



# CHINESE ESTATES HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 127)**

**Interim Report  
For The Six Months  
Ended 30th June, 2011**

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## CORPORATE INFORMATION

### Directors

#### *Executive Director:*

Joseph Lau, Luen-hung  
(Chairman and Chief Executive Officer)

#### *Non-executive Directors:*

Lau, Ming-wai (Vice Chairman)  
Amy Lau, Yuk-wai

#### *Independent Non-executive Directors:*

Chan, Kwok-wai  
Phillis Loh, Lai-ping  
Ma, Tsz-chun

### Audit Committee

Chan, Kwok-wai (Chairman)  
Phillis Loh, Lai-ping  
Ma, Tsz-chun

### Remuneration Committee

Chan, Kwok-wai (Chairman)  
Phillis Loh, Lai-ping  
Ma, Tsz-chun

### Company Secretary

Lam, Kwong-wai

### Solicitors

Sidley Austin  
Sit, Fung, Kwong & Shum

### Auditors

HLB Hodgson Impey Cheng

### Bankers

#### *(Listed in alphabetical order)*

Agricultural Bank of China Limited  
Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.  
Bank SinoPac  
Barclays Bank PLC  
BNP Paribas  
Cathay United Bank Company, Limited  
Chong Hing Bank Limited  
Citibank, N.A.  
Dah Sing Bank, Limited  
DBS Bank Ltd.  
E.Sun Commercial Bank, Ltd.  
Hang Seng Bank, Limited  
Industrial and Commercial Bank of China  
(Asia) Limited  
Malayan Banking Berhad  
Oversea-Chinese Banking Corporation Limited  
Public Bank (Hong Kong) Limited  
Shanghai Commercial Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
Tai Fung Bank Limited  
The Bank of East Asia, Limited  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
Wing Hang Bank, Limited  
Wing Lung Bank, Limited

### Registered Office

Canon's Court, 22 Victoria Street  
Hamilton HM 12, Bermuda

### Principal Office in Hong Kong

26th Floor, MassMutual Tower  
38 Gloucester Road  
Wanchai, Hong Kong

### Principal Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre, 11 Bermudiana Road  
Pembroke HM 08, Bermuda

### Branch Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### Offices in the People's Republic of China

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### Website

<http://www.chineseestates.com>

### Stock Code

127

### Board Lot

500 shares

### Investor Relations

For enquiries relating to investor relations, please contact:  
Investor Relations Manager  
Tel: (852) 2866 6999  
Fax: (852) 2866 2822 / (852) 2866 2833  
E-mail: [investor.relations@chineseestates.com](mailto:investor.relations@chineseestates.com)

## RESULTS

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June, 2011 (the “Period”) together with the comparative figures for the corresponding period in 2010:–

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 30th June, 2011

		Six months ended 30th June,	
	Notes	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Revenue	3	1,023,393	692,466
Cost of sales		<u>(167,363)</u>	<u>(273,201)</u>
Gross profit		856,030	419,265
Other income	5	236,215	97,521
Investment income (expenses), net	6	183,049	(177,989)
Administrative expenses		(159,735)	(120,342)
Other expenses	7	(15,251)	(2,401)
Gain on disposals of properties and other fixed assets		–	2
Loss on disposals of investment properties		(886)	(4)
Fair value changes on investment properties		2,651,110	(4,064,502)
Finance (costs) income	9	(154,532)	34,486
Other gains and losses, net		(8,491)	6,068
Share of results of associates		<u>1,084,212</u>	<u>(19,139)</u>
Profit (loss) before tax		4,671,721	(3,827,035)
Income tax expense	10	<u>(105,801)</u>	<u>(26,012)</u>
Profit (loss) for the period	8	<u>4,565,920</u>	<u>(3,853,047)</u>
<b>Other comprehensive income (expenses)</b>			
Fair value changes on available-for-sale investments		345,978	(207,545)
Exchange differences on translation of foreign operations		112,646	38,345
Share of other comprehensive income of associates		<u>3,214</u>	<u>11,176</u>
Other comprehensive income (expenses) for the period (net of tax)		<u>461,838</u>	<u>(158,024)</u>
Total comprehensive income (expenses) for the period		<u>5,027,758</u>	<u>(4,011,071)</u>
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		4,553,463	(3,871,416)
Non-controlling interests		<u>12,457</u>	<u>18,369</u>
		<u>4,565,920</u>	<u>(3,853,047)</u>
<b>Total comprehensive income (expenses) for the period attributable to:</b>			
Owners of the Company		5,015,262	(4,031,445)
Non-controlling interests		<u>12,496</u>	<u>20,374</u>
		<u>5,027,758</u>	<u>(4,011,071)</u>
<b>Earnings (loss) per share (HK\$)</b>	12		
– Basic and diluted		<u>2.39</u>	<u>(1.99)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 30th June, 2011**

