



Shanghai

Guangzhou

Hong Kong

Macau

Interim Report 2005/2006



Far East Consortium International Limited

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CORPORATE INFORMATION

2

PLACE OF INCORPORATION

Cayman Islands

EXECUTIVE DIRECTORS

Deacon Te Ken CHIU, J.P. (*Chairman*)

David CHIU, Tan Sri Dato', B.Sc.

(*Deputy Chairman and
Chief Executive Officer*)

Dennis CHIU, B.A.

Craig Grenfell WILLIAMS,

B. ENG. (CIVIL)

NON-EXECUTIVE DIRECTORS

Ching Lan JU CHIU, J.P.

Dick Tat Sang CHIU, M.A.

Daniel Tat Jung CHIU

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Kwok Kwei LO

Jian Yin JIANG

Kwok Wai CHAN

CHIEF OPERATING OFFICER

Denny Chi Hing CHAN

QUALIFIED ACCOUNTANT AND CHIEF FINANCIAL OFFICER

Bill Kwai Pui MOK,

M.B.A., A.I.C.P.A., C.P.A.

COMPANY SECRETARY

Byron Ting Sau LEE,

M.B.A., L.L.M., C.P.A.

AUTHORIZED REPRESENTATIVES

Deacon Te Ken CHIU

David CHIU

SOLICITORS

Hong Kong

Woo, Kwan, Lee & Lo

David Lo & Partners

Malaysia

Shearn Delamore & Co.

Australia

Freehills

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

Hong Kong

Bank of China (Hong Kong) Limited

Citic Ka Wah Bank Limited

Hang Seng Bank Limited

Liu Chong Hing Bank Limited

Nanyang Commercial Bank Limited

The Hongkong and Shanghai

Banking Corporation Limited

Wing Hang Bank Limited

Malaysia

Alliance Bank Malaysia Berhad

Southern Bank Berhad

Singapore

The Hongkong and Shanghai

Banking Corporation Limited

Australia

Australia and New Zealand Banking
Group Limited

Commonwealth Bank of Australia

China

Construction Bank of China

REGISTERED OFFICE

P.O. Box 1043, Ground Floor,

Caledonian House, Mary Street,

George Town,

Grand Cayman, Cayman Islands,

British West Indies.

PRINCIPAL OFFICE

16/F., Far East Consortium Building,

121 Des Voeux Road Central,

Hong Kong.

SHARE REGISTRAR

Standard Registrars Limited

G/F, BEA Harbour View Centre,

56 Gloucester Road,

Wanchai,

Hong Kong.

New address effective from

3rd January, 2006

26th Floor, Tesbury Centre,

28 Queen's Road East,

Wanchai,

Hong Kong

LISTING INFORMATION

Ordinary Shares (Code: 035)

Zero Coupon Convertible Bonds 2009
(Code: 2576 & 2508)

The Stock Exchange of Hong Kong
Limited

WEBSITE

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

DEPUTY CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

INTERIM RESULTS

The Board of Directors of Far East Consortium International Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th September, 2005. The unaudited interim financial results have been reviewed by the Company’s audit committee.

INTERIM DIVIDEND

The Board of Directors (“Board”) has declared an interim dividend for the six months ended 30th September, 2005 of HK3 cents (six months ended 30th September, 2004: HK3 cents) per share to shareholders whose names appear on the Company’s Register of Members on 19th January, 2006 amounting to approximately HK\$43 million. The interim dividend will take the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (“Scrip Dividend Scheme”).

The Scrip Dividend Scheme will be subject to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including 25th January, 2006. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders together with a form of election on or about 9th February, 2006. Dividends warrants or new share certificates will be posted on or about 14th March, 2006.

BOOK CLOSE PERIOD

The register of members of the Company will be closed from Friday, 20th January, 2006 to Wednesday, 25th January, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Standard Registrars Limited not later than 4:00 p.m. on Thursday, 19th January, 2006. Standard Registrars Limited is currently located at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. Effective from 3rd January, 2006, its address will be changed to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

CORPORATE OVERVIEW

It is our strategy to build up our recurring income base through expanding our hotel portfolio. In April 2005, the Group increased its hotel rooms from 1,042 to 1,325 by opening two new hotels, namely Central Park Hotel and Dorsett Olympic Hotel, in Hong Kong. With its expanded hotel portfolio and the increasing number of business and leisure travellers to Hong Kong, the hotel division increased its profit contribution to HK\$55.8 million, a 273% over the comparable period of last financial year.

Because of the austerity measures announced by the Central Government and the new accounting standards, the Group expects most of its profits derived from property development will be reported in the second half of the financial year. The launches of property sales in the Mainland and Hong Kong are both scheduled in first quarter of 2006.

The Group has reached consensus on the commercial terms of the agreement with Las Vegas Sands Corp. (NYSE: LVS) and is in the stage of finalizing the documentation. The final agreement is subject to execution of definitive documents and customary conditions. According to the development plan with Las Vegas Sands, the Group will develop a site located in Cotai, Macau, with a total gross floor area of over three million square feet. The development consists of five hotels of different brands with a total of no less than 3,000 rooms, a shopping and entertainment complex of one million square feet, two serviced apartment buildings. In addition, the Group will build a casino/theater shell which will be sold to Las Vegas Sands upon completion. The Group targets to begin construction work in early 2006 and to open the first hotel before the end of 2007. With significant economic growth in Macau, the Group strongly believes that this project will enhance our future growth.

We will continue to cultivate our future growth based on two principal businesses in the Mainland and Hong Kong. The first one is to continue develop affordable quality housing in the Mainland aiming at middle class as our primary targeted customers. In September 2005, the Group acquired a residential site with a total gross floor area of approximately 800,000 square feet in Huadiwan, Guangzhou, to increase our land bank in the Mainland China. Our second principal business is to develop and operate hotels in Hong Kong and Macau so as to capitalize the opportunity of increasing demand from business and leisure travellers in the region. In June 2005, the Group acquired a site in Tai Kok Tsui for a 299-room hotel development. The hotel is expected to commence operations in the second half of 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

1. *Property Development Division*

Mainland China

The property markets, particularly the high-end segment in Shanghai, have softened since austerity measures announced by the Central Government in May 2004 and June 2005. However, with the continuous economic growth and urbanization in Mainland China, the Group remains positive in middle-class property market and will continuously explore good return investment opportunities in property development in the major cities of the Mainland. California Garden, our property development project in Shanghai, will be one of the main revenue contributors for the Group over the next few years. Presently, we have approximately 2.3 million square feet of gross floor area under construction. When the construction is completed, we shall deliver the second phase of Ching Chu Xintiandi with another 100 commercial units and 1,500 residential units for sales in financial years of 2006 and 2007. The occupancy permit for the commercial units will be applied in February or March 2006. For the residential units, mostly townhouses, pre-sale permits are expected to be granted around May or June 2006.

