

Strategic Investment
Prudent Management



Chinney Investments, Limited

Stock Code: 216

CHINNEY

2009 - 10 *Interim Report*

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CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong (*Chairman*)
Madeline May-Lung Wong
William Chung-Yue Fan
Herman Man-Hei Fung (*Managing Director*)
Clement Kwok-Hung Young*
Peter Man-Kong Wong*
James C. Chen*

* *Independent non-executive directors*

AUDIT COMMITTEE

James C. Chen
William Chung-Yue Fan
Clement Kwok-Hung Young
Peter Man-Kong Wong

REMUNERATION COMMITTEE

Herman Man-Hei Fung
Clement Kwok-Hung Young
James C. Chen

SECRETARY

Wendy Yuk-Ying Chan

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
The Bank of East Asia, Limited
DBS Bank (Hong Kong) 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
Shanghai 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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STOCK CODE

SEHK 216

WEBSITE

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FINANCIAL HIGHLIGHTS

	2009	2008	<i>Increase/Decrease</i>	
	(Unaudited)	(Unaudited)	<i>HK\$'M</i>	<i>+/-</i>
	HK\$'M	<i>HK\$'M</i>		
<i>For the six months ended 30 September</i>				
Turnover	564	305	+259	+85%
Profit after tax attributable to shareholders	192	30	+162	+5.4 times
Basic earnings per share <i>(in HK cents)</i>	34.8	5.4	+29.4	+5.4 times
<i>At 30 September</i>				
Bank borrowings less bank balances	662	831	-169	-20%
Gearing ratio*	26%	33%		-7%
Shareholders' funds	1,999	1,792	+207	+12%
Net assets per share attributable to shareholders <i>(in HK\$)</i>	3.63	3.25	+0.38	+12%

* Representing ratio of "bank borrowings + convertible bonds – bank balances" to "shareholders' funds + minority interests".

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

For the six months ended 30 September 2009, the Group's unaudited profit attributable to shareholders was HK\$192 million (2008: HK\$30 million). The substantial improvement in profit was mainly attributable to property sales profit of HK\$42 million (2008: HK\$16 million) and revaluation gain on investment properties, net of deferred tax, of HK\$113 million (2008: loss HK\$4 million). The Group's turnover and basic earnings per share for this interim period respectively amounted to HK\$564 million (2008: HK\$305 million) and 34.8 Hong Kong cents (2008: 5.4 Hong Kong cents). Net assets per share attributable to shareholders as of 30 September 2009 were HK\$3.63 (2008: HK\$3.25).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are conducted by our 54.37% owned Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160). Hon Kwok reported a turnover of HK\$442 million (2008: HK\$147 million) and net profit after tax attributable to their shareholders of HK\$286 million (2008: HK\$21 million) respectively for the six months ended 30 September 2009.

1.1 Property Development and Sales

Li Wan Project 荔灣項目, Guangzhou, PRC

As a result of the Central Government's relaxed monetary policy and other stimulus measures in its effect to ease the impact of global financial crisis, the general economy and, in particular, the property and stock markets in Mainland China have improved substantially since April 2009. The **Li Wan Project 荔灣項目** was sold by Hon Kwok for a cash consideration of HK\$250 million. Sale of this 50/50 jointly-owned project was completed on 30 September 2009 and Hon Kwok's 50% share of profit amounted to approximately HK\$77 million.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

1.1 Property Development and Sales *(Continued)*

Botanica Phases 1 & 2 寶翠園一期及二期, Guangzhou, PRC

A total of 322 out of 332 flats in **Botanica Phase 1** 寶翠園一期, which is located in the greenery zone of Tian He District, have been sold, generating total sales proceeds of about RMB347 million. Construction works were fully completed in the third quarter of 2009. Handover of the flats to purchasers has been in progress since early October this year.

Construction works for **Botanica Phase 2** 寶翠園二期, which comprises about 400 residential units, are in good progress and scheduled for completion by the end of 2010.

No. 5 Residence 北京路5號公館, Guangzhou, PRC

Situated at Beijing Road near Tian Zi Pier 天字碼頭 in Yue Xiu District, pre-sale of the residential flats of this project since mid April 2009 has been favorably received. All of the 145 residential flats offered for sale have been sold with total sales proceeds exceeding RMB224 million. Interior fitting-out works have been completed recently and the flats are being handed over to purchasers. Profit of this development project will be recognized in the second half of this financial year.

Yayao Oasis 雅瑤綠洲, Nanhai, PRC

The master development plans of the project with a total gross floor area of about 272,790 sq.m. have been finalized. Phase I will comprise about 18,000 sq.m. low rise apartments and commencement of construction works is scheduled in the second half of 2010.