	<i>Notes</i>	<b>30th June, 2011 HK\$'000 (Unaudited)</b>	31st December, 2010 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	<i>13</i>	33,725,837	27,419,024
Properties and other fixed assets		521,664	521,589
Property interests held for future development		–	–
Intangible assets		2,860	4,290
Goodwill	<i>14</i>	329,879	6,941
Interests in associates	<i>15</i>	2,126,529	1,044,056
Advances to associates	<i>16</i>	1,595,397	1,563,687
Interests in jointly controlled entities		–	–
Available-for-sale investments	<i>17</i>	7,686,263	334,079
Financial assets designated as at fair value through profit or loss		3,343,201	3,101,417
Advances to investee companies		358,143	344,879
Loans receivable, due after one year		57	78
Deferred tax assets		55,941	33,083
Advances to non-controlling shareholders		138,657	138,971
Pledged deposits		504,342	163,031
		<b>50,388,770</b>	<b>34,675,125</b>
<b>Current assets</b>			
Stock of properties		5,125,755	4,339,662
Available-for-sale investments	<i>17</i>	112,771	100,704
Investments held-for-trading		523,314	2,422,066
Financial assets designated as at fair value through profit or loss		3,330,333	2,084,012
Loans receivable, due within one year		39	41
Inventories for cosmetic products		3,176	2,960
Debtors, deposits and prepayments	<i>18</i>	798,858	485,872
Securities trading receivables and deposits		101,588	106,865
Tax recoverable		1,652	2,277
Pledged deposits		89	24,035
Time deposits, bank balances and cash		6,628,000	10,689,322
Sales proceeds held by stakeholders		14,067	43,419
		<b>16,639,642</b>	<b>20,301,235</b>
Assets classified as held for sale		5,220	80,000
		<b>16,644,862</b>	<b>20,381,235</b>
<b>Current liabilities</b>			
Creditors and accruals	<i>19</i>	984,312	719,241
Securities trading and margin payable		45,779	73,197
Deposits and receipts in advance		829,607	566,738
Tax liabilities		111,676	137,741
Borrowings – due within one year	<i>21</i>	8,826,423	3,727,552
Provisions		16,054	16,054
Financial guarantee liabilities		290	290
		<b>10,814,141</b>	<b>5,240,813</b>
<b>Net current assets</b>		<b>5,830,721</b>	<b>15,140,422</b>
<b>Total assets less current liabilities</b>		<b>56,219,491</b>	<b>49,815,547</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

*At 30th June, 2011*

		<b>30th June, 2011</b>	31st December, 2010
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Equity attributable to owners of the Company</b>			
Share capital	20	<b>190,762</b>	190,762
Securities investments reserve		<b>448,654</b>	102,715
Statutory reserve		<b>9,314</b>	9,314
Other reserve		<b>(7,275)</b>	(7,340)
Special reserve		<b>2,499,685</b>	2,499,685
Capital redemption reserve		<b>138,062</b>	138,062
Translation reserve		<b>755,725</b>	639,930
Retained profits			
– proposed dividend		<b>19,076</b>	19,076
– others		<b>32,850,072</b>	29,915,662
		<hr/>	<hr/>
		<b>36,904,075</b>	33,507,866
<b>Non-controlling interests</b>		<b>710,005</b>	702,985
		<hr/>	<hr/>
<b>Total equity</b>		<b>37,614,080</b>	34,210,851
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Borrowings – due after one year	21	<b>17,290,620</b>	14,982,958
Amounts due to associates	22	<b>848,429</b>	76,950
Amount due to a non-controlling shareholder	22	<b>12,065</b>	141,325
Deferred tax liabilities		<b>454,297</b>	403,463
		<hr/>	<hr/>
		<b>18,605,411</b>	15,604,696
		<hr/>	<hr/>
		<b>56,219,491</b>	49,815,547
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30th June, 2011**