As we believe the property market of Guangzhou will begin to grow in near future, we recently acquired a residential site in Huadiwan, Guangzhou. Under our present plan, we will develop seven blocks of multi-storey residential buildings with a total gross floor area of approximately 800,000 square feet. With this new property development project, the Group now has three property development projects in Guangzhou with a total attributable gross floor area of

over 1.3 million square feet. The construction works for these three projects are scheduled to commence from mid-2006 and will be completed in the second half of 2008.

Hong Kong

Although the Group does not maintain a significant land bank, we continue to seek for attractive property development projects in Hong Kong. In view of the change of market condition, the Group decided to enhance the value of Terra Nova, a luxurious property development project in Clear Water Bay, by additional landscaping and exterior finishing. The two show houses are now under renovation. The sales are expected to be launched in the first or second quarter of 2006. During the period under review, no additional units of the three property development projects, namely Bakerview, Clear Water Bay Knoll, and Art Del Sol, were launched for sales.

Australia

The Group has two luxury residential development projects in Melbourne, Flinders Wharf and Royal Domain Tower. The Group has a 47.5% interest in Flinders Wharf, of which approximately 97% of the 301 units has been sold. The construction of Royal Domain Tower is mostly completed and occupancy permits are expected to be granted in the first quarter of 2006. Up to the end of the first six-month period, approximately 55% of the 137 units have been sold. The Group has a 90% interest in this project.

2. Hotel Division

In the beginning of this financial year, the Group opened both Central Park Hotel and Dorsett Olympic Hotel. Despite being new to the market, both hotels have been performing above our expectation and the market average. According to the Hong Kong Tourism Board, the average occupancy of all

hotels in Hong Kong was 84% from January to September 2005. Our operating hotels outperformed such market index by a substantial margin. Such exceptional performance is attributable to our experienced and proactive hotel management teams.

Outlook

1. *Property Development Division*

The overheated Mainland China's property markets have been cooled down by the implementation of austerity measures over the last few months. We believe the austerity measures are good for the healthy long-term growth of the property markets in Mainland. Since their announcement in May, the austerity measures appeared to achieve their goals of stopping the short-term speculations in the property markets. We always believe the mass residential market should be supported by the local demand and the affordability.

We believe the property market will begin to pick up after Chinese New Year at the end of January 2006 as the banks begin to approve new mortgage loans for the new fiscal year. Hence, we will schedule the launch of new residential units of California Garden around Chinese New Year. The critical factor will be the timing of obtaining the occupancy permits. Under the new accounting standards, no profit from property sales is allowed to be booked before obtaining the occupancy permits.

2. *Hotel Division*

As the Closer Economic Participation Arrangement being extended to cover more cities in the Mainland and with the continuous line-up of trade fairs in Hong Kong, it is expected that both business and leisure travellers will continue to grow. In order to capture more overseas business and leisure

travellers and to enhance our profitability, we decided to add the HIP hotel line to our existing 3- and 4-star hotel portfolio. Cosmo Hotel is our first HIP hotel, and it has been an immediate success since its opening in October. Its occupancy rate has been over 95% on average.

With the Cosmo Hotel opened in October and the upcoming openings of Lan Kwai Fong Hotel and Dorsett Tsuen Wan Hotel, the Group is confident to continue its strong hotel performance in the second half of this financial year. Furthermore, vast publicity of our Cosmopolitan Hotel is expected as it is appointed as the only official hotel for the 30th Hong Kong International Film Festival in April 2006.

With the new 299-room hotel in Tai Kok Tsui opened in 2007, we will be one of the largest hotel groups in Hong Kong with approximately 2,200 rooms.

Significant Event

Reference is made to our Annual Report 2005 in relation to Riverside South Project (“Project”), in Manhattan the United States, of which the Group held an indirect minority interest. The Group was informed that the transaction of selling interests in the Project for US\$1.76 billion to CRP/Extell Riverside L.P., an independent third party, was completed in November 2005. The manager of the Project is still working on the details of the Final Sale Model of the transaction.

In relation to the Complaint filed in Supreme Court of the State of New York against investors of the Project, legal proceeding has been commenced in New York and the management will closely monitor its status. Further announcements, if any, will be made by the Company in accordance with the Listing Rules.

FINANCIAL REVIEW

For the six-month period ended 30th September, 2005, the Group achieved a strong operating performance. Turnover of the Group reached HK\$414.2 million, up 64% from the corresponding period last year. This increase was primarily driven by the expansion of our hotel portfolio, increased property sales in Australia and treasury investments.

Gross profit rose to HK\$125.1 million, an 88% increase as compared to the same period last year. Such growth was attributable to the increased number of hotels and their exceptional performance.

Without any gain from substantial asset disposal during the first half of the financial year, the net profit was reported at HK\$139.4 million, dropped from HK\$203.8 million of the same period of last year. An one-off gain of HK\$192.2 million from the disposal of Far East Bank Mongkok Building was reported in the interim results of last year.

FINANCIAL RESOURCES AND LIQUIDITY

Borrowings and charge on Group assets

The business activities of the Group are funded by bank borrowing, unsecured loans and cash generated from operating activities. The Group's total bank and other borrowings and convertible bonds amount to approximately HK\$2,953 million as at 30th September, 2005 (31.3.2005 – restated: HK\$2,424 million), in which HK\$956 million was payable within one year and HK\$1,997 million was payable after one year. HK\$2,143 million of the borrowings was secured while the remaining HK\$79 million was unsecured. The Group's borrowings are primarily denominated in Hong Kong dollars.

Bank and other borrowings

During the period, the Group obtained new bank loans of approximately HK\$667 million. The loans bear interest at market rates. The Group also repaid bank loans of HK\$130 million during the the period.

Contingencies and commitments***Contingent Liabilities***

- (a) The Group has given guarantees to secure banking and other facilities granted to an investee company amounting to approximately HK\$90,384,000 (31.3.2005: HK\$102,536,000).
- (b) The Group has given guarantees in respect of mortgage loans provided to the home buyers of a property project in the Mainland China. At 30th September, 2005, the total amount of mortgages outstanding which are subject to these guarantees was approximately HK\$63,145,000 (31.3.2005: HK\$115,539,000).
- (c) In previous periods, a subsidiary of the Company (the “Subsidiary”) was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleged that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claimed for compensation of damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also alleged that the Subsidiary owed them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses relating to the contract of employment as directors of the Subsidiary amounting to approximately HK\$5,865,000. A motion of dismissal was filed in

the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.

- (d) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han [2004] No.938 on 2nd August, 2004 to strengthen the levying of land appreciation tax on property developers. In the opinion of the directors, after consulting the tax consultants and the tax bureau of the relevant city, land appreciation tax will not be levied in respect of properties already completed and, full provision for land appreciation tax has not been made in the financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that there is a small possibility that land appreciation tax might be fully levied in accordance with the rule of State Administration of Taxation. Should such levies take place, additional land appreciation tax would be approximately HK\$80 million (31.3.2005: HK\$80 million).

