



Hon Kwok Land Investment Company, Limited

Stock Code : 160

Interim Report 2006/2007

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DIRECTORS

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

* *Independent non-executive directors*

AUDIT COMMITTEE

Patrick Yen-Tse Tsai
Daniel Chi-Wai Tse
Kenneth Kin-Hing Lam

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

The Bank of East Asia, Limited
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong)
Limited

AUDITORS

Ernst & Young

REGISTRARS

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STOCK CODE

SEHK 160

CONSOLIDATED RESULTS

The Group's turnover and profit attributable to shareholders of the Company for the six months ended 30th September, 2006 were HK\$261 million (2005: HK\$649 million) and HK\$109 million (2005: HK\$91 million), respectively. Earnings per share were HK\$0.27 (2005: HK\$0.23).

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2006 (2005: Nil).

CORPORATE EVENTS

Since 1st April, 2006, the Group has entered into the following transactions of significance:

Sale of a non-core property

On 12th June, 2006, the Group entered into a sale and purchase agreement to dispose Plaza Ampang, a commercial and shopping complex in Kuala Lumpur, Malaysia, to an independent third party for a cash consideration of MYR70 million (equivalent to about HK\$142 million). The disposal enabled the Group to realize its investment in Malaysia and concentrate its resources to property development and investment activities in Hong Kong and Mainland China.

According to the agreement, there was a first balance consideration of MYR56.5 million payable upon completion and a final balance consideration of MYR10 million payable within 24 months from the date of the agreement. Payment term was subsequently varied whereby the purchaser agreed for an early settlement of the final balance consideration at the time of completion. As a result, the consideration of MYR70 million has been received in full upon completion of the transaction on 11th December, 2006. For details, please refer to the Company's announcement dated 12th June, 2006 and circular to the shareholders dated 4th July, 2006.

Issue of convertible bonds

On 27th June, 2006, the Group issued convertible bonds due June 2011 at par to five institutional investors including Morgan Stanley for a principal sum of HK\$280 million (the "Bonds"). The Bonds are guaranteed by the Company and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. The bondholders have the rights, at any time on or after 27th July, 2006 up to and including the seventh business date prior to 27th June, 2011 to convert the Bonds into equity shares of the Company with a nominal value of HK\$1 each at an initial conversion price of HK\$4 per share, subject to adjustments in certain events. The issuance of the Bonds raised net proceeds of about HK\$272.5 million for general working capital of the Group. For details of the terms of the Bonds, please refer to the Company's announcement dated 20th June, 2006.

Property development joint venture in the Yuexiu District, Guangzhou

On 30th September, 2006, the Group entered into an agreement to dispose 50% of the issued share capital of Join Ally Limited (together with associated shareholder's loan) to SGM Golem Investment Limited, a real estate fund, for a cash consideration of about RMB245 million. Join Ally Limited, through its wholly-owned subsidiaries, shall hold the land use rights of three adjoining sites in the Yuexiu District of Guangzhou. The consideration of about RMB245 million was agreed after arm's length negotiation between the parties, taking reference to the market value of properties in the vicinity. Completion of the disposal shall take place upon fulfillment of the conditions precedent and in no event be later than 31st March, 2007 unless extended otherwise. It is currently estimated that there would be a capital gain of about RMB66 million to the Group upon completion of the disposal. For details, please refer to the Company's announcement dated 4th October, 2006 and circular to the shareholders dated 26th October, 2006.

Issue of new shares

On 15th November, 2006, Chinney Investments, Limited ("Chinney Investments"), the Company and The Hongkong and Shanghai Banking Corporation Limited ("HSBC") entered into an agreement pursuant to which Chinney Investments (i) agreed to place through HSBC, on a fully underwritten basis, 80,047,700 existing shares to independent investors at a price of HK\$4.05 each (the "Placing") and (ii) conditionally agreed to subscribe for 80,047,700 new shares also at a price of HK\$4.05 each (the "Subscription"). The Placing was completed on 21st November, 2006 whereas the Subscription was completed on 29th November, 2006. The top-up share placement raised net proceeds of about HK\$315 million to the Group for general working capital purpose including the acquisition of land banks.

