/>		
Group:		
Current – Outside Hong Kong	<b>5,571</b>	21,905
Deferred	<b>26,988</b>	41,320
	<hr/>	<hr/>
Total tax charge for the period	<b>32,559</b>	63,225
	<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, net of tax and interest capitalization, if any. 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.

**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:

	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<b>76,136</b>	285,536
Interest on convertible bonds, net of tax and interest capitalization	<u>—</u>	<u>—</u>
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	<u><b>76,136</b></u>	<u>285,536</u>
	<b>Number of shares</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
<b>Shares</b>		
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>480,286,201</b>	480,286,201
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	<u><b>23,466,667</b></u>	<u>71,794,872</u>
	<u><b>503,752,868</b></u>	<u>552,081,073</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:

	<b>At</b> <b>30 September</b> <b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>At</b> <b>31 March</b> <b>2010</b> <b>(Audited)</b> <b>HK\$'000</b>
Within 30 days	6,336	18,154
31 to 60 days	408	420
61 to 90 days	278	311
Over 90 days	<u>283</u>	<u>14</u>
Total	<u><u>7,305</u></u>	<u><u>18,899</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.

**9. TRADE PAYABLES AND ACCRUED LIABILITIES**

Included in the trade payables and accrued liabilities are trade payables of HK\$15,468,000 (at 31 March 2010: HK\$29,689,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>At</b> <b>30 September</b> <b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>At</b> <b>31 March</b> <b>2010</b> <b>(Audited)</b> <b>HK\$'000</b>
Within 30 days	<u><u>15,468</u></u>	<u><u>29,689</u></u>

**10. SHARE CAPITAL**

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

**11. 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 and the corresponding carrying amounts immediately before the acquisition were as follows:

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

**11. BUSINESS COMBINATION** *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is 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, the Guru Star Group contributed to the Group's revenue and profit amounting to HK\$3,822,000 and HK\$1,367,000, respectively for the current interim period.

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

**12. CONTINGENT LIABILITIES**

As at 30 September 2010, the Group has given guarantees of HK\$320,123,000 (as at 31 March 2010 (audited): HK\$251,634,000) 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 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2010 (Unaudited) <i>HK\$'000</i>	At 31 March 2010 (Audited) <i>HK\$'000</i>
Within one year	43,069	32,523
In the second to fifth years, inclusive	113,379	102,331
Over five years	<u>417,081</u>	<u>419,040</u>
	<u><u>573,529</u></u>	<u><u>553,894</u></u>

**(b) As lessee**

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

At 30 September 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2010 (Unaudited) <i>HK\$'000</i>	At 31 March 2010 (Audited) <i>HK\$'000</i>
Within one year	18,615	17,159
In the second to fifth years, inclusive	<u>10,824</u>	<u>12,210</u>
	<u><u>29,439</u></u>	<u><u>29,369</u></u>



#### 14. CAPITAL COMMITMENTS

At 30 September 2010, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties and subsidiaries amounting to HK\$213,635,000 (at 31 March 2010 (audited): HK\$362,301,000).

At 30 September 2010, there was no share of the jointly-controlled entities' authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties by the Group (at 31 March 2010 (audited): Nil).

#### 15. 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short-term employee benefits	<b>4,740</b>	5,687
Post-employment benefits	<b>244</b>	331
	<b><u>4,984</u></b>	<u>6,018</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 24 November 2010.