Capital Commitments

	30.9.2005	31.3.2005
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of Hotel properties	<u>4,054</u>	<u>36,190</u>

Gearing ratio

The gearing ratio (total bank and other borrowings/convertible bonds to equity attributable to equity holders) for 30th September, 2005 increased to 89% compares to 75% 31st March, 2005 (restated).

Current ratio

The current ratio as at 30th September, 2005 was 1.97 (31/3/2005 – restated: 2.60). The Group has maintained sufficient liquid assets to finance its operation.

Exchange rate

The Group was not exposed to material exchange rates fluctuations during the period.

Pledge of Assets

At the balance sheet date, the Group had pledged the following assets:

- (a) The Group's properties, bank deposits and investments held for trading with carrying amounts of approximately HK\$2,346,801,000 (31.3.2005: HK\$2,090,417,000), HK\$137,075,000 (31.3.2005: HK\$3,901,000) and HK\$1,550,000 (31.3.2005: HK\$1,556,000), respectively, together with properties of associates and third parties were pledged to bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK\$2,842,948,000 (31.3.2005: HK\$2,572,480,000) and HK\$5,000,000 (31.3.2005: HK\$5,000,000), respectively.

The Group's bank deposits of approximately HK\$2,935,000 (31.3.2005: HK\$3,000,000) were pledged to a banker to secure a guarantee given by the banker in favour of a subsidiary of the Company.

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments with an aggregate carrying amount of approximately HK\$405,076,000 (31.3.2005: HK\$237,746,000) were pledged to financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$29,378,000 (31.3.2005: HK\$37,613,000), of which HK\$21,578,000 (31.3.2005: HK\$32,449,000) were utilised.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group and its subsidiaries.
- (d) The Group has subordinated its amount due from an investee company of approximately HK\$119,995,000 (31.3.2005: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30th September, 2005 was approximately 1,050. Employees receive competitive remuneration packages that are constantly monitored in relation to the market, with incentives such as discretionary bonuses to reward employees based on individual performance. The Group provides a comprehensive benefit package and career development opportunities, including medical benefit and both internal and external training appropriate to each individual's requirements.

ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

DISCLOSURE OF INTERESTS

At 30th September, 2005, 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 (“SFO”)) as recorded in the register kept by the Company pursuant to 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 Shares and Underlying Shares of the Company

Name of Director	Nature of interests	Number of ordinary shares held				Percentage of issued share capital of the Company
		Personal Interests	Corporate Interests	Beneficial interests in underlying shares	Total Interests	
Deacon Te Ken Chiu	Long Position	10,421,298	114,935,212 ⁽¹⁾	–	125,356,510	8.76%
David Chiu	Long Position	633,945	315,148,493 ⁽²⁾	11,000,000 ⁽³⁾	326,782,438	22.84%
Dennis Chiu	Long Position	8,453	5,115,377 ⁽⁴⁾	–	5,123,830	0.36%
Ching Lan Ju Chiu	Long Position	1,299,854	–	–	1,299,854	0.09%
Dick Tat Sang Chiu	Long Position	828,947	–	–	828,947	0.06%
Daniel Tat Jung Chiu	Long Position	38,987	3,975,320 ⁽⁵⁾	–	4,014,307	0.28%

Notes:

- (1) These shares are held by various companies controlled by Mr. Deacon Te Ken Chiu.
- (2) These shares are held by Sumptuous Assets Limited, a company controlled by Tan Sri Dato’ David Chiu and includes the lending of 73,077,675 shares.

- (3) These interests represent derivative interests pursuant to a derivative contract exercisable for the period from 12 April 2005 to 12 April 2006.
- (4) These shares are held by Chiu Capital N.V., a company controlled by Mr. Dennis Chiu and First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.
- (5) These shares are held by First Level Holdings Limited, a company controlled by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu and are entirely duplicated and included in the corporate interests of Mr. Dennis Chiu.

(b) Directors' Interests in Shares and Underlying Shares of Associated Corporations

Name of Director	Nature of interests	Name of associated corporation	Number of ordinary shares held	Percentage of issued share capital of the associated corporation
Deacon Te Ken Chiu	Long Position	Kanic Property Management Limited	2	50%
David Chiu	Long Position	Oi Tak Enterprises Limited	250,000	25%

Save as disclosed above, none of the directors had registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies at 30th September, 2005.

(c) Substantial shareholders

At 30th September, 2005, the register of interests in shares or short positions kept under Section 336 of the SFO showed that, other than the interests of directors as set out above, the following shareholder was interested in 5% or more of the issued share capital of the Company:

	Nature of interests	No. of ordinary shares held	Percentage of issued share capital of the Company
Sumptuous Assets Limited ("Sumptuous Assets")	Long Position	315,148,493	22.03%

Note:

Sumptuous Assets is wholly-owned by Tan Sri Dato' David Chiu. The interests of Tan Sri Dato' David Chiu in the Company is stated under the section "Directors' Interests in Shares and Underlying Shares of the Company" stated above.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30th September, 2005.

(d) Share Option Scheme

The Company's share option scheme was adopted pursuant to a resolution passed on 28th August 2002 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the board of directors of the Company may grant option to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

As at 30th September, 2005, the number of share options had been granted and remained outstanding were 29,500,000. During the six months period ended 30th September, 2005, options were exercised to subscribe for 500,000 shares in the Company at the exercised price of HK\$2.075 per shares. No options under the Share Option Scheme were granted, cancelled or lapsed during the financial period under review. Details of the share options, which were granted

and vested on 21st October, 2004, and movements to such holdings during the period are as follows:–

Name of Employee	Exercise Price (HK\$)	Number of options			Exercise period
		Outstanding as at 1.4.2005	Exercised during the period	Outstanding as at 30.9.2005	
Denny Chi Hing Chan	2.075	1,200,000	300,000	900,000	01/11/2004 – 31/12/2010
		1,400,000	–	1,400,000	01/01/2006 – 31/12/2010
		1,600,000	–	1,600,000	01/01/2007 – 31/12/2010
		1,800,000	–	1,800,000	01/01/2008 – 31/12/2010
		2,000,000	–	2,000,000	01/01/2009 – 31/12/2010
	Sub-total	8,000,000	300,000	7,700,000	
Bill Kwai Pui Mok	2.075	1,200,000	–	1,200,000	01/04/2005 – 31/12/2010
		1,400,000	–	1,400,000	01/01/2006 – 31/12/2010
		1,600,000	–	1,600,000	01/01/2007 – 31/12/2010
		1,800,000	–	1,800,000	01/01/2008 – 31/12/2010
		2,000,000	–	2,000,000	01/01/2009 – 31/12/2010
	Sub-total	8,000,000	–	8,000,000	
Other employees					
In aggregate	2.075	1,150,000	200,000	950,000	01/11/2004 – 31/12/2010
		100,000	–	100,000	01/01/2005 – 31/12/2010
		2,325,000	–	2,325,000	01/01/2006 – 31/12/2010
		2,975,000	–	2,975,000	01/01/2007 – 31/12/2010
		3,475,000	–	3,475,000	01/01/2008 – 31/12/2010
	3,975,000	–	3,975,000	01/01/2009 – 31/12/2010	
Sub-total	14,000,000	200,000	13,800,000		
Total		30,000,000	500,000	29,500,000	

The weighted average closing price of the Company's shares immediately before the date(s) on which the options were exercised is HK\$3.32.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended September 30, 2005, except for the deviations from code provisions A.4.1 and A.4.2 of the Code described below.