REVIEW OF OPERATIONS

Property development

City Square (城市天地廣場), a residential and commercial development in the Luohu District of Shenzhen, was completed with the occupation permit issued in June 2005. Turnover and profit arising from our pre-sale of properties are recognized on completion basis, which contributed largely to the jump in property sales to HK\$609 million a year earlier. During the period, property sales of HK\$208 million came mainly from the sale of remaining units of City Square (城市天地廣場). Up to the date hereof, the Group has sold almost 97% of the residential and office units in City Square at an average price of about RMB11,000 per square meter.

In March 2006, the Group entered into an agreement to buy out the 20% minority interests in City Square (城市天地廣場) for a cash consideration of RMB10 million. The acquisition was completed in June 2006, resulting in a gain of HK\$51 million in the period. The gain arose as a result of the excess of the fair value of the net assets of City Square attributable to the 20% minority interests over the purchase consideration of RMB10 million.

Construction works for Phase 1 of the Toronto project, comprising a 16-storey building with 526 residential units and car park facilities, have been substantially completed for purchasers' interim occupancy earlier this month. There are remaining works for building amenities to be completed in the second quarter of 2007. As a result, title of the sold units has yet to be transferred to the purchasers for revenue recognition. Up to the date hereof, the Group has pre-sold about 90% of the units at an aggregate sales proceeds of about CAD110 million (equivalent to about HK\$760 million). Phase 2 of the Toronto project is under rezoning application to maximize the gross floor area for the development of a 50-storey mixed used building containing residential and hotel uses. The Group has a 75% interest in Phase 1 and a 50% interest in Phase 2 of the project.

Property investment

During the period, the Group's investment properties consist of The Bauhinia apartments/Honwell Commercial Centre (寶軒及漢貿商業中心), Yien Yieh Commercial Building (鹽業商業大廈), Hon Kwok Jordan Centre (漢國佐敦中心), Hon Kwok TST Centre (漢國尖沙咀中心) and three lots of carparks in Hong Kong, the commercial podium of City Square (城市天地廣場) in Mainland China, and Plaza Ampang in Malaysia. These properties produced a recurrent income of HK\$39 million to the Group (2005: HK\$38 million).

Our investment properties in Hong Kong are mainly located in the core business districts in Central, Hong Kong and Tsimshatsui, Kowloon. To enhance the value of these properties, there are plans to build the additional buildable area arising from the exemption of curtain wall from gross floor area calculation into Hon Kwok Jordan Centre (漢國佐敦中心) and Hon Kwok TST Centre (漢國尖沙咀中心) and to convert certain office floors over there for retail use. The Group has also served notices to tenants of Yien Yieh Commercial Building (鹽業商業大廈) to facilitate demolition of the building for re-development. Building plan with an increase in plot ratio for the subject site was approved in July 2006. It is the intention of the Company to continue holding the re-developed Yien Yieh Commercial Building (鹽業商業大廈) as an investment property producing recurrent rental income to the Group.

The Group has revalued its investment properties to their fair values as at 30th September, 2006 to comply with the accounting standard. This resulted in a fair value gain of HK\$57 million, net of deferred tax, in the period. Comparative figures have not been restated to reflect the fair value gain of investment properties in prior period.

Property management and others

Commencing October 2005, the Group obtained contracts to manage car parks both in the private and public sector. Turnover correspondingly increased to HK\$14 million in the period (2005: HK\$2 million).

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK\$2,268 million as at 30th September, 2006 (as at 31st March, 2006: HK\$2,171 million), of which approximately 28% of the debts were due and repayable within one year. The increase was mainly due to the issue of convertible bonds to partly finance the acquisition of properties. Total cash and bank balances was HK\$404 million as at 30th September, 2006 (as at 31st March, 2006: HK\$447 million). The Group had a total of HK\$307 million committed but undrawn banking facilities at the period end available for its working capital purpose. Total shareholders' fund as at 30th September, 2006 was HK\$2,174 million (as at 31st March, 2006: HK\$2,055 million). The increase was mainly due to the profit retained for the period. The gearing ratio of the Group, as measured by the net interest-bearing debts of HK\$1,864 million over the total shareholders' fund of HK\$2,174 million, was 86% as at 30th September, 2006 (as at 31st March, 2006: 84%).

