



# PREMIUM LAND LIMITED

## 上海策略置地有限公司\*

(incorporated in Bermuda with limited liability)  
(Stock Code: 164)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

#### INTERIM RESULTS

The board of directors (the "Board") of Premium Land Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (together "the Group") for the six months ended 30th September, 2006 together with the comparative figures for the corresponding period in 2005 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

Notes	Six months ended 30th September,	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000 (As restated)
Turnover	118,265	22,758
Cost of sales	(136,838)	(23,891)
Gross loss	(18,573)	(1,133)
Other income	358	325
Administrative expenses	(8,803)	(7,955)
Net unrealised gain (loss) on other financial assets at fair value through profit or loss	3,963	(5,597)
Loss from operations	(23,055)	(14,360)
Gain on disposal of subsidiaries	18,039	(1,985)
Loss on deconsolidation of subsidiaries	(7,194)	-
Finance costs	(3,241)	(5,369)
Share of losses of associates	(8)	-
Loss for the period	(15,459)	(21,714)
Attributable to:		
Equity holders of the Company	(15,459)	(20,773)
Minority interests	-	(941)
	(15,459)	(21,714)
Loss per share		
Basic	(4.33) cents	(6.03) cents

#### CONDENSED CONSOLIDATED BALANCE SHEET

Notes	30th September, 2006 (unaudited) HK\$'000	31st March, 2006 (audited) HK\$'000
<b>Non-current Assets</b>		
Property, plant and equipment	1,967	66,472
Investment properties	9,804	15,324
Interests in associates	-	2,040
Available-for-sale financial assets	12,153	12,153
	23,924	95,989
<b>Current Assets</b>		
Inventories	2,087	4,761
Trade and other receivables	141,846	171,725
Other financial assets at fair value through profit or loss	100,121	110,987
Bank balances and cash	12,539	8,517
	256,593	295,990
<b>Current Liabilities</b>		
Trade and other payables	20,444	82,921
Amount due to a minority shareholder of a subsidiary	4,207	2,442
Bank and other borrowings	45,851	86,231
	70,502	171,594
<b>Net Current Assets</b>	186,091	124,396
<b>Net Assets</b>	210,015	220,385
<b>Capital and Reserves</b>		
Share capital	4,212	3,512
Reserves	205,803	206,632
Equity attributable to equity holders of the Company	210,015	210,144
Minority interests	-	10,241
<b>Total Equity</b>	210,015	220,385

\* For identification purpose only

#### NOTES:

##### 1. Basis of preparation and principal accounting policies

The unaudited interim 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 (the "Listing Rules") and with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and under the historical cost convention except for investment properties and certain financial assets which are measured at fair values.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2006 except as described below.

These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st March, 2006.

In the current period, the Group has applied, for the first time, a number of Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards 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, 2006.

Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:

- HKAS 1 "Presentation of Financial Statements"
- HKAS 27 "Consolidated and Separate Financial Statements"
- HKFRS 3 "Business Combinations"

Amendments to HKAS 39 "Financial Instruments: Recognition and Measurement":

- The fair value option
- Financial guarantee contracts
- Cash Flow Hedge Accounting of Forecast Intragroup Transactions

Amendments to HKAS 19 Employee Benefits - "Actuarial gains and losses, group plans and disclosures"

Amendments to HKAS 21 The Effects of Changes in Foreign Exchange Rates - "Net investment in a foreign operation"

HKFRS-Int 4 "Determining whether an Arrangement contains a Lease"

The adoption of the above new/revised HKFRSs has no material impact on the Group's condensed consolidated interim financial statements.

The following new/revised HKFRSs relevant to the Group's operations have been issued but are not effective for 2006 and have not been early adopted:

HK(IFRIC) Int 9 "Scope of HKFRS 2"

HK(IFRIC) Int 10 "Interim Financial Reporting and Impairment"

HKFRS 7 "Financial Instruments: Disclosures"

Amendments to HKAS 1 "Presentation of Financial Statements: Capital Disclosures"

##### 2. Segment information

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's primary segments.

Business segment	Turnover Six months ended 30th September,		Segment results Six months ended 30th September,	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000 (As restated)
Securities trading and investment	115,106	16,748	(16,171)	(8,241)
Property development and sales	-	-	(433)	(437)
Trading of building materials and renovations services	3,143	5,988	(731)	(1,023)
Property rental	16	22	15	21
	118,265	22,758	(17,320)	(9,680)
Other operating income			358	325
Unallocated corporate expenses			(6,093)	(5,005)
Loss from operations			(23,055)	(14,360)

##### 3. Loss from operations

Loss from operations has been arrived at after charging (crediting):

	Six months ended 30th September,	
	2006 HK\$'000	2005 HK\$'000
Depreciation of property, plant and equipment	322	297
Interest income	(51)	(325)

##### 4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies comprising the Group incurred tax losses for the six month periods ended 30th September, 2005 and 2006, respectively.