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive Directors of the Company are not appointed for a specific term of office. However, the non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association.

Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Chairman of the Company, however, does not subject to retirement by rotation. In accordance with the second part of Article 115(B) of the Articles of Association of the Company, a Director appointed as an executive Chairman or as Managing or Joint Managing Director shall not while holding such office be subject to retirement by rotation or taken into account in determining the rotation retirement of Directors.

The relevant provisions of the Company's Articles of Association will be reviewed and amendment will be proposed, if necessary, to ensure full compliance with code provision of the Code.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the period under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30th September, 2005 approved by the Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30th September, 2005.

On behalf of the Board

DAVID CHIU

Deputy Chairman and Chief Executive Officer

Hong Kong, 20th December, 2005

As at the date of this report, the Board of Directors of the Company comprises executive directors namely Mr. Deacon Te Ken Chiu, Tan Sri Dato' David Chiu, Mr. Dennis Chiu, Mr. Craig Grenfell Williams; non-executive directors namely Mrs. Ching-Lan Ju Chiu, Mr. Dick Tat Sang Chiu, Mr. Daniel Tat Jung Chiu and independent non-executive directors namely Mr. David Kwok Kwei Lo, Mr. Jian Yin Jiang and Mr. Kwok Wai Chan.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2005

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	NOTES	Six months ended 30.9.2005 (unaudited) HK\$'000	30.9.2004 (unaudited and restated) HK\$'000
Revenue	4	414,232	251,929
Cost of sales		(289,115)	(185,516)
Gross profit		125,117	66,413
Other income		37,770	30,966
Selling and distribution costs		(27)	(3,176)
Administrative expenses		(90,167)	(64,678)
Increase in fair value of financial assets at fair value through profit or loss		4,947	—
Decrease in fair value of derivative financial instruments		(6,475)	—
Increase in fair value of investments held for trading		581	—
Unrealised gain on trading securities		—	504
Profit on disposal of an investment property		3,456	192,225
Increase in fair value of investment properties		121,946	2,327
Amortisation of goodwill arising on acquisition of associates		—	(291)
Amortisation of negative goodwill		—	3,847
Share of results of associates		3,960	2,257
Share of results of jointly controlled entities		1,015	56
Finance costs		(45,377)	(17,784)
Profit before taxation	5	156,746	212,666
Taxation	6	(16,951)	(7,563)
Profit for the period		139,795	205,103
Attributable to:			
– Equity holders of the Company		139,436	203,792
– Minority interests		359	1,311
		139,795	205,103
Dividends proposed	7	42,921	35,440
Earnings per share	8		
– Basic		9.8 cents	17.4 cents
– Diluted		10.4 cents	15.5 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2005

	NOTES	30.9.2005 (unaudited) HK\$'000	31.3.2005 (audited and restated) HK\$'000
Non-current assets			
Investment properties	9	997,788	800,955
Property, plant and equipment	9	1,263,786	1,278,086
Prepaid lease payments	9	224,863	144,050
Negative goodwill		—	(23,081)
Interests in associates		146,227	144,286
Interests in jointly controlled entities		74,253	73,238
Investments in securities		—	452,805
Available-for-sale investments	10	439,176	—
Financial assets at fair value through profit or loss	11	219,877	—
Amounts due from associates		129,528	129,178
Amount due from an investee company		119,995	119,995
Amount due from a minority shareholder		563	563
Loans receivable		395,712	364,167
Pledged bank deposits		2,935	3,000
		4,014,703	3,487,242
Current assets			
Inventories		1,573	894
Completed properties for sale – at cost		177,657	197,210
Properties under development for sale – at cost		1,917,743	1,372,621
Investments in securities		—	446,494
Investments held for trading		12,017	—
Available-for-sale investments	10	70,856	—
Financial assets at fair value through profit or loss	11	128,062	—
Derivative financial instruments	12	2,204	—
Loans receivable		3,680	2,576
Debtors, deposits and prepayments	13	225,585	238,824
Prepaid lease payments	9	2,047	2,085
Amount due from a jointly controlled entity		7,569	2,936
Amounts due from associates		407	3,040
Taxation recoverable		9,216	9,257
Pledged bank deposits		137,075	3,901
Deposits with investment banks		66,663	106,143
Bank balances and cash		156,881	361,625
		2,919,235	2,747,606

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2005

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	NOTES	30.9.2005 (unaudited) HK\$'000	31.3.2005 (audited and restated) HK\$'000
Current liabilities			
Creditors and accruals	14	425,942	306,736
Customers' deposits received		16,438	19,078
Amounts due to directors		11,812	11,825
Amounts due to related companies		2,992	13,635
Amounts due to associates		25,918	24,785
Amount due to a minority shareholder		8,313	8,313
Financial liabilities at fair value through profit or loss	15	9,575	—
Derivative financial instruments	12	2,828	—
Taxation payable		22,736	56,130
Obligations under finance leases		278	268
Bank and other borrowings	16	955,268	615,000
		<u>1,482,100</u>	<u>1,055,770</u>
Net current assets		<u>1,437,135</u>	<u>1,691,836</u>
		<u>5,451,838</u>	<u>5,179,078</u>
Capital and reserves			
Share capital	17	143,071	141,426
Reserves		3,156,186	3,093,273
Equity attributable to equity holders of the Company		3,299,257	3,234,699
Minority interests		14,270	14,035
Total equity		<u>3,313,527</u>	<u>3,248,734</u>
Non-current liabilities			
Convertible bonds	18	730,561	732,030
Amounts due to minority shareholders		54,996	55,775
Amount due to a jointly controlled entity		10,801	10,801
Deferred taxation		75,493	54,762
Obligations under finance leases		670	458
Bank and other borrowings	16	1,265,790	1,076,518
		<u>2,138,311</u>	<u>1,930,344</u>
		<u>5,451,838</u>	<u>5,179,078</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2005