Apart from the issuance of convertible bonds for HK\$280 million in June 2006, the Group issued about 80 million new shares at HK\$4.05 each for net cash proceeds of about HK\$315 million in November 2006, completed the disposal of Plaza Ampang for MYR70 million in December 2006 and, pending for completion, disposed a 50% interest in a Guangzhou project for about RMB245 million. All these events have improved the financial position of the Group and provided additional cash resources for the Group's property activities in Hong Kong as well as in Mainland China. Had all these events been happened and completed on 30th September, 2006, the pro forma gearing ratio of the Group as at 30th September, 2006 would have been 51%.

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30th September, 2006, 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 HK\$3,734 million as at 30th September, 2006 were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Contingent liabilities of material importance to the Group have been set out in the annual report of the Group for the year ended 31st March, 2006. Apart from the litigation in relation to a wholly-owned subsidiary of the Group which has ceased to be of any effect following the dissolution of the plaintiff, there was no significant change to the contingent liabilities of the Group.

Employees and remuneration policies

The Group, not including its jointly-controlled entities, employed approximately 370 people as at 30th September, 2006. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

OVERVIEW

Over the years, the Group has transformed itself into a property developer in Mainland China with quality land banks in urban areas. As of the date hereof, the Group has four plots of land in the Tianhe, Liwan and Yuexiu Districts of Guangzhou, a plot of land in the Futian District of Shenzhen and a plot of land in the Nanhai District of Foshan. These land banks with a total gross floor area of about 11 million square feet will provide continual developments for the coming five years. The Central Government has introduced a number of austerity measures to rein in the property prices. The fundamentals of the real estate market, however, remain solid as a result of the continuous economic growth, increasing urbanization and rising household income in Mainland China and the appreciation of Renminbi. Against these favorable factors, the Group shall remain active but cautious in building up its land banks at chosen locations in the major cities of Southern China and, if opportunities come, to expand to other cities in Mainland China. As mentioned in the paragraph headed "Corporate Events", the Group has raised funds of about HK\$600 million from the capital market and proceeds of about HK\$390 million from disposal of property interests. These proceeds are intended for general working capital use of the Group, including land bank replenishment.

Aside from the development projects in Mainland China, the Group owns a portfolio of investment properties in Hong Kong totaling about 300,000 square feet. These properties are all located in the central business districts. The Group is taking active steps including re-developing Yien Yieh Commercial Building (鹽業商業大廈), upgrading the tenant mix and obtaining additional buildable area in Hon Kwok Jordan Center (漢國佐敦中心) and Hon Kwok TST Center (漢國尖沙咀中心) to maximize the value and recurrent rental income of our properties. Looking ahead, our rental portfolio shall continue to perform well, albeit temporary drop in occupancy owing to re-development or alternation works, as the outlook of the Hong Kong economy remains positive. The US Federal Reserve decided to keep the interest rate unchanged for a fourth consecutive meeting is a strong signal that interest rate hikes may well come to an end, which in turn shall boost investors' confidence in the local property market.

Your directors are therefore optimistic about the future prospects of the Group in coming years. I would like to take this opportunity to thank the Board and all staff for their contributions and look forward to their continued support in the future.

James Sai-Wing Wong
Chairman

Hong Kong, 19th December, 2006

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2006, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

Name of director	Note	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	1	Corporate	250,948,553	62.70
Madeline May-Lung Wong	1	Corporate	250,948,553	62.70

All the interests stated above represent long positions.

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

Name of director	Notes	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	2	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings Limited ("Chinney Holdings")	Corporate	9,900,000	99.00
		Chinney Holdings	Personal	100,000	1.00
		Lucky Year Finance Limited ("Lucky Year")	Personal	10,000	50.00
Madeline May-Lung Wong	2	Chinney Investments	Corporate	306,959,324	55.67
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
Zuric Yuen-Keung Chan		Chinney Contractors Company Limited	Personal	2,645	13.95

All the interests stated above represent long positions.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

Notes:

1. *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 directors of and have beneficial interests.*
2. *These shares are beneficially held by Chinney Holdings. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
3. *These shares are held by Lucky Year. By virtue of note 1, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

Save as disclosed herein, as at 30th September, 2006, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2006, 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	Number of ordinary shares held	Approximate percentage of shareholding
Chinney Investments	1 & 2	250,948,553	62.70
Chinney Holdings	1 & 2	250,948,553	62.70
Lucky Year	1 & 2	250,948,553	62.70
DJE Investment S.A.	1 & 3	24,156,000	6.04
Dr. Jens Ehrhardt Kapital AG	1 & 3	24,156,000	6.04
Dr. Jens Alfred Karl Ehrhardt	1 & 3	24,156,000	6.04
Morgan Stanley	1 & 4	36,250,000	9.06