Pursuant to relevant laws and regulations in the People's Republic of China, other than Hong Kong (the "PRC"), one of the Group's PRC subsidiaries is entitled to an exemption from PRC income tax for the two years starting from their first profit making year, followed by a 50% tax reduction for the next three years. No provision for PRC income tax has been made for the year as the Group's PRC subsidiaries were still within the PRC income tax exemption period during the year or they have not had any assessable profits.

##### 5. Loss per share

The calculation of the basic loss per share is based on the loss for the six months ended 30th September, 2006 of HK\$15,459,000 (six months ended 30th September, 2005: HK\$20,773,000) and on the weighted average number of 357,306,517 shares (30th September, 2005: 344,342,891 shares) in issue during the period.

**6. Trade and other receivables**

The Group allows a credit period normally ranging from 60 days to 90 days to its customers. The following is an aged analysis:

	THE GROUP	
	30th September, 2006 HK\$'000	31st March, 2006 HK\$'000
Trade receivables		
0 to 30 days	382	821
31 to 90 days	928	459
More than 90 days	1,531	1,685
	<u>2,841</u>	<u>2,965</u>
Retention receivable	124	122
Other receivables and prepayments	138,881	168,638
	<u>141,846</u>	<u>171,725</u>

**7. Trade and other payables**

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	THE GROUP	
	30th September, 2006 HK\$'000	31st March, 2006 HK\$'000
Trade payables		
0 to 30 days	312	420
31 to 90 days	614	239
More than 90 days	1,139	1,175
	<u>2,065</u>	<u>1,834</u>
Retention payables	179	179
Other payables and accruals	18,200	80,908
	<u>20,444</u>	<u>82,921</u>

**8. Share capital**

	30th September, 2006 HK\$'000	31st March, 2006 HK\$'000
AUTHORISED		
15,000,000,000 ordinary shares of HK\$0.01 each	150,000	150,000
ISSUED AND FULLY PAID		
421,186,298 (31st March, 2006: 351,186,298) ordinary shares of HK\$0.01 each	4,212	3,512

Pursuant to a placing agreement dated 21st August, 2006, the Company issued 70,000,000 new shares of HK\$0.01 each to no less than six places who were independent professional and institutional investors, at the issue price of HK\$0.198 per share. The placing was completed on 15th September, 2006. The net proceeds of approximately HK\$13.5 million were used for general working capital of the Group.

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

**9. Contingent liabilities**

At 30th September, 2006 and 31st March, 2006, the Company had no material contingent liability.

**10. Comparative amounts**

As further explained in note 2 to the condensed interim financial statements, due to the adoption of HKFRS during the current period, the accounting treatment and the presentation of certain items and balances in the condensed interim financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated. In addition, certain comparative amounts have been reclassified to conform to the current period's presentation.

**MANAGEMENT DISCUSSION AND ANALYSIS****Financial Results**

For the six months ended 30th September, 2006, the Group's turnover amounted to approximately HK\$118.3 million, representing an increase of 420% from HK\$22.8 million for the corresponding period last year. The increase was mainly due to the increase in securities trading and investment from HK\$16.7 million in last corresponding period to HK\$115.1 million for the period under review. The loss attributable to shareholders amounted to HK\$15.4 million for the six months ended 30th September, 2006 compared to approximately HK\$20.8 million for the corresponding period in the prior year.

The Board does not recommend the payment of any interim dividend for the six months ended 30th September, 2006 (2005: Nil).

**Business Review and Prospects**

The Group is principally engaged in securities trading and investments, property development and sales, trading of building materials and provision of renovations services and operation of toll highway.

During the period, amid turbulence of oil price and uncertainty in interest rate direction, the operating environment of the Group remained challenging. The business in trading of building materials and renovation services was affected by keen competition in the industry, resulting in decrease in turnover from approximately HK\$6 million in last corresponding period to approximately HK\$3.1 million. In line with the increase in average daily turnover value of The Stock Exchange of Hong Kong Limited, the turnover of the securities trading and investment segment increased substantially to approximately HK\$115.1 million as compared to approximately HK\$16.7 million reported in last corresponding period. The operation of toll highway was excluded by deconsolidation of a group of subsidiaries holding the relevant assets. Losses on deconsolidation of HK\$7.2 million had been charged to the income statement for the period under review.

The economy of the PRC is expected to continue its growth. Even though the central government has taken austerity measures, there was no fatal impact on the market. The Group continues its strategic investment policies to pursue opportunities in the PRC with a view to broaden its earning and asset base for mid-to-long term growth.

**Deconsolidation of a Group of Subsidiaries**

As explained in this section under the heading "Litigation" below, the Group has commenced legal proceedings for the recovery and declaration of its beneficial ownership in 51% of the issued share capital of Gold United International Industries Limited, which has an 80% direct interest in 杭州恆運交通開發有限公司 ("HZHY").

Meanwhile, the management of the Group noted that it has not been able to gain access to the books and records of HZHY due to the lack of co-operation from management of HZHY. Previously, the Company received management accounts of HZHY on a monthly basis, the last set of which was for the eleven months ended 28th February, 2005.