	Attributable to equity holders of the Company												
	Share capital	Share premium	Convertible bonds equity reserve	Capital redemption reserve	Other reserve	Assets revaluation reserve	Special reserve	Exchange reserve	Investment revaluation reserve	Retained profits	Total	Minority interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1st April, 2004													
– as originally stated	116,846	863,783	–	253	169,352	340,722	869,357	(102,513)	(39,963)	458,343	2,676,180	8,839	2,685,019
– effect of changes in accounting policies (note 3)	–	–	–	–	–	(340,722)	–	–	–	–	(340,722)	–	(340,722)
– as restated	116,846	863,783	–	253	169,352	–	869,357	(102,513)	(39,963)	458,343	2,335,458	8,839	2,344,297
Revaluation decrease	–	–	–	–	–	–	–	–	(5,433)	–	(5,433)	–	(5,433)
Exchange difference on translation of overseas operations	–	–	–	–	–	–	–	(11,520)	–	–	(11,520)	(228)	(11,748)
Net expense recognised directly in equity	–	–	–	–	–	–	–	(11,520)	(5,433)	–	(16,953)	(228)	(17,181)
Profit for the period	–	–	–	–	–	–	–	–	–	203,792	203,792	1,311	205,103
Total recognised income and expense	–	–	–	–	–	–	–	(11,520)	(5,433)	203,792	186,839	1,083	187,922
Shares issued pursuant to scrip dividend scheme	1,287	–	–	–	–	–	–	–	–	–	1,287	–	1,287
Credit arising on scrip dividend	–	19,917	–	–	–	–	–	–	–	–	19,917	–	19,917
Dividends	–	–	–	–	–	–	–	–	–	(35,054)	(35,054)	–	(35,054)
At 30th September, 2004	118,133	883,700	–	253	169,352	–	869,357	(114,033)	(45,396)	627,081	2,508,447	9,922	2,518,369
Revaluation increase	–	–	–	–	–	–	–	–	22,289	–	22,289	–	22,289
Exchange difference on translation of overseas operations	–	–	–	–	–	–	–	13,512	–	–	13,512	315	13,827
Net income recognised directly in equity	–	–	–	–	–	–	–	13,512	22,289	–	35,801	315	36,116
Profit for the period	–	–	–	–	–	–	–	–	–	196,478	196,478	3,798	200,276
Total recognised income and expense	–	–	–	–	–	–	–	13,512	22,289	196,478	232,279	4,113	236,392
Shares issued pursuant to scrip dividend scheme	629	–	–	–	–	–	–	–	–	–	629	–	629
Credit arising on scrip dividend	–	18,025	–	–	–	–	–	–	–	–	18,025	–	18,025
Shares issued upon exercise of share options	50	987	–	–	–	–	–	–	–	–	1,037	–	1,037
Share issue expenses	–	(12)	–	–	–	–	–	–	–	–	(12)	–	(12)
Recognition of equity component of convertible bonds	–	–	39,735	–	–	–	–	–	–	–	39,735	–	39,735
Deferred tax liability on recognition of equity component of convertible bonds	–	–	–	(6,954)	–	–	–	–	–	–	(6,954)	–	(6,954)
Shares issued upon conversion of convertible bonds	22,614	474,839	–	–	–	–	–	–	–	–	497,453	–	497,453
Write off of deferred expenditure on conversion of convertible bonds	–	(14,175)	–	–	–	–	–	–	–	–	(14,175)	–	(14,175)
Amortisation of deferred expenditure of convertible bonds	–	(2,814)	–	–	–	–	–	–	–	2,814	–	–	–
Dividends	–	–	–	–	–	–	–	–	–	(41,765)	(41,765)	–	(41,765)
At 31st March, 2005	141,426	1,360,550	32,781	253	169,352	–	869,357	(100,521)	(23,107)	784,608	3,234,699	14,035	3,248,734
At 1st April, 2005													
– as brought forward	141,426	1,360,550	32,781	253	169,352	–	869,357	(100,521)	(23,107)	784,608	3,234,699	14,035	3,248,734
– effect of changes in accounting policies (note 3)	–	–	–	–	–	–	–	–	–	23,081	23,081	–	23,081
– as restated	141,426	1,360,550	32,781	253	169,352	–	869,357	(100,521)	(23,107)	807,689	3,257,780	14,035	3,271,815
Revaluation increase (decrease)	–	–	–	–	–	7,228	–	–	(78,647)	–	(71,419)	–	(71,419)
Exchange difference on translation of overseas operations	–	–	–	–	–	–	–	(1,840)	–	–	(1,840)	(124)	(1,964)
Net expense recognised directly in equity	–	–	–	–	–	7,228	–	(1,840)	(78,647)	–	(73,259)	(124)	(73,383)
Profit for the period	–	–	–	–	–	–	–	–	–	139,436	139,436	359	139,795
Total recognised income and expense	–	–	–	–	–	7,228	–	(1,840)	(78,647)	139,436	66,177	235	66,412
Shares issued pursuant to scrip dividend scheme	916	–	–	–	–	–	–	–	–	–	916	–	916
Credit arising on scrip dividend	–	29,571	–	–	–	–	–	–	–	–	29,571	–	29,571
Shares issued upon exercise of share options	50	988	–	–	–	–	–	–	–	–	1,038	–	1,038
Share issue expenses	–	(237)	–	–	–	–	–	–	–	–	(237)	–	(237)
Shares issued upon conversion of convertible bonds	679	14,262	–	–	–	–	–	–	–	–	14,941	–	14,941
Amortisation of deferred expenditure of convertible bonds	–	(5,213)	–	–	–	–	–	–	–	5,213	–	–	–
Dividends	–	–	–	–	–	–	–	–	–	(70,929)	(70,929)	–	(70,929)
At 30th September, 2005	143,071	1,399,921	32,781	253	169,352	7,228	869,357	(102,361)	(101,754)	881,409	3,290,257	14,270	3,313,527

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2005

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	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited and restated)
	HK\$'000	HK\$'000
Net cash used in operating activities	(380,539)	(94,305)
Net cash used in investing activities		
Purchase of investment properties	—	(2,185)
Proceeds from disposal of an investment property	10,689	46,880
Purchase of property, plant and equipment	(74,129)	(32,991)
Proceeds from disposal of property, plant and equipment	110	—
Purchase of investments in securities	—	(147,337)
Purchase of available-for-sale investments	(51,256)	—
Purchase of financial assets at fair value through profit or loss	(10,835)	—
Increase in prepaid lease payments	(81,730)	—
Purchase of subsidiaries, net of cash and cash equivalents acquired	—	(118,000)
Advance of loans receivable	(32,649)	(11,091)
Increase in pledged bank deposits	(133,109)	(5,739)
Dividend received from an associate	2,019	—
Dividend received from listed investments	1,615	570
Interest received	34,816	26,090
	(334,459)	(243,803)
Net cash from financing activities		
Proceeds from issue of convertible bonds, net of issue expenses	—	506,848
Proceeds from issue of shares, net of issue expenses	801	—
New bank and other borrowings raised	666,634	154,773
Repayment of bank and other borrowings	(129,732)	(186,550)
Inception (repayment) of obligations under finance leases translation	713	(328)
(Repaid) amount advanced to a director	(13)	6,565
Amount repaid to a minority shareholder	(779)	—
Dividends paid	(40,442)	(13,850)
Interest paid	(42,925)	(15,288)
	454,257	452,170
Net (decrease) increase in cash and cash equivalents	(260,741)	114,062
Cash and cash equivalents at beginning of the period	464,870	119,426
Effect of foreign exchange rate changes	17,293	(2,748)
Cash and cash equivalents at end of the period	221,422	230,740
Analysis of the balances of cash and cash equivalents		
Deposits with investment banks	66,663	—
Bank balances and cash	156,881	232,311
Bank overdrafts	(2,122)	(1,571)
	221,422	230,740

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005, except for those which were early adopted by the Group during the year ended 31st March, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates/jointly controlled entities have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Share-based payment

In the current period, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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relation to share options granted before 1st April, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st April, 2005 in accordance with the relevant transitional provisions. As all outstanding share options of the Group were granted and vested before 1st April, 2005, the application of HKFRS 2 has had no financial impact on the results of the Group for current or prior accounting periods.