SUBSTANTIAL SHAREHOLDERS (Continued)

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 share by virtue of Section 316 of the SFO.
3. DJE Investment S.A., Dr. Jens Ehrhardt Kapital AG and Dr. Jens Alfred Karl Ehrhardt are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.
4. Morgan Stanley is the beneficial owner of HK\$145,000,000 of the 3.5% convertible guaranteed bonds due 2011 issued by a wholly-owned subsidiary of the Company. The above bonds can be converted into 36,250,000 shares of the Company at an initial conversion price of HK\$4.00 per share (subject to adjustments in certain events). Thus, Morgan Stanley is deemed to be interested in 36,250,000 shares of the Company under the SFO.

Save as disclosed herein, as at 30th September, 2006, 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 SECURITIES

During the six months ended 30th September, 2006, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's securities.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of conduct for directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code during the six months ended 30th September, 2006.

CORPORATE GOVERNANCE (Continued)

Compliance with 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 30th September, 2006, except for the following deviations:

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

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

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

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the “Articles of Association”). The Articles of Association 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 considered that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

CORPORATE GOVERNANCE (Continued)

Compliance with Code on Corporate Governance Practices (Continued)

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

- CG Code provision 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 16th 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).
- CG Code provisions B.1.4 and C.3.4 stipulate that the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website.

At present, the Company does not maintain a website. However, the terms of reference of the two committees are available from the Company Secretary on request.

AUDIT COMMITTEE

The Company has established an audit committee comprising Patrick Yen-Tse Tsai, Daniel Chi-Wai Tse and Kenneth Kin-Hing Lam.

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 30th September, 2006 has not been audited, but has been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th September,	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Revenue	2	261,148	648,910
Cost of sales		<u>(181,885)</u>	<u>(482,102)</u>
Gross profit		79,263	166,808
Other income	3	9,406	4,078
Administrative expenses		(25,500)	(15,090)
Other operating expenses		(1,626)	(1,827)
Fair value gains on investment properties, net		68,981	–
Negative goodwill on acquisition of minority interests in a subsidiary		51,179	–
Finance costs	4	(45,099)	(22,310)
Share of profits and losses of jointly-controlled entities		<u>161</u>	<u>153</u>
Profit before tax	5	136,765	131,812
Tax	6	<u>(24,456)</u>	<u>(19,171)</u>
Profit for the period		<u><u>112,309</u></u>	<u><u>112,641</u></u>
Attributable to:			
Equity holders of the parent		108,991	91,301
Minority interests		<u>3,318</u>	<u>21,340</u>
		<u><u>112,309</u></u>	<u><u>112,641</u></u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic	7	<u>27.23 cents</u>	<u>22.81 cents</u>
Diluted		<u>24.85 cents</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30th September, 2006 (Unaudited) HK\$'000	As at 31st March, 2006 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		23,992	23,540
Properties under development		1,352,155	1,209,884
Investment properties		2,048,609	1,971,631
Interests in jointly-controlled entities		31,425	29,357
Total non-current assets		<u>3,456,181</u>	<u>3,234,412</u>
CURRENT ASSETS			
Amounts due from jointly-controlled entities		141,195	129,257
Tax recoverable		275	456
Properties held for sale		963,260	988,871
Trade receivables	8	26,393	127,346
Prepayments, deposits and other receivables		190,997	63,201
Loans to minority interests		85,188	86,114
Pledged deposits		41,400	40,200
Cash and cash equivalents		362,958	406,454
Total current assets		<u>1,811,666</u>	<u>1,841,899</u>
CURRENT LIABILITIES			
Trade payables and accrued liabilities	9	191,247	195,639
Interest-bearing bank borrowings		642,814	395,168
Loans from minority interests		27,033	76,674
Amounts due to related companies		23	2,478
Customer deposits		145,310	126,868
Dividend payable		44,026	–
Tax payable		61,391	51,914
Total current liabilities		<u>1,111,844</u>	<u>848,741</u>
NET CURRENT ASSETS		<u>699,822</u>	<u>993,158</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,156,003</u>	<u>4,227,570</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,370,465	1,775,807
Convertible bonds	10	254,398	–
Deferred tax liabilities		115,500	103,446
Total non-current liabilities		<u>1,740,363</u>	<u>1,879,253</u>
Net assets		<u>2,415,640</u>	<u>2,348,317</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	11	400,239	400,239
Reserves	12	1,773,445	1,654,591
Minority interests		<u>2,173,684</u>	<u>2,054,830</u>
Total equity		<u>241,956</u>	<u>293,487</u>
		<u>2,415,640</u>	<u>2,348,317</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total equity as at 1st April	2,348,317	1,696,138
Changes in equity during the period:		
Exchange differences on translation of the financial statements of foreign entities	34,510	26,278
Net income recognised directly in equity	34,510	26,278
Profit for the period	112,309	112,641
Total recognised income and expenses for the period	146,819	138,919
Final dividend in respect of previous financial year	(44,026)	(32,019)
Convertible Bond – equity portion	24,826	–
Acquisition of minority interests	(60,910)	–
Capital injection from minority shareholders	614	50,000
Total equity as at 30th September	2,415,640	1,853,038
Total recognised income and expenses for the period attributable to:		
Equity holders of the parent	138,054	117,579
Minority interests	8,765	21,340
	146,819	138,919