Due to the above reasons, the directors considered that the Group is currently unable to exercise its control of HZHY in particular its ability to exercise significant influence over the financial and operating policies and to obtain financial information of HZHY. As such, the Group considered that it is unable and inappropriate to consolidate the financial results of HZHY into the Group.

**Capital Investment and Commitments**

The Group did not incur or commit any material investment or capital expenditure during the period under review.

**Liquidity and Financial Resources**

At 30th September, 2006, the Group had cash and bank balance of HK\$12.5 million (31st March, 2006: HK\$8.5 million) and borrowings of HK\$45.8 million (31st March, 2006: HK\$86.2 million). The gearing ratio, being the ratio of total borrowings to shareholders' fund, as at 30th September, 2006 was 22% (31st March, 2006: 41%). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 364% (31st March, 2006: 172%).

Taking into account the financial resources available to the Group, the Group has sufficient working capital to meet its present requirements.

**Material Acquisition and Disposals of Subsidiaries**

On 28th September, 2006, the Company entered into a deed of settlement with Asean Resources Limited (the "Lender") under which, inter alia, the Company and the Lender agreed that the Company shall be entitled to repay the loan together with all interest accrued thereon and all other moneys owing by the Company to the Lender by transferring its legal and beneficial ownership in the entire issued share capital of Huey Tai Holdings Limited ("Huey Tai") and assigning all indebtedness owing by Huey Tai to the Company to the Lender (the "Disposal"). The consideration for the Disposal was approximately HK\$28.6 million and was satisfied by way of settlement and discharge of the loan due to the Lender, accrued interest thereon and all other sums and liabilities owing or incurred by the Company. The Disposal was completed on 28th September, 2006. Details of the Disposal are set out in the circular of the Company dated 20th October, 2006.

**Litigation**

On 4th July, 2005, the Company was notified by the Hong Kong Companies Registry that an annual return of Gold United International Industries Limited ("Gold United"), a non-wholly owned subsidiary of the Company, filed in May 2005 ("May Annual Return") contained information, including members and directors of Gold United, which are significantly different from the original annual return that was presented by the Group on 29th April, 2005.

On 13th July, 2005, the Company filed a Writ of Summons against four persons (the "Defendants") seeking, amongst others, declarations by the court to the effect that Winsky Management Limited, a wholly owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were those persons who purportedly filed the false information with the Hong Kong Companies Registry and/or were identified as members and directors in the May Annual Return and other documents. Gold United is an investment holding company holding a 80% direct interest in HZHY, which is engaged in the operation of a highway in the PRC.

The Writ of Summons was amended on 1st February, 2006 and the validity of the Amended Writ of Summons was extended for a period of 12 months from 13th July, 2006.

As at 30th September, 2006, the legal action is still proceeding and there is no significant development.

**Exchange Exposure**

The Group's transactions are denominated in Hong Kong dollars and Renminbi and the related exchange rates are considered relatively stable, and accordingly, the exposure to fluctuations in exchange rate is minimal, and no foreign exchange and interest rate risk management or related hedges were made.

**Employees**

As at 30th September, 2006 the total number of employees of the Group was 26 employees, inclusive of its operation in the PRC and Hong Kong. Remuneration were reviewed periodically in accordance with market situations and the performance of individual staff. Share options may be granted as recognition of their contribution and incentive to motivate them.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

**CORPORATE GOVERNANCE**

During the six months ended 30th September, 2006, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices ("Code") in Appendix 14 to the Listing Rules, except for the following:

**Code Provision A2.1** stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a separate position for the chief executive officer, and duties of which are currently vesting on the Chairman. In view of the scale of operations of the Company and the fact that the daily operations of the Group's business is delegated to the senior executives and department heads, the Board believes that vesting the roles of both Chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of roles of the Chairman and chief executive officer, are necessary.

**Code Provision A4.1** stipulates that non-executive directors should be appointed for special terms, subject to re-election. Save for Mr. Wong Hoi Kuen, Edmund, none of the independent non-executive directors of the Company is appointed for a specified term but their term of office are the period up to their retirement by rotation in accordance with the Company's bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

**Code Provision A4.2** 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.

At the annual general meeting of the Company held on 31st August, 2006, a special resolution has been passed to amend the Company's bye-laws so that all directors appointed to fill a casual vacancy should be subject to election by the shareholders of the Company at the first general meeting after their appointment.

**MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied the Model Code throughout the six months ended 30th September, 2006.

**AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters in relation to the preparation of the unaudited condensed financial statements for the six months ended 30th September, 2006.

By the Order of the Board  
**Ma Kwok Hung, Warren**  
Director

Hong Kong, 8th December, 2006

As at the date of this announcement, the executive directors of the Company are Mr. Ma Kwok Hung, Warren and Mr. Gao Feng; and the independent non-executive directors of the Company are Mr. Wong Hoi Kuen, Edmund, Mr. Chan Chi Yuen, Mr. Chow Siu Ngor, Mr. Pang Haiou and Mr. Zuo Guang.