Hon Kwok City Commercial Centre 漢國城市商業中心, Shenzhen, PRC

Detailed construction plans of this 80-storey signature building at Shen Nan Zhong Road 深南中路 of Fu Tian District in Shenzhen have been approved. Foundation works will be commenced in the second quarter of 2010. Construction works of this 128,000 sq.m. commercial/residential tower are scheduled for completion in about 3.5 years.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

1.1 Property Development and Sales *(Continued)*

Property Sales in Hong Kong

Amid the liquidity-driven upward trend in the Hong Kong property market, Hon Kwok has realized an aggregate sales proceeds of over HK\$50 million upon disposal of certain property stocks and carparking spaces since April 2009.

1.2 Property Investment

Chongqing, PRC

Internal renovation works of the 108,000 sq.m. retail/commercial twin-tower complex, **Chongqing Hon Kwok Centre** 重慶漢國中心, in Bei Bu Xin Qu 北部新區 have been completed. Leasing negotiations for the retail shopping mall, certain commercial and office floors with a few target anchor tenants have been nearly finalized. Through internationally renowned property agents, Hon Kwok will launch its leasing program by stages in early 2010.

Adjacent to the above completed development, the master development plans of Hon Kwok's **Phase 2 Project** 重慶二期項目 are expected to be finalized in 2010. The development will comprise a grade A office tower and a 5-star hotel with serviced apartments atop of a retail podium with a total gross floor area of 133,502 sq.m.

Shenzhen, PRC

Majority of ground level retail areas of our **City Square** 城市天地廣場 commercial podium have been leased. Renovation works carrying out by Hon Kwok's tenant at level 2 for a restaurant are well in progress and its opening is scheduled for the first quarter of 2010. This will facilitate the tenants of Hon Kwok's 64 serviced apartments at **City Suites** 寶軒公寓 upstairs as well as guests of the upcoming 165-room **City Bauhinia Hotel** 城市寶軒酒店 located at levels 3 to 5 of the commercial podium.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

1.2 Property Investment *(Continued)*

Hong Kong

As part of Hon Kwok's rental improvement plan for **The Bauhinia/Honwell Commercial Centre** 寶軒及漢貿商業中心 at Des Voeux Road Central, ground floor areas have recently been leased to a bank and a restaurant. Also, the interior refurbishment works for our 171-room serviced apartment, known as "**The Bauhinia** 寶軒", have been substantially finished. Renovation works for the 42-room boutique hotel at the four podium floors, to be known as "**The Bauhinia Hotel (Central)** 中環寶軒酒店", are planned for completion in the first half of 2010.

For the **Knutsford Place** 諾士佛廣場 (formerly known as "**Hon Kwok TST Centre** 漢國尖沙咀中心") in Tsimshatsui, conversion of 9 upper floors to a 44-room boutique hotel, to be known as "**The Bauhinia Hotel (TST)** 尖沙咀寶軒酒店", is expected to complete by the end of 2009. A new market positioning and tenant mix (including entertainment, private clubs, bars and restaurants) for other floors to enhance the overall rental yield on this upgraded property is being implemented.

Contributing from the gradual recovery of the general economy, both the rental yield and occupancy rate of the **Hon Kwok Jordan Centre** 漢國佐敦中心 at Hillwood Road are expected to further improve in the coming year.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

1.3 “The Bauhinia 寶軒” Group of Serviced Apartments and Hotels

Upon fully completion and in operation which will be under “The Bauhinia 寶軒” brand, Hon Kwok will be leasing a chain of 652 serviced apartment and hotel rooms in Hong Kong, Shenzhen and Guangzhou. All these projects will be completed by mid 2010. This set-up will cater to the accommodation needs for both short-stay visitors as well as longer term tenants. Details are summarized as follows:

	No. of Serviced Apartment/Hotel Rooms			
	Hong Kong	Shenzhen	Guangzhou	Total
Serviced Apartments				
The Bauhinia 寶軒	171	–	–	171
City Suites 寶軒公寓	–	64	–	64
	<u>171</u>	<u>64</u>	<u>–</u>	<u>235</u>
Hotels				
The Bauhinia Hotel (TST) 尖沙咀 寶軒酒店	44	–	–	44
The Bauhinia Hotel (Central) 中環 寶軒酒店	42	–	–	42
City Bauhinia Hotel (Shenzhen) 深圳 城市寶軒酒店	–	165	–	165
City Bauhinia Hotel (Guangzhou) 廣州 城市寶軒酒店	–	–	166	166
	<u>86</u>	<u>165</u>	<u>166</u>	<u>417</u>
Total	<u>257</u>	<u>229</u>	<u>166</u>	<u>652</u>

To aim for operating synergy, economies of scale and centralized control, Hon Kwok is considering to form a joint venture with a hotel operator to manage its hotels together with **City Bauhinia Hotel (Guangzhou)** 廣州城市寶軒酒店 which is a leasehold property of Hon Kwok.