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Treasury stock HK\$'000	Properties revaluation reserve HK\$'000	Securities investments reserve HK\$'000 (Note 2)
At 1st January, 2010 (originally stated) (audited)	195,000	9,325	–	704	189,529
Effect of change in accounting policy	–	–	–	–	–
At 1st January, 2010 (restated) (audited)	195,000	9,325	–	704	189,529
Loss for the period (restated)	–	–	–	–	–
Other comprehensive (expenses) income for the period	–	–	–	–	(209,550)
Total comprehensive (expenses) income for the period (restated)	–	–	–	–	(209,550)
Deemed contribution from non-controlling interests	–	–	–	–	–
Reclassification relating to disposal of investment property	–	–	–	(704)	–
Cancellation on repurchase of own shares	(3,926)	(9,325)	(25)	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–
Final dividend paid	–	–	–	–	–
At 30th June, 2010 (restated) (unaudited)	191,074	–	(25)	–	(20,021)
Loss for the period	–	–	–	–	–
Other comprehensive income for the period	–	–	–	–	122,736
Total comprehensive income (expenses) for the period	–	–	–	–	122,736
PRC statutory reserve	–	–	–	–	–
Deemed contribution from non-controlling interests	–	–	–	–	–
Cancellation on repurchase of own shares	(312)	–	25	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–
Special dividend paid	–	–	–	–	–
At 31st December, 2010 (audited)	190,762	–	–	–	102,715
Profit for the period	–	–	–	–	–
Other comprehensive income for the period	–	–	–	–	345,939
Total comprehensive income for the period	–	–	–	–	345,939
Acquisition of additional interest in subsidiaries	–	–	–	–	–
Deemed contribution from non-controlling interests	–	–	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–
Final dividend paid	–	–	–	–	–
<b>At 30th June, 2011 (unaudited)</b>	<b>190,762</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>448,654</b>

Notes: (1) The movement of other reserve for the period represented the release of the negative reserve held by an associate of the Group upon the disposals of the relevant properties.

(2) As at 31st December, 2010, the carrying amount of the cumulative gain on fair value changes of listed equity securities investments in securities investments reserve was HK\$nil. An addition in fair value on the listed equity securities investments of approximately HK\$355,739,000 was recognised for the Period and the carrying amount of the cumulative gain as at 30th June, 2011 was approximately HK\$355,739,000.

(3) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

Attributable to owners of the Company

Statutory reserve HK\$'000 (Note 3)	Other reserve HK\$'000 (Note 1)	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
6,626	(7,681)	2,499,685	133,824	380,795	35,225,105	38,632,912	798,966	39,431,878
–	–	–	–	–	4,878,749	4,878,749	1,687	4,880,436
6,626	(7,681)	2,499,685	133,824	380,795	40,103,854	43,511,661	800,653	44,312,314
–	–	–	–	–	(3,871,416)	(3,871,416)	18,369	(3,853,047)
–	316	–	–	49,205	–	(160,029)	2,005	(158,024)
–	316	–	–	49,205	(3,871,416)	(4,031,445)	20,374	(4,011,071)
–	–	–	–	–	–	–	132	132
–	–	–	–	–	704	–	–	–
–	–	–	3,951	–	(486,074)	(495,399)	–	(495,399)
–	–	–	–	–	–	–	(2,698)	(2,698)
–	–	–	–	–	(19,500)	(19,500)	–	(19,500)
6,626	(7,365)	2,499,685	137,775	430,000	35,727,568	38,965,317	818,461	39,783,778
–	–	–	–	–	(4,986,829)	(4,986,829)	4,129	(4,982,700)
–	25	–	–	209,930	–	332,691	1,367	334,058
–	25	–	–	209,930	(4,986,829)	(4,654,138)	5,496	(4,648,642)
2,688	–	–	–	–	(2,688)	–	–	–
–	–	–	–	–	–	–	(3,433)	(3,433)
–	–	–	287	–	(40,265)	(40,265)	–	(40,265)
–	–	–	–	–	–	–	(117,539)	(117,539)
–	–	–	–	–	(763,048)	(763,048)	–	(763,048)
9,314	(7,340)	2,499,685	138,062	639,930	29,934,738	33,507,866	702,985	34,210,851
–	–	–	–	–	4,553,463	4,553,463	12,457	4,565,920
–	65	–	–	115,795	–	461,799	39	461,838
–	65	–	–	115,795	4,553,463	5,015,262	12,496	5,027,758
–	–	–	–	–	(1,599,977)	(1,599,977)	(23)	(1,600,000)
–	–	–	–	–	–	–	5,444	5,444
–	–	–	–	–	–	–	(10,897)	(10,897)
–	–	–	–	–	(19,076)	(19,076)	–	(19,076)
<b>9,314</b>	<b>(7,275)</b>	<b>2,499,685</b>	<b>138,062</b>	<b>755,725</b>	<b>32,869,148</b>	<b>36,904,075</b>	<b>710,005</b>	<b>37,614,080</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30th June, 2011*