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(25,987)	(339,875)
Net cash outflow from investing activities	(8,394)	(47,998)
Net cash inflow/(outflow) from financing activities	(19,835)	258,925
Net decrease in cash and cash equivalents	(54,216)	(128,948)
Cash and cash equivalents at beginning of the period	406,454	291,074
Effects of foreign exchange rate changes, net	8,223	6,437
Cash and cash equivalents at end of the period	<u>360,461</u>	<u>168,563</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	284,527	190,052
Non-pledged time deposits	78,431	–
Bank overdrafts	(2,497)	(21,489)
	<u>360,461</u>	<u>168,563</u>

1. Basis of preparation and accounting policies***Basis of preparation***

The unaudited condensed consolidated interim financial statements for the six months ended 30th September, 2006 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 (“HKICPA”) and the applicable disclosure requirements of the Listing Rules.

The unaudited condensed consolidated interim 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 31st March, 2006.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2006, except in relation to the following amendments to and interpretation of Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) issued by the HKICPA that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of these amendments and interpretation has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated interim financial statements.

2. Segment information

The Group is principally engaged in property development, property investment and property related activities. An analysis of the Group's revenue and results by business segments and revenue by geographical segments is as follows:

Business segments

	Property development		Property investment		Property management and others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30th September,		30th September,		30th September,		30th September,	
	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>207,971</u>	<u>609,195</u>	<u>39,388</u>	<u>37,589</u>	<u>13,789</u>	<u>2,126</u>	<u>261,148</u>	<u>648,910</u>
Segment results	<u>41,684</u>	<u>138,132</u>	<u>97,271</u>	<u>24,559</u>	<u>1,601</u>	<u>1,351</u>	<u>140,556</u>	<u>164,042</u>
Interest income							4,114	1,201
Unallocated gains							196	277
Unallocated expenses							(14,342)	(11,551)
Negative goodwill on acquisition of minority interests in a subsidiary							51,179	-
Finance costs							(45,099)	(22,310)
Share of profits and losses of jointly-controlled entities	165	161	-	-	(4)	(8)	161	153
Profit before tax							136,765	131,812
Tax							(24,456)	(19,171)
Profit for the period							<u>112,309</u>	<u>112,641</u>

2. Segment information (Continued)**Geographical segments**

	Hong Kong		Mainland China		Malaysia		Consolidated	
	Six months ended 30th September, 2006		Six months ended 30th September, 2006		Six months ended 30th September, 2006		Six months ended 30th September, 2006	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	<u>50,323</u>	<u>78,968</u>	<u>204,991</u>	<u>564,515</u>	<u>5,834</u>	<u>5,427</u>	<u>261,148</u>	<u>648,910</u>

3. Other income

	Six months ended 30th September, 2006		2005	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	<u>1,567</u>	<u>1,118</u>		
Interest income from mortgage loan receivables	<u>97</u>	<u>83</u>		
Other interest income	<u>2,450</u>	<u>—</u>		
Other property management income	<u>1,843</u>	<u>1,804</u>		
Gain on disposal of investment properties	<u>2,341</u>	<u>—</u>		
Others	<u>1,108</u>	<u>1,073</u>		
	<u><u>9,406</u></u>	<u><u>4,078</u></u>		