In addition, Hon Kwok is devising master development plans for its **Chongqing Phase 2 Project** 重慶二期項目 which also includes a 5-star hotel with serviced apartments.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

1.4 Repurchase of Convertible Bonds due June 2011

Given a strong liquidity position, Hon Kwok bought back and cancelled in October this year an aggregate face value of HK\$192 million Convertible Bonds issued by its wholly-owned subsidiary, Hon Kwok Land Treasury IV Limited. The Bonds were repurchased at par and represented 68.6% of the total Bonds originally issued in June 2006. The repurchase enables Hon Kwok to save interest charges (3.5% per annum) and premium on redemption (approximately 24.5% on face value) on the Bonds, totaling HK\$58 million for the 21 months to maturity in June 2011.

2. Garment

Our wholly-owned JL Group reported a turnover of HK\$122 million (2008: HK\$158 million) with a net profit after tax of HK\$8.4 million (2008: HK\$8.8 million) for the period under review.

Last year, the global financial tsunami severely slashed asset prices and dampened consumer sentiment. JL Group, which produced fashionable garment in Mainland China for export mainly to the European market, was adversely affected with a general decline in demand from customers who became more conservative in stock replenishment under the weak retail business environment.

During the period under review, sales to European markets has been gradually stabilized. More orders were being received from the German customers. On the contrary, the US economy remains stagnant and demands from major fashion brands are likely to take a much longer time to recover. Fortunately, our turnover attributable to US customers is small and hence our business is relatively less affected. Despite the difficult economic environment, JL Group achieved improvement in gross profit margin by focusing on products with higher profit margin and is implementing stringent cost control measures. JL Group will continue to streamline and improve its production system to enhance the productivity and efficiency during this difficult period.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

3. Construction and Trading

Chinney Alliance Group Limited (“Chinney Alliance”) (Stock Code: 385), a 29.1% owned associate, recorded its turnover and net profit after tax for the six months ended 30 June 2009 of HK\$1,220 million (2008: HK\$1,036 million) and HK\$43 million (2008: HK\$24 million) respectively.

The profit for the period included the fair value gains on equity investments of HK\$5.2 million (2008: loss HK\$5.7 million). Should these non-recurring items be excluded for both periods, the net profit for the six months ended 30 June 2009 for Chinney Alliance would be about HK\$37.8 million, which represents a 27% increase against the adjusted HK\$29.7 million in 2008.

Chinney Alliance's building construction and foundation piling business recorded substantial increase in turnover and operating profit. Contracts performed during the period included the foundation for redevelopment of two residential estates launched by the Hong Kong Housing Authority and the foundation works for three major residential developments in the private sector. All these contracts are scheduled for completion in 2009.

Though the trading of plastics and chemicals of Jacobson van den Berg (Hong Kong) Limited (“Jacobson”) remained profitable, its sales and profit margins were adversely reduced as substantial portion of the customers were manufacturers for the US market which was at the epicenter of the financial tsunami. In the meantime, Jacobson continues to increase its presence in Mainland China, strategically contemplating on new business opportunities, and await the gradually recovery of world economy.

4. Other Investment

Benefiting from the upsurge in Hong Kong stock market for the period under review, the Group recorded in our income statement an unrealized fair value gain of HK\$20 million on a listed investment, representing almost 2.2 times in share price on 30 September 2009 against six months ago.

OUTLOOK

Some countries have stabilized their economies and gradually recovered from the global financial tsunami. These include Australia and Norway which recently initiated their interest hikes to suppress inflationary pressure. However, for the world largest economy in the United States, the unemployment rate accelerated to its 26-year record high of 10.2% in October 2009, with stagnant consumer spending and new home construction dropped over 10.5% to 6-month lowest level. G20 leaders in their recent summit concluded that government stimulus packages should remain status quo until improvement in global economic fundamentals proved to be sustainable. Many analysts believe that the States' economic recovery period may last for at least a couple more years.