Business combinations

The Group has applied HKFRS 3 “Business Combinations” which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st January, 2005 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3, under which the Group has discontinued amortising goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually/in the financial period in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. Comparative figures have not been restated.

Excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost (previously known as “negative goodwill”)

In accordance with HKFRS 3, any excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of acquisition (“discount on acquisition”) is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2005 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1st April, 2005 amounting to HK\$23,081,000 which was previously presented as a deduction from assets, with a corresponding increase to retained profits.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Hotel properties

Previously, the Group’s self-operated hotel properties were accounted for using the revaluation model, being revalued amounts less accumulated depreciation and impairment losses, and were included in property, plant and equipment. HKAS 17 “Leases” requires payments made for acquisition of leasehold land interests to be accounted for as operating leases, and be measured at cost and amortised over the lease term on a straight-line basis. Certain payments for acquisition of leasehold land interests of the Group’s hotel properties cannot be separated reliably from the building element. In order to carry the leasehold land interests at cost less amortisation, the directors change its accounting policy in respect of the Group’s hotel properties from the revaluation model to the cost model. This change in accounting policy has been applied retrospectively and comparative figures have been adjusted accordingly.

Financial instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible bonds denominated in Hong Kong dollars

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. Direct issue costs are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds. In subsequent periods, the liability component, including the allocated direct issue costs, is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to the convertible bonds denominated in Hong Kong dollars (functional currency of the Company) issued by the Company that contain both liability and equity components. Previously, the convertible bonds were classified as liabilities and recorded at the proceeds received, net of premium payable on redemption and direct issue costs, on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated.

Convertible bonds denominated in United States dollars

Previously, the convertible bonds denominated in United States dollars were classified as liabilities and recorded at the proceeds received, net of premium payable on redemption and direct issue costs, on the balance sheet. Such convertible bonds contain a liability component and an embedded conversion option, which are required to be accounted for separately in accordance with HKAS 39. On 1st April, 2005, the Group designated such convertible bonds as a whole as “financial liabilities at fair value through profit or loss” in accordance with the transitional provisions in HKAS 39. The directors have assessed the fair value of the convertible bonds at 1st April, 2005 and 30th September, 2005 and considered that their carrying amounts approximate the fair values at respective dates. The application of HKAS 39 in this regard has had no material financial impact on the Group as at 1st April, 2005 and on the current and prior accounting periods. Comparative figures have not been restated.

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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By 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice (“SSAP”) 24 “Investments in Securities”. Under SSAP 24, investments in debt or equity securities are classified as “trading securities”, “non-trading securities” or “held-to-maturity investments” as appropriate. Both “trading securities” and “non-trading securities” are measured at fair value. Unrealised gains or losses of “trading securities” are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit and loss for that period. From 1st April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

On 1st April, 2005, the Group designated all equity-linked notes with carrying amount of HK\$340,836,000 which was previously classified as “non-trading securities” under SSAP 24 as “financial assets at fair value through profit or loss”. As a result of this change in accounting policy, an increase in fair value of such equity-linked notes for the current period amounting to HK\$4,947,000 has been recognised in the income statement. Where the equity-linked notes are disposed of at subsequent balance sheet dates, the corresponding cumulative gains or losses which were previously recognised in investment revaluation reserve will be transferred to income statement. All the other financial assets were reclassified and measured in accordance with HKAS 39 on 1st April, 2005. Comparative figures have not been restated.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onward, the Group has classified and measured its financial assets and liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. No material adjustments to these financial assets and financial liabilities are required.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above are summarised as follows:

(a) Effects on the results for the current and prior periods:

	Six months ended	
	30.9.2005	30.9.2004
	HK\$'000	HK\$'000
Non-amortisation of goodwill	291	—
Non-amortisation of negative goodwill	(3,847)	—
Increase in effective interest expense on the liability component of convertible bonds	(9,331)	—
Profit arising from increase in fair value of financial assets at fair value through profit or loss	4,947	—
Increase in deferred tax credit in respect of the liability component of convertible bonds	4,009	—
Decrease in profit for the period	<u>(3,931)</u>	<u>—</u>

Analysis by line items presented according to the classification in the income statement:

	Six months ended	
	30.9.2005	30.9.2004
	HK\$'000	HK\$'000
Decrease in amortisation of goodwill arising on acquisition of associates	291	—
Decrease in amortisation of negative goodwill	(3,847)	—
Increase in fair value of financial assets at fair value through profit or loss	4,947	—
Decrease in share of results of associates	(757)	(452)
Increase in finance costs	(9,331)	—
Decrease in taxation	4,766	452
	<u>(3,931)</u>	<u>—</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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(b) Effects on the balance sheet as at 31st March, 2005 and 1st April, 2005:

	As at 31.3.2005 (originally stated) HK\$ '000	Effect of HKAS 1 HK\$ '000	Effect of HKAS 17 HK\$ '000	Effect of HKAS 32 HK\$ '000	Change in accounting policy of hotel properties HK\$ '000	As at 31.3.2005 (restated) HK\$ '000	Effect of HKAS 39 HK\$ '000	Effect of HKFRS 3 HK\$ '000	As at 1.4.2005 (restated) HK\$ '000
Property, plant and equipment	2,176,703	-	(146,135)	-	(752,482)	1,278,086	-	-	1,278,086
Prepaid lease payments	-	-	146,135	-	-	146,135	-	-	146,135
Negative goodwill	(23,081)	-	-	-	-	(23,081)	-	23,081	-
Investments in securities	899,299	-	-	-	-	899,299	(899,299)	-	-
Available-for-sale investments	-	-	-	-	-	-	537,423	-	537,423
Financial assets at fair value through profit or loss	-	-	-	-	-	-	340,836	-	340,836
Investments held for trading	-	-	-	-	-	-	21,040	-	21,040
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	(24,380)	-	(24,380)
Convertible bonds	(765,134)	-	-	33,104	-	(732,030)	24,380	-	(707,650)
Deferred taxation	(208,115)	-	-	(4,615)	157,968	(54,762)	-	-	(54,762)
Total effects on assets and liabilities	<u>2,079,672</u>	<u>-</u>	<u>-</u>	<u>28,489</u>	<u>(594,514)</u>	<u>1,513,647</u>	<u>-</u>	<u>23,081</u>	<u>1,536,728</u>
Retained profits	788,900	-	-	(4,292)	-	784,608	-	23,081	807,689
Convertible bonds equity reserve	-	-	-	32,781	-	32,781	-	-	32,781
Assets revaluation reserve	594,514	-	-	-	(594,514)	-	-	-	-
Minority interests	<u>-</u>	<u>14,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,035</u>	<u>-</u>	<u>-</u>	<u>14,035</u>
Total effects on equity	<u>1,383,414</u>	<u>14,035</u>	<u>-</u>	<u>28,489</u>	<u>(594,514)</u>	<u>831,424</u>	<u>-</u>	<u>23,081</u>	<u>854,505</u>
Minority interests	<u>14,035</u>	<u>(14,035)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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(c) Effects on equity as at 1st April, 2004:

	As originally stated HK\$'000	Effect of HKAS 1 HK\$'000	Change in accounting policy of hotel properties HK\$'000	As restated HK\$'000
Assets revaluation reserve	340,722	—	(340,722)	—
Minority interests	—	8,839	—	8,839
Total effects on equity	<u>340,722</u>	<u>8,839</u>	<u>(340,722)</u>	<u>8,839</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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4. TURNOVER AND SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into following operating divisions – property development and investment, hotel operations and relevant loan financing, and treasury management. These divisions are the basis on which the Group reports its primary segment information. Other operations include sale of boiler products and other interest income.

Segment information about these businesses is presented below:

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2005	30.9.2004	30.9.2005	30.9.2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	and restated	HK\$'000	and restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Property development and investment	234,664	189,661	101,470	18,687
Hotel operations	78,778	24,449	24,804	7,526
Loan financing	33,332	8,483	31,004	7,447
Treasury management	56,584	13,590	39,841	6,290
Other operations	10,874	15,746	(3,427)	(7,594)
	<u>414,232</u>	<u>251,929</u>	<u>193,692</u>	<u>32,356</u>
Profit on disposal of an investment property			3,456	192,225
Amortisation of goodwill arising on acquisition of associates			–	(291)
Amortisation of negative goodwill			–	3,847
Share of results of associates			3,960	2,257
Share of results of jointly controlled entities			1,015	56
Finance costs			(45,377)	(17,784)
Profit before taxation			<u>156,746</u>	<u>212,666</u>

Comparative figures of revenue, cost of sales, other income and the segment information have been restated so as to conform with the revised classification of business segments and presentation for the year ended 31st March, 2005.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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5. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of investment in a jointly controlled entity (included in share of results of jointly controlled entities)	1,452	1,452
Amortisation of prepaid lease payments	1,043	1,026
Depreciation on property, plant and equipment	10,951	2,284
Share of taxation of associates (included in share of results of associates)	757	452
and after crediting:		
Dividend income from listed investments	1,615	570
Interest income	34,816	26,090
Profit on disposal of property, plant and equipment	<u>110</u>	<u>—</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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6. TAXATION

	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The taxation (credit) charge comprises:		
Current period:		
Hong Kong	20	1,029
Other regions in the People's Republic of China ("PRC")	—	6,261
Other jurisdictions	12	273
	<u>32</u>	<u>7,563</u>
Prior periods:		
Hong Kong	(783)	—
Other regions in the PRC	(1,496)	—
	<u>(2,247)</u>	<u>7,563</u>
Deferred taxation	19,198	—
	<u>16,951</u>	<u>7,563</u>

7. DIVIDENDS

	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Final dividend paid in respect of 2005 – HK5 cents (2004: HK3 cents) per share:		
Cash	40,442	13,850
Share alternative under scrip dividend scheme	30,487	21,204
	<u>70,929</u>	<u>35,054</u>

The directors recommend the payment of interim dividend of HK3 cents per share for the six months ended 30th September, 2005 (six months ended 30.9.2004: HK3 cents per share), amounting to approximately HK\$42,921,000 (six months ended 30.9.2004: HK\$35,440,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited and restated)
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share	139,436	203,792
Effect of dilutive potential ordinary shares		
– interest on convertible bonds (net of tax)	18,901	11,025
Earnings for the purpose of diluted earnings per share	<u>158,337</u>	<u>214,817</u>
	Number of shares	Number of shares
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,418,681	1,168,528
Effect of dilutive potential ordinary shares		
– convertible bonds	96,830	220,417
– share options	10,633	–
Weighted average number of ordinary for the purpose of diluted earnings per share	<u>1,526,144</u>	<u>1,388,945</u>

The earnings for the purpose of basic and diluted earnings per share for the six months ended 30th September, 2004 have been restated pursuant to the changes in accounting policies as referred to in note 2.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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9. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT, AND PREPAID LEASE PAYMENTS

During the period, the Group transferred certain properties with carrying amount of approximately HK\$79,881,000 from property, plant and equipment to investment properties. Such properties were revalued by independent professional valuers on the date of transfer, resulting in a revaluation increase of approximately HK\$7,228,000 which has been credited to the asset revaluation reserve.

The Group also disposed of certain of its investment properties with carrying amount of approximately HK\$7,233,000, resulting in a profit of HK\$3,456,000.

Certain of the Group's investment properties with aggregate carrying amount of approximately HK\$579,192,000 were fair-valued at 30th September, 2005 by DTZ Debenham Tie Leung, independent professional valuers, resulting in the increase in fair value of approximately HK\$121,946,000 which has been credited to income statement. The directors considered that the fair value of the Group's remaining investment properties at 30th September, 2005 did not differ significantly from their carrying amounts at 31st March, 2005.

In addition, the Group entered into a lease contract in respect of leasehold land at a consideration of HK\$81,730,000 for hotel development purposes, and spent approximately HK\$60,270,000 on renovation and development of its hotel properties.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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10. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 30th September, 2005 comprise:

	HK\$ '000
Listed equity securities:	
Listed in Hong Kong	107,703
Listed overseas	193,220
	<hr/>
	300,923
	<hr/>
Unlisted investments:	
Equity securities	69,549
Debt securities with fixed interest rates	84,446
Quoted fund	55,114
	<hr/>
	209,109
	<hr/>
	510,032
	<hr/>
Analysed for reporting purposes as:	
Non-current assets	439,176
Current assets	70,856
	<hr/>
	510,032
	<hr/>

All available-for-sale investments are stated at fair value, except that the unlisted equity securities are measured at cost as the directors are of the opinion that their fair value cannot be measured reliably.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represents unlisted equity-linked notes held by the Group as at 30th September, 2005.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The amount represents call/put options held by the Group as at 30th September, 2005 measured at fair value.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

13. DEBTORS, DEPOSITS AND PREPAYMENTS

The debtors, deposits and prepayments include trade debtors of approximately HK\$14,443,000 (31.3.2005: HK\$43,300,000). The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade debtors at the balance sheet date:

	30.9.2005 (unaudited) HK\$'000	31.3.2005 (audited) HK\$'000
0 – 60 days	7,436	34,236
61 – 90 days	600	287
Over 90 days	6,407	8,777
	<u>14,443</u>	<u>43,300</u>

Included in debtors, deposits and prepayments is an amount due from a minority shareholder of HK\$46,620,000 (31.3.2005: HK\$45,877,000).