4. Finance costs

	Six months ended	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within five years	54,285	33,801
Bank loans wholly repayable after five years	–	1,354
Convertible bonds	6,753	–
Other loans	–	563
Bank overdrafts	101	83
	<u>61,139</u>	<u>35,801</u>
Less: Amounts capitalised under property development projects	<u>(16,040)</u>	<u>(13,491)</u>
	<u><u>45,099</u></u>	<u><u>22,310</u></u>

5. Profit before tax

Profit before tax is arrived at after charging:

	Six months ended	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,273	549
Staff costs (including directors' emoluments)	<u>10,946</u>	<u>7,217</u>

6. Tax

	Six months ended	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Group:		
Current – Hong Kong		
Tax credit for the period	–	(2)
Current – Elsewhere	12,402	18,863
Deferred	12,054	310
	<hr/>	<hr/>
	24,456	19,171
	<hr/> <hr/>	<hr/> <hr/>

The Group companies provide for tax on the basis of their income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

No Hong Kong profits tax has been provided as the Group companies did not have assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. Earnings per share

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

The calculation of diluted earnings per share amounts is based on the net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the after tax effect of both effective interest on the liability component of convertible bonds and bond issue expenses written off. The weighted average number of ordinary shares used in the calculation is the 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 at no consideration on the conversion of the convertible bonds into ordinary shares.

7. Earnings per share (Continued)

The basic and diluted earnings per share attributable to equity holders of the parent are calculated as follows:

	Six months ended	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Earnings:		
Earnings for the purpose of calculating basic earnings per share	108,991	91,301
After tax effect of effective interest on the liability component of convertible bonds	5,572	–
After tax effect of bond issue expenses written off	(5,989)	–
	<hr/>	<hr/>
Earnings for the purpose of calculating diluted earnings per share	108,574	91,301
	<hr/>	<hr/>
Weighted average number of ordinary shares:		
Ordinary shares in issue for the purpose of calculating basic earnings per share	400,238,501	400,238,501
Effect of conversion of convertible bonds	36,721,311	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	436,959,812	400,238,501
	<hr/>	<hr/>

8. Trade receivables

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

	As at 30th September, 2006 (Unaudited) HK\$'000	As at 31st March, 2006 (Audited) HK\$'000
Current to 30 days	25,244	126,529
31 to 60 days	550	570
61 to 90 days	416	228
Over 90 days	183	19
	26,393	127,346

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 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 followed up closely by management and are provided for in full in case of non-recoverability.

9. Trade payables and accrued liabilities

Included in trade payables and accrued liabilities are trade payables of HK\$3,492,000 (as at 31st March, 2006: HK\$3,703,000). An aged analysis of trade payables, based on invoice date, is as follows:

	As at 30th September, 2006 (Unaudited) HK\$'000	As at 31st March, 2006 (Audited) HK\$'000
Current to 30 days	3,492	3,703

10. Convertible bonds

On 27th June, 2006, the Group issued convertible bonds due June 2011 at par for a principal sum of HK\$280 million (the “Bonds”). The Bonds are guaranteed by the Company and bear interest at the rate of 3.5% per annum, payable semi-annually in arrears. The bondholders have the rights, at any time on or after 27th July, 2006 up to and including the seventh business date prior to 27th June, 2011 to convert the Bonds into equity shares of the Company with a nominal value of HK\$1.00 each at an initial conversion price of HK\$4.00 per share, subject to adjustments in certain events. There was no movement in the number of Bonds during the period. Any Bonds not converted will be redeemed at 124.5481% of their principal amount upon maturity on 27th June, 2011. Upon full conversion, the Bonds shall be converted into 70 million ordinary shares of the Company.

The Bonds, net of issue expenses, were split into liability and equity components of HK\$247,645,000 and HK\$24,826,000, respectively upon initial recognition by recognising the liability component at its fair value using an equivalent market interest rate for a similar bond without conversion option and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the other reserve.

11. Share capital

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

Pursuant to a court order dated 17th October, 2000, the nominal value of the shares of the Company was adjusted from HK\$0.50 to HK\$0.10 by way of a capital reduction. The authorised share capital of the Company was restored to its original amount of HK\$1,750,000,000 by the creation of an additional 14,000,000,000 new shares of HK\$0.10 each at the same time.