In the Mainland, plunge in GDP due to loss of exports has been overcome by the Central Government's massive investments in large scale infrastructure projects and urban modernization programme, coupled with aggressive monetary relaxation policies to encourage domestic consumption. New bank borrowings for the first 10 months in 2009 reached RMB8.92 trillion, representing a huge increase of RMB5.26 trillion over the same period last year. China officials recently indicated they are confident that the 2009 target annual growth in GDP of 8% will be achieved. Part of the funds from the new bank borrowings have undoubtedly parked in the stock and property markets, leading to a gradual price upsurge since early 2009. The Group captured this opportunity and successfully realized total sales proceeds exceeding HK\$773 million from three of our development projects in Guangzhou (viz. **Botanica Phase 1** 寶翠園一期, **No. 5 Residence** 北京路5號公館 and **Li Wan Project** 荔灣項目). Barring unforeseen circumstances and without significant changes in Government policies, the PRC property market is likely to grow steadily in the years ahead. Our project team has also expedited the development schedules in **Botanica Phase 2** 寶翠園二期, the residential project adjoining **No. 5 Residence** 北京路5號公館 along Beijing Road in Guangzhou and **Yayao Oasis Phase 1** 雅瑤綠洲一期 in Nanhai.

Since late 2008, large investors and hedge funds have been relocating their portfolios from places suffering economic doldrums to cities, like Hong Kong, with no exchange control, higher investment potential and low tax levies. Hong Kong Monetary Authority recently announced that an unprecedented influx of over HK\$500 billion has flowed into Hong Kong from overseas since September last year. Such influx of hot money has not only driven our stock and property (especially the luxury residential flats) markets to new heights in the past year, but also helped to lower our borrowing costs substantially. Our management sees a potential capital appreciation in RMB assets in the years ahead as long as HKD remains pegged with USD. The Group therefore strategically leverages the low borrowing costs in Hong Kong to further expand our investment assets in China. Hence, in addition to retaining our completed commercial projects in Shenzhen and Chongqing for long term investment purposes, the Group continues to look for other investment opportunities in the Mainland.

CHAIRMAN'S STATEMENT *(Continued)*

OUTLOOK *(Continued)*

For our garment business, its major customers are in Germany and Italy. Their economic recovery pace has seen to be much faster than the United States and other Eurozone countries. Though the turnover of our JL Group has dropped by about 22%, their management is able to trim down operating costs and maintain its profitable operation under this challenging year.

In Hong Kong, the overall economy has been stabilized and recovered steadily. Decline in GDP against last year has been further shrunk for a third consecutive quarter in 2009 to -2.4%. Both Consumer Price Index and Retail Sales have rebounded to positive growth since September 2009 for a year-on-year basis. Together with the gradual recovery in the property market and launch of further infrastructure projects by our Government, general economic growth should remain positive. The management believes that our foundation piling, building construction and plastic trading businesses will perform well in the coming year.

Finally, I would like to extend my gratitude and appreciation for our Board and staff members for their valuable contributions, diligent efforts and team spirits for the period under review.

James Sai-Wing Wong
Chairman

Hong Kong, 10 December 2009

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, 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	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1 & 2	Through controlled corporation	318,675,324	57.80
Madeline May-Lung Wong	1 & 2	Through controlled corporation	318,675,324	57.80
William Chung-Yue Fan	1	Beneficially owned	1,882,285	0.34

(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	Hon Kwok	Through controlled corporation	261,112,553	54.37
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporation	RMB185,000,000	100.00
	1 & 5	Chinney Alliance	Through controlled corporation	433,400,216	72.85
	1 & 6	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
Madeline May-Lung Wong	1 & 3	Hon Kwok	Through controlled corporation	261,112,553	54.37
	1 & 5	Chinney Alliance	Through controlled corporation	173,093,695	29.10
	1 & 6	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Lucky Year	Beneficially owned	10,000	50.00
Herman Man-Hei Fung	1	Hon Kwok	Beneficially owned	300,000	0.06

GENERAL INFORMATION *(Continued)*

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 Holdings which is a subsidiary of Lucky Year. James Sai-Wing Wong and Madeline May-Lung Wong are directors of Lucky Year and beneficially own more than one-third of the equity capital of Lucky Year.*
3. *These shares are beneficially held by the Company. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
4. *Out of the RMB185,000,000 paid up registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.*
5. *Out of the 433,400,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 260,306,521 shares are held by companies controlled by James Sai-Wing Wong. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares.*
6. *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.*

Save as disclosed herein, as at 30 September 2009, 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

At 30 September 2009, 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	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Holdings	Directly beneficially owned	318,675,324	57.80
Lucky Year	Through controlled corporation	318,675,324	57.80

All the interests stated above represent long positions. 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 2009, 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 2009.

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

On 22 November 2007, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facilities agreement (the "Facilities Agreement") relating to a HK\$280 million transferable term and revolving loan facilities (the "Loan Facilities") with a syndicate of banks. The Loan Facilities have a term of 36 months commencing from the date of the Facilities Agreement and are being granted for general working capital of Hon Kwok and its subsidiaries.