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	<b>885,336</b>	(1,672,702)
Net cash used in investing activities		
Acquisition of subsidiaries ( <i>Note 23</i> )	<b>(388,884)</b>	(15,162)
Purchases of available-for-sale investments	<b>(7,028,436)</b>	(87,607)
Other investing activities	<b>(112,371)</b>	(541,577)
	<b>(7,529,691)</b>	(644,346)
Net cash generated from financing activities		
Acquisition of additional interest in subsidiaries ( <i>Note 24(a)</i> )	<b>(1,200,000)</b>	–
Bank loans and other loans raised, net	<b>4,289,296</b>	2,018,753
Other financing activities	<b>(271,561)</b>	(593,205)
	<b>2,817,735</b>	1,425,548
Net decrease in cash and cash equivalents	<b>(3,826,620)</b>	(891,500)
Cash and cash equivalents at 1st January	<b>10,689,322</b>	5,200,666
Effect of foreign exchange rate changes	<b>(234,702)</b>	18,110
Cash and cash equivalents at 30th June	<b><u>6,628,000</u></b>	<u>4,327,276</u>
Analysis of the balances of cash and cash equivalents		
Time deposits, bank balances and cash	<b><u>6,628,000</u></b>	<u>4,327,276</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### *For the six months ended 30th June, 2011*

#### 1. Basis of Preparation

The unaudited condensed consolidated 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 “Stock Exchange”) and with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at their fair values.

#### 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The accounting policies adopted in the unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st December, 2010 except as described below.

In the current period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for current accounting period of the Group. The new HKFRSs adopted by the Group in the unaudited condensed consolidated financial statements are set out below:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The annual improvements to HKFRSs issued in 2010 contain amendment to HKAS 34 “Interim Financial Reporting”, which is effective for annual periods beginning on or after 1st January, 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transaction.

The Group has early adopted the amendment to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, “Investment Property” for the financial year ended 31st December, 2010 and this change in accounting policy has been consistently applied in these unaudited condensed consolidated financial statements.

The amendment to HKAS 12 introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred tax on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use. Therefore, based on the amendment, the Group’s investment properties in Hong Kong do not have to provide deferred tax on fair value changes arising from revaluation of investment properties or arising from a business combination, unless the presumption is rebutted.

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

This change in policy has been applied retrospectively with consequential adjustments to comparatives for the six months ended 30th June, 2010 and 31st December, 2010. As the Group’s properties are mainly located in Hong Kong, this has resulted in a reduction in the amount of deferred tax credit provided on fair value loss as follows:

	Originally stated HK\$’000	HKAS 12 HK\$’000	Restated HK\$’000
Unaudited condensed consolidated statement of comprehensive income for the six months ended 30th June, 2010:			
Share of results of associates	(23,456)	4,317	(19,139)
Income tax credit (expense)	642,769	(668,781)	(26,012)
Loss for the period	<u>(3,188,583)</u>	<u>(664,464)</u>	<u>(3,853,047)</u>
Loss for the period attributable to:			
Owners of the Company	(3,207,096)	(664,320)	(3,871,416)
Non-controlling interests	<u>18,513</u>	<u>(144)</u>	<u>18,369</u>
	<u>(3,188,583)</u>	<u>(664,464)</u>	<u>(3,853,047)</u>
Loss per share (HK\$)			
Basic and diluted	<u>(1.65)</u>	<u>(0.34)</u>	<u>(1.99)</u>

Save as described above, the application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no other prior period adjustment has been required.

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

HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurements <sup>3</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (2011)	Employee Benefits <sup>3</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>3</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2011

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2012

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

## 2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 3. Revenue

Revenue represents the aggregate of amounts received and receivable from the gains/losses from sales of investments held-for-trading, sales of properties held-for-sale, property rental income, commission from brokerage, settlement charges from brokerage, interest income from loan financing and cosmetic goods sold less returns.

During the Period, the profit from the sales of investments held-for-trading in “Revenue” on a net basis are HK\$99.4 million (six months ended 30th June, 2010: loss HK\$203.9 million).

## 4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has seven reportable segments – property development and trading, property leasing for retail, property leasing for non-retail, listed available-for-sale equity investments, listed held-for-trading investments and treasury products, floating rate and fixed rate notes and unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
– Retail	–	Property leasing from retail properties
– Non-retail	–	Property leasing from non-retail properties
Listed available-for-sale equity investments	–	Listed equity securities in available-for-sale investments
Listed held-for-trading investments and treasury products	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Floating rate and fixed rate notes	–	Listed and unlisted floating rate notes and fixed rate notes in available-for-sale investments
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are fair value changes on investments properties together with their, if applicable, respective deferred tax. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2010.