11. Share capital *(Continued)*

As a result of the capital reduction, a credit of HK\$533,658,876 based on the 1,334,147,191 shares of the Company then in issue was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

- (a) shall not be treated as a realised profit; and
- (b) shall, for so long as the Company remains a listed company (as defined in the Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof,

provided always that the amount standing to the credit of the special capital reserve may be reduced by (i) the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

In prior years, new shares were issued upon a rights issue and a share placement. Resulting from the issue of shares, HK\$310,179,000, representing the amount of shares issued together with the corresponding premium, was released from the special capital reserve and credited to retained profits.

12. Reserves

	Share premium account (Unaudited) HK\$'000	Special capital reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000
At 1st April, 2005	161,410	223,480	10	(59,387)	–	784,406	32,019	1,141,938	153,961
Exchange realignments	–	–	–	26,278	–	–	–	26,278	–
Profit for the period	–	–	–	–	–	91,301	–	91,301	21,340
Final dividend in respect of previous financial year	–	–	–	–	–	–	(32,019)	(32,019)	–
Capital injection from minority shareholders	–	–	–	–	–	–	–	–	50,000
At 30th September, 2005	161,410	223,480	10	(33,109)	–	875,707	–	1,227,498	225,301
At 1st April, 2006	161,410	223,480	10	(34,469)	–	1,260,134	44,026	1,654,591	293,487
Exchange realignments	–	–	–	29,063	–	–	–	29,063	5,447
Profit for the period	–	–	–	–	–	108,991	–	108,991	3,318
Final dividend in respect of previous financial year	–	–	–	–	–	–	(44,026)	(44,026)	–
Convertible bond – equity portion	–	–	–	–	24,826	–	–	24,826	–
Acquisition of minority interests	–	–	–	–	–	–	–	–	(60,910)
Capital injection from minority shareholders	–	–	–	–	–	–	–	–	614
At 30th September, 2006	161,410	223,480	10	(5,406)	24,826	1,369,125	–	1,773,445	241,956

13. Commitments**(a) Capital commitments**

As at 30th September, 2006, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to HK\$265,743,000 (as at 31st March, 2006 (audited): HK\$209,672,000).

There are no authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties relating to jointly-controlled entities included in the above (as at 31st March, 2006 (audited): Nil).

(b) Lease commitments

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

As at 30th September, 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30th September, 2006 (Unaudited) HK\$'000	As at 31st March, 2006 (Audited) HK\$'000
Within one year	3,170	1,140
In the second to fifth years, inclusive	6,529	32
	<u>9,699</u>	<u>1,172</u>

The above annual commitments under non-cancellable operating leases in respect of land and buildings involving jointly-controlled entities amounted to HK\$57,000 (as at 31st March, 2006 (audited): HK\$82,000).

14. Related party transactions

(a) Significant transactions with related parties

	Six months ended	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Commissions paid to the ultimate holding company	1,313	1,313
Legal and professional fees paid to a firm of solicitors to which a director of the Company is a consultant	–	337

(b) Outstanding balances due to related parties

	As at	As at
	30th September,	31st March,
	2006	2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
A subsidiary of a related company	23	2,478

(c) Compensation of key management personnel of the Group

	Six months ended	
	30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	4,234	2,779
Post-employment benefits	281	193

14. Related party transactions *(Continued)*

- (d) In June 2006, Lucky Year further extended the cash security arrangement in favour of the Company for a period of 30 months. Pursuant to the arrangement, Lucky Year pledged its deposits with certain banks in relation to bank loans of HK\$150 million granted by the banks to the Company. In consideration for the provision of cash security, the Group agreed to counter-indemnify Lucky Year and pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the terms of the bank loans to Lucky Year. The Group provides no security to Lucky Year or other connected persons in connection with the arrangement. Please refer to paragraph (a) above for commission paid in the current period.
- (e) The balances with the related companies are unsecured and have no fixed terms of repayment.

15. Post balance sheet event

On 15th November, 2006, the Company entered into a top-up placement arrangement for an issue of 80,047,700 new shares of the Company at a price of HK\$4.05 each. The top-up placement was completed on 29th November, 2006, generating net proceeds of about HK\$315 million to the Group for general working capital use.

16. Approval of the interim financial statements

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 19th December, 2006.