Pursuant to the Facilities Agreement, it shall be an event of default if (i) the Company ceases to remain as the single largest shareholder of Hon Kwok or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in Hon Kwok; or (ii) James Sai-Wing Wong, the Chairman of both the Company and Hon Kwok, ceases to hold a controlling shareholding interest in the Company.

GENERAL INFORMATION *(Continued)*

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

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

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2009.

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 2009, except for the following deviations:

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

CORPORATE GOVERNANCE *(Continued)*

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

The Chairman and Managing Director 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 and Managing Director provide 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.

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 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).
3. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

Audit committee

The Company has established an audit committee comprising James C. Chen, William Chung-Yue Fan, Clement Kwok-Hung Young and Peter Man-Kong Wong.

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 2009 has not been audited, but has been reviewed by the audit committee.

GENERAL INFORMATION *(Continued)*

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to HK\$1,863 million as at 30 September 2009 (as at 31 March 2009: HK\$1,694 million), of which approximately 20% (as at 31 March 2009: 31%) of the debts were due and repayable within one year. Total cash and bank balances including time deposits were HK\$891 million (as at 31 March 2009: HK\$366 million).

Total shareholders' funds as at 30 September 2009 was HK\$1,999 million (as at 31 March 2009: HK\$1,828 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of HK\$972 million (as at 31 March 2009: HK\$1,328 million) over the shareholders' funds plus minority interests totalling of HK\$3,741 million (as at 31 March 2009: HK\$3,416 million), was 26% at 30 September 2009 (as at 31 March 2009: 39%).

The Group had a total of HK\$410 million (as at 31 March 2009: HK\$240 million) committed but undrawn banking facilities at period end available for its working capital purpose.

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2009, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Certain properties, investments with an aggregate book value of HK\$3,430 million as at 30 September 2009 (as at 31 March 2009: HK\$2,601 million) and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Particulars of the Group's contingent liabilities are set out in note 11 to the condensed interim consolidated financial statements.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 1,100 people as at 30 September 2009. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2009	2008
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	2	564,062	305,300
Cost of sales		<u>(452,358)</u>	<u>(236,752)</u>
Gross profit		111,704	68,548
Other income and gains	3	9,897	33,148
Fair value gains/(losses) on investment properties, net		250,180	(56,395)
Change in fair value of properties held for sale transferred to investment properties		–	38,188
Loss on disposal of a subsidiary		–	(974)
Gain on disposal of a jointly-controlled entity		76,922	–
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries		–	13,663
Fair value gain/(loss) on equity investments at fair value through profit or loss		19,353	(9,011)
Selling and distribution costs		(14,514)	(16,815)
Administrative and other operating expenses		(43,536)	(31,418)
Finance costs	4	(11,930)	(13,570)
Share of profits and losses of:			
Associates		12,439	6,876
Jointly-controlled entities		<u>(930)</u>	<u>285</u>
Profit before tax	5	409,585	32,525
Tax	6	<u>(65,533)</u>	<u>8,191</u>
Profit for the period		<u><u>344,052</u></u>	<u><u>40,716</u></u>

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

		Six months ended	
		30 September	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
<hr/>			
Attributable to:			
Equity holders of the Company		191,963	29,917
Minority interests		152,089	10,799
		<u>344,052</u>	<u>40,716</u>
Earnings per share attributable to ordinary equity holders of the Company			
	7		
Basic		<u>34.82 HK cents</u>	<u>5.43 HK cents</u>
Diluted		<u>31.15 HK cents</u>	<u>5.17 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	344,052	40,716
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	3,540	51,538
Total comprehensive income for the period	347,592	92,254
Attributable to:		
Equity holders of the Company	193,784	56,330
Minority interests	153,808	35,924
	347,592	92,254

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2009 (Unaudited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	94,303	95,919
Properties under development	1,666,995	1,712,258
Prepaid land lease payments	15,992	16,190
Investment properties	2,837,873	2,563,615
Investments in associates	101,037	93,084
Interests in jointly-controlled entities	31,159	39,423
Promissory note receivable from an associate	40,304	40,113
Deferred tax assets	184	170
Loan receivables	2,881	3,283
	4,790,728	4,564,055
CURRENT ASSETS		
Inventories	15,061	15,718
Properties held for sale	452,147	533,608
Prepaid land lease payments	471	471
Equity investments at fair value through profit or loss	36,461	17,109
Trade and bills receivables	8 74,034	24,489
Prepayments, deposits and other receivables	61,597	34,393
Amount due from a related company	345	345
Amounts due from jointly-controlled entities	145,671	178,837
Tax recoverable	220	191
Cash and cash equivalents	890,868	366,151
	1,676,875	1,171,312
CURRENT LIABILITIES		
Trade payables and accrued liabilities	9 206,381	192,575
Customer deposits	230,161	76,191
Amounts due to the immediate holding company	40,000	40,000
Tax payable	70,796	64,756
Dividend payable	22,055	–
Interest-bearing bank borrowings	373,364	522,091
	942,757	895,613
Total current liabilities	942,757	895,613