14. CREDITORS AND ACCRUALS

The creditors and accruals included trade creditors of approximately HK\$289,150,000 (31.3.2005: HK\$76,931,000).

The following is an aged analysis of trade creditors at the balance sheet date:

	30.9.2005 (unaudited) HK\$'000	31.3.2005 (audited) HK\$'000
0 – 60 days	284,666	52,344
61 – 90 days	1,532	867
Over 90 days	2,952	23,720
	<u>289,150</u>	<u>76,931</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represents convertible bonds denominated in United States dollars as at 30th September, 2005.

During the period, an aggregate principal amount of US\$1,900,000 (equivalent to approximately HK\$14,725,000) of the convertible bonds were converted into ordinary shares of the Company.

16. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank loans of approximately HK\$666,634,000 and repaid bank loans of approximately HK\$129,732,000. The bank loans bear interest at market rates.

17. SHARE CAPITAL

	Number of shares	Share capital HK\$ '000
Ordinary shares of HK\$0.1 each:		
Authorised:		
At 1st April, 2005 and 30th September, 2005	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1st April, 2005	1,414,262,017	141,426
Issued pursuant to scrip dividend scheme	9,153,769	916
Issued upon conversion of convertible bonds	6,791,453	679
Issued upon exercise of share options	<u>500,000</u>	<u>50</u>
At 30th September, 2005	<u>1,430,707,239</u>	<u>143,071</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

Changes in the issued share capital of the Company during the period are as follows:

- (a) During the period, the Company issued and allotted a total of 9,153,769 shares of HK\$0.1 each in the Company at HK\$3.33 per share to the shareholders who elected to receive shares in the Company pursuant to the scrip dividend scheme for payment of final dividend in respect of 2005.
- (b) During the period, the Company issued and allotted a total of 6,791,453 shares of HK\$0.1 each in the Company upon the conversion of convertible bonds.
- (c) During the period, 500,000 shares of HK\$0.1 each in the Company were issued upon the exercise of share options at a subscription price of HK\$2.075 per share.

All the shares issued during the period rank pari passu in all respects with the existing shares.

18. CONVERTIBLE BONDS

	30.9.2005 (unaudited) HK\$'000	31.3.2005 (audited) HK\$'000
Convertible bonds denominated in:		
– Hong Kong dollars (<i>note i</i>)	730,561	707,650
– United States dollars (<i>note ii</i>)	–	24,380
	<u>730,561</u>	<u>732,030</u>

Notes:

- (i) Pursuant to the application of HKAS 32, the convertible bonds denominated in Hong Kong dollars were split between the liability and equity components on a retrospective basis. The equity component is presented in equity under “Convertible bonds equity reserve”. The effective interest rate of the liability component is 5.15%.
- (ii) Pursuant to the application of HKAS 39, the convertible bonds denominated in United States dollars were designated as financial liabilities at fair value through profit or loss as referred to in note 15 since 1st April, 2005.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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19. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged the following assets:

- (a) The Group's properties, bank deposits and investments held for trading with carrying amounts of approximately HK\$2,346,801,000 (31.3.2005: HK\$2,090,417,000), HK\$137,075,000 (31.3.2005: HK\$3,901,000) and HK\$1,550,000 (31.3.2005: HK\$1,556,000), respectively, together with properties of associates and third parties were pledged to bankers and loan creditors to secure banking and loan facilities granted to the Group and an associate to the extent of approximately HK\$2,842,948,000 (31.3.2005: HK\$2,572,480,000) and HK\$5,000,000 (31.3.2005: HK\$5,000,000), respectively.

The Group's bank deposits of approximately HK\$2,935,000 (31.3.2005: HK\$3,000,000) were pledged to a banker to secure a guarantee given by the banker in favour of a subsidiary of the Company.

- (b) The Group's investments held for trading, available-for-sale investments and derivative financial instruments with an aggregate carrying amount of approximately HK\$405,076,000 (31.3.2005: HK\$237,746,000) were pledged to financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$29,378,000 (31.3.2005: HK\$37,613,000), of which HK\$21,578,000 (31.3.2005: HK\$32,449,000) were utilised.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group and its subsidiaries.
- (d) The Group has subordinated its amount due from an investee company of approximately HK\$119,995,000 (31.3.2005: HK\$119,995,000) to a financial institution to secure general credit facility granted to the investee company.

20. CONTINGENT LIABILITIES

- (a) The Group has given guarantees to secure banking and other facilities granted to an investee company amounting to approximately HK\$90,384,000 (31.3.2005: HK\$102,536,000).
- (b) The Group has given guarantees in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 30th September, 2005, the total amount of mortgages outstanding which are subject to these guarantees was approximately HK\$63,145,000 (31.3.2005: HK\$115,539,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

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- (c) In previous periods, a subsidiary of the Company (the “Subsidiary”) was sued by two consultants providing management, consulting and advisory service concerning business strategy and corporate finance activities of the Subsidiary. The two consultants entered into a consulting contract with the Subsidiary in 1999 in lieu of cash for service rendered. The two consultants alleged that the Subsidiary fraudulently misrepresented and concealed material facts regarding the proposed investment from them and claimed for compensation of damages amounting to approximately HK\$5,843,000. Moreover, the two consultants also alleged that the Subsidiary owed them salaries, payment in lieu of notice for early termination of the contract and the reimbursement for expenses relating to the contract of employment as directors of the Subsidiary amounting to approximately HK\$5,865,000. A motion of dismissal was filed in the United States court and the claim is still in progress. While the outcome of these proceedings cannot be estimated with certainty at this stage, the directors are of the opinion that the outcome of this case would not have a material adverse impact on the financial position of the Group.
- (d) The State Administration of Taxation of the PRC issued a circular as Guo Shui Han [2004] No.938 on 2nd August, 2004 to strengthen the levying of land appreciation tax on property developers. In the opinion of the directors, after consulting the tax consultants and the tax bureau of the relevant city, land appreciation tax will not be levied in respect of properties already completed and, full provision for land appreciation tax has not been made in the financial statements. The Group has not, however, been able to secure written confirmation of those individual city policies, and the directors consider that there is a small possibility that land appreciation tax might be fully levied in accordance with the rule of State Administration of Taxation. Should such levies take place, additional land appreciation tax would be approximately HK\$80 million (31.3.2005: HK\$80 million).

21. CAPITAL COMMITMENTS

	30.9.2005 (unaudited) HK\$'000	31.3.2005 (audited) HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of hotel properties	<u>4,054</u>	<u>36,190</u>