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	<i>Notes</i>	As at 30 September 2009 (Unaudited) <i>HK\$'000</i>	As at 31 March 2009 (Audited) <i>HK\$'000</i>
NET CURRENT ASSETS		<u>734,118</u>	<u>275,699</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,524,846</u>	<u>4,839,754</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,179,909	872,227
Promissory note payable		20,000	20,000
Convertible bonds		309,987	299,475
Deferred tax liabilities		<u>273,637</u>	<u>232,276</u>
Total non-current liabilities		<u>1,783,533</u>	<u>1,423,978</u>
Net assets		<u><u>3,741,313</u></u>	<u><u>3,415,776</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	10	137,842	137,842
Reserves		1,861,485	1,667,701
Proposed final dividend		<u>—</u>	<u>22,055</u>
Minority interests		<u>1,999,327</u>	<u>1,827,598</u>
		<u>1,741,986</u>	<u>1,588,178</u>
Total equity		<u><u>3,741,313</u></u>	<u><u>3,415,776</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company									
			Equity component						
	Share	Exchange	of		Proposed	Retained			Total
	premium	fluctuation	convertible	bonds	final	profits	Minority	Total	
	account	reserve	(Unaudited)	(Unaudited)	dividend	(Unaudited)	interests	(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	
At 1 April 2008	137,842	267,569	157,841	14,600	22,055	1,158,100	1,758,007	1,607,413	3,365,420
Other comprehensive income for the period	-	-	26,413	-	-	-	26,413	25,125	51,538
Profit for the period	-	-	-	-	-	29,917	29,917	10,799	40,716
Total comprehensive income for the period	-	-	26,413	-	-	29,917	56,330	35,924	92,254
Disposal of a subsidiary	-	-	-	-	-	-	-	8,719	8,719
Acquisition of minority interests	-	-	-	-	-	-	-	(20,497)	(20,497)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(2,808)	(2,808)
Final dividend in respect of previous financial year	-	-	-	-	(22,055)	-	(22,055)	-	(22,055)
At 30 September 2008	137,842	267,569	184,254	14,600	-	1,188,017	1,792,282	1,628,751	3,421,033
At 1 April 2009	137,842	267,569	175,954	14,600	22,055	1,209,578	1,827,598	1,588,178	3,415,776
Other comprehensive income for the period	-	-	1,821	-	-	-	1,821	1,719	3,540
Profit for the period	-	-	-	-	-	191,963	191,963	152,089	344,052
Total comprehensive income for the period	-	-	1,821	-	-	191,963	193,784	153,808	347,592
Final dividend in respect of previous financial year	-	-	-	-	(22,055)	-	(22,055)	-	(22,055)
At 30 September 2009	137,842	267,569	177,775	14,600	-	1,401,541	1,999,327	1,741,986	3,741,313

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	299,373	(35,327)
Net cash inflow from investing activities	86,632	309,082
Net cash inflow/(outflow) from financing activities	138,712	(545,029)
	524,717	(271,274)
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	366,151	579,487
	890,868	308,213
Cash and cash equivalents at end of the period		
	890,868	308,213
Analysis of balances of cash and cash equivalents		
Cash and bank balances	728,329	218,530
Non-pledged time deposits	162,539	89,683
	890,868	308,213
	890,868	308,213

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2009.

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 2009 except as described below. In the current period, the Group has applied, for the first time, 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 2009.

HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments</i> : <i>Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligation Arising on Liquidation</i>
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payments – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>

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

Accounting policies *(Continued)*

HK(IFRIC) – Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC) – Int 15	<i>Agreement for the Construction of Real Estate</i>
HK(IFRIC) – Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC) – Int 18	<i>Transfer of Assets from Customers²</i>
HKFRSs (Amendments)	<i>Improvements to HKFRSs issued in 2008¹</i>

¹ Except for the amendments to HKFRS 5 which is effective for annual period beginning on or after 1 July 2009

² Effective for transfers of assets from customers received on or after 1 July 2009

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the revised standard introduces the statement of comprehensive income, with all items of income and expense recognised in income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8, which replaced HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical area in which the Group operate, and revenue from the Group's major customers. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 *Segment Reporting*.

Except for the adoption of HKAS 1 (Revised) and HKFRS 8, the adoption of other new and revised HKFRSs has had no material effect on the Group's results of operation and financial position.

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

Accounting policies *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 2 Amendments	<i>Group cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 5 Amendments	<i>Plan to sell the controlling interest in a subsidiary</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments:</i> <i>Recognition and Measurement – Eligible Hedged Items</i> ¹
HK(IFRIC) – Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HKFRSs (Amendments)	<i>Improvements to HKFRSs issued in 2008 and 2009</i> ³

¹ *Effective for annual periods beginning on or after 1 July 2009*

² *Effective for annual periods beginning on or after 1 January 2010*

³ *Except for the amendments to HKFRS 2, HKFRS 5, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1 July 2009, and no effective date or transitional provisions for the amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010, although there are separate transitional provisions for certain standards*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

2. SEGMENT INFORMATION

The Group is principally engaged in garment manufacturing and trading, property development and property investment 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. Each of the Group's operating segments represents a strategic operating unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel. The adoption of HKFRS 8 had no material effect on the presentation of segment information. An analysis of the Group's revenue and contribution to profit from operation by business segments and revenue by geographical segments is as follows:

(a) Business segments

	Six months ended 30 September 2009 (Unaudited)				Consolidated HK\$'000
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	
Segment revenue:					
Sale to external customers	<u>122,442</u>	<u>405,552</u>	<u>18,638</u>	<u>17,430</u>	<u>564,062</u>
Segment results	<u>9,815</u>	<u>56,420</u>	<u>245,159</u>	<u>4,254</u>	<u>315,648</u>
Net income from investments					2,036
Unallocated expenses					(3,953)
Fair value gains on equity investments at fair value through profit or loss					19,353
Finance costs					(11,930)
Share of profits and losses of associates	-	-	-	12,439	12,439
Share of profits and losses of jointly-controlled entities	-	(930)	-	-	(930)
Gain on disposal of a jointly-controlled entity					<u>76,922</u>
Profit before tax					<u>409,585</u>
Tax					<u>(65,533)</u>
Profit for the period					<u><u>344,052</u></u>

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

2. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Six months ended 30 September 2008 (Unaudited)				Consolidated HK\$'000
	Garment	Property	Property	Others	
	HK\$'000	development HK\$'000	investment HK\$'000	HK\$'000	
Segment revenue:					
Sale to external customers	<u>157,908</u>	<u>100,061</u>	<u>27,512</u>	<u>19,819</u>	<u>305,300</u>
Segment results	<u>10,020</u>	<u>46,405</u>	<u>(29,481)</u>	<u>6,495</u>	33,439
Net income from investments					4,390
Unallocated expenses					(2,573)
Fair value losses on equity investments at fair value through profit or loss					(9,011)
Finance costs					(13,570)
Share of profits and losses of associates	–	–	–	6,876	6,876
Share of profits and losses of jointly-controlled entities	–	285	–	–	285
Loss on disposal of a subsidiary					(974)
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries					<u>13,663</u>
Profit before tax					32,525
Tax					<u>8,191</u>
Profit for the period					<u>40,716</u>

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

2. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market:

	Six months ended 30 September 2009 (Unaudited)					Consolidated HK\$'000
	Hong Kong	Mainland	Europe	North	Others	
	HK\$'000	China HK\$'000	HK\$'000	America HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	<u>50,847</u>	<u>389,874</u>	<u>109,699</u>	<u>11,323</u>	<u>2,319</u>	<u>564,062</u>

	Six months ended 30 September 2008 (Unaudited)					Consolidated HK\$'000
	Hong Kong	Mainland	Europe	North	Others	
	HK\$'000	China HK\$'000	HK\$'000	America HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	<u>141,406</u>	<u>2,832</u>	<u>116,760</u>	<u>35,385</u>	<u>8,917</u>	<u>305,300</u>

3. OTHER INCOME AND GAINS

	Six months ended	
	30 September 2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Bank interest income	562	2,018
Other interest income	1,286	1,264
Dividend income from listed investments	188	1,108
Commission income	187	2,585
Gain on disposal of investment properties	853	22,085
Foreign exchange difference, net	4,341	1,294
Other	2,480	2,794
	<u>9,897</u>	<u>33,148</u>

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

4. FINANCE COSTS

	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on Bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	30,755	41,186
Less: Interest capitalized under property development projects	(18,825)	(27,616)
	11,930	13,570

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	3,290	3,480
Amortisation of prepaid land lease payments	236	236
Employee benefits expense (including directors' remuneration)	37,357	37,053
Less: Amounts capitalized under property development projects	(2,984)	(2,984)
	34,373	34,069
Fair value (gains)/losses on equity investments at fair value through profit or loss	(19,353)	9,011
Bank interest income	(562)	(2,018)
Other interest income	(1,286)	(1,264)
Gain on disposal of investment properties	(853)	(22,085)
Gain on disposal of property, plant and equipment	(118)	–

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

6. TAX

	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Group:		
Current – Hong Kong	1,829	2,631
– Outside Hong Kong	22,357	(463)
	<hr/>	<hr/>
	24,186	2,168
Deferred	41,347	(10,359)
	<hr/>	<hr/>
Total tax charge/(credit) for the period	65,533	(8,191)
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated 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 jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

The calculation of basic earnings per share amounts 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 amounts 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 of a subsidiary and the dilution effect on earnings assuming there is a full conversion of the convertible bonds of a subsidiary, where applicable. The 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.

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

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

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

	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	191,963	29,917
Interest on convertible bonds of a subsidiary, net of tax and interest capitalization	–	–
Dilution of earnings arising from the full conversion of convertible bonds of a subsidiary	(20,187)	(1,437)
	<u>171,776</u>	<u>28,480</u>
Profit attributable to ordinary equity holders of the Company after the full conversion of the convertible bonds of a subsidiary	171,776	28,480

8. TRADE AND BILLS RECEIVABLES

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

	At 30 September	At 31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 30 days	45,461	9,350
31 to 60 days	7,998	904
61 to 90 days	12,598	1,669
Over 90 days	7,977	12,566
	<u>74,034</u>	<u>24,489</u>
Total	74,034	24,489

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills 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 trade payables and accrued liabilities are trade payables of HK\$39,731,000 (at 31 March 2009: HK\$26,412,000). An aged analysis of the trade payables, based on the invoice date, is as follows:

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Within 30 days	34,354	15,164
31 to 60 days	2,602	8,377
61 to 90 days	1,180	2,152
Over 90 days	1,595	719
Total	39,731	26,412

10. SHARE CAPITAL

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

11. CONTINGENT LIABILITIES

As at 30 September 2009, the Group had the following contingent liabilities:

- (a) the Group has given guarantees of HK\$234,158,000 (as at 31 March 2009 (audited): HK\$34,556,000) 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; and
- (b) pursuant to the share transfer agreement dated 17 August 2009 for the sale and purchase of the entire issued share capital of Rich Central Limited, an indirect jointly-controlled entity of the Group, together with the related shareholder's loan at an aggregate cash consideration of HK\$250,000,000, the Group has executed a guarantee in favour of the purchaser to guarantee certain warranties given by the vendor upon completion of the share transfer agreement on 30 September 2009 for a period of 6 months. The maximum liability under the guarantee will not be greater than HK\$250,000,000. In connection therewith, the joint venture partner counter indemnifies the Group for 50% of any loss suffered by the Group pursuant to the above guarantee.

12. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Within one year	23,287	14,740
In the second to fifth years, inclusive	45,279	15,855
Over five years	26,529	–
	95,095	30,595

(b) As lessee

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

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
Within one year	18,141	16,148
In the second to fifth years, inclusive	17,870	15,128
	36,011	31,276

13. CAPITAL COMMITMENTS

As at 30 September 2009, the Group had authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties amounting to HK\$184,624,000 (at 31 March 2009 (audited): HK\$245,118,000).

The Group's share of the jointly-controlled entities' authorised and contracted capital commitments in respect of property development expenditure and acquisition of properties, which are not included in the above, amounted to HK\$32,836,000 (at 31 March 2009 (audited): HK\$26,380,000).

14. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Legal and professional fees paid to a firm of which a director of the Company is a consultant	21	109
Interest income on a promissory note due from an associate	<u>1,188</u>	<u>1,256</u>

(b) Outstanding balances with related parties

	At 30 September	At 31 March
	2009	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Due from related parties		
– Related companies	345	345
– Jointly-controlled entities	145,671	178,837
– Associate	40,304	40,113
Due to related parties:		
– Immediate holding company	<u>40,000</u>	<u>40,000</u>

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

14. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	<u>1,360</u>	<u>1,360</u>

- (d) The amounts due from/to associates and jointly controlled entities are unsecured, interest-free, and are repayable on demand in both periods.

15. POST BALANCE SHEET EVENT

On 30 September 2009, the Hon Kwok Group committed to repurchase at par an aggregate principal amount of HK\$192 million out of HK\$280 million 3.5% guaranteed convertible bonds which were issued by a wholly-owned subsidiary of Hon Kwok in June 2006. The aforementioned repurchased bonds had been cancelled upon completion of the repurchases in October 2009.

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorized for issue by the board of directors on 10 December 2009.