The Group’s reportable segments are strategic business units that operate different activities. They are managed separately because each business units has different market and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the properties located.

No major customer is for the Group’s revenue and result.

#### 4. Operating Segments (continued)

Operating segment information is presented below:

##### Condensed Consolidated Statement of Comprehensive Income For the six months ended 30th June, 2011

	Property development and trading HK\$'000	Property leasing		Listed available- for-sale equity investments HK\$'000	Listed held-for- trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000						
<b>Major cash items excluding in revenue</b>									
- Hong Kong	-	-	-	-	2,583,547	-	-	-	2,583,547
- other countries	-	-	-	-	5,832,101	-	-	-	5,832,101
	-	-	-	-	8,415,648	-	-	-	8,415,648
<b>Revenue</b>									
Revenue from external customers									
- Hong Kong	151,351	418,961	163,901	-	99,276	-	6,393	18,040	857,922
- PRC	25,826	21,365	19,122	-	-	-	-	-	66,313
- United Kingdom	-	2,759	96,291	-	-	-	-	-	99,050
- other countries	-	-	-	-	108	-	-	-	108
	177,177	443,085	279,314	-	99,384	-	6,393	18,040	1,023,393
Revenue from external customers after non-controlling interests	175,936	442,355	278,179	-	99,384	-	6,393	18,040	1,020,287
Attributable property sales from associates/investees									
- Hong Kong	3,036,657	-	-	-	-	-	-	-	3,036,657
Attributable rental revenue from associates/investees									
- Hong Kong	-	4,753	12,710	-	-	-	-	1,021	18,484
- PRC	-	36,998	38,720	-	-	-	-	-	75,718
	3,212,593	484,106	329,609	-	99,384	-	6,393	19,061	4,151,146
<b>Result</b>									
Segment result									
- Hong Kong	62,668	393,240	156,202	-	92,826	7,913	55,779	31,544	800,172
- PRC	4,171	18,532	16,346	-	-	-	1,999	-	41,048
- United Kingdom	-	2,657	92,716	-	-	-	-	-	95,373
- other countries	-	-	-	-	122,987	-	-	-	122,987
	66,839	414,429	265,264	-	215,813	7,913	57,778	31,544	1,059,580
Share of results of associates									
- attributable property sales, net									
- Hong Kong	906,275	-	-	-	-	-	-	-	906,275
- attributable gross rental income									
- Hong Kong	-	4,753	12,710	-	-	-	-	1,021	18,484
- PRC	-	36,998	38,720	-	-	-	-	-	75,718
- attributable operating cost									
- Hong Kong	-	(1,748)	(3,371)	-	-	-	-	(168)	(5,287)
- PRC	-	(20,911)	(6,632)	-	-	-	-	-	(27,543)
Non-controlling interests	(1,072)	(562)	(1,035)	-	-	(4,155)	-	-	(6,824)
	972,042	432,959	305,656	-	215,813	3,758	57,778	32,397	2,020,403
Other income, net	237	-	-	-	-	-	-	-	237
Loss on disposal of investment properties	-	(436)	(450)	-	-	-	-	-	(886)
Finance costs	-	(1,537)	(53,658)	-	(16,664)	-	-	-	(71,859)
Share of results of associates									
- income tax and others	(152,482)	(12,439)	(21,954)	-	-	-	-	-	(186,875)
Other gains and losses, net	-	(9,191)	-	-	-	-	-	-	(9,191)
	819,797	409,356	229,594	-	199,149	3,758	57,778	32,397	1,751,829
Unallocated items									
Unallocated other gains and losses, net									700
Unallocated corporate income, net									40,491
Unallocated finance costs									(82,673)
Income tax expense									(61,112)
Unallocated non-controlling interests									(228)
<b>Core profit (excluding major non-cash items)</b>									1,649,007
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)									2,949,145
- deferred tax expense									(44,689)
<b>Profit for the period attributable to owners of the Company</b>									4,553,463

#### 4. Operating Segments (continued)

##### Condensed Consolidated Statement of Financial Position At 30th June, 2011

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000						
<b>Assets</b>									
Segment assets									
– Hong Kong	1,644,303	20,904,040	7,979,358	3,495,225	2,229,949	288,488	1,549,455	65,638	38,156,456
– PRC and Macau	12,570,840	1,088,029	391,589	–	–	–	–	4,611	14,055,069
– United Kingdom	–	93,960	3,838,446	–	–	–	–	–	3,932,406
– other countries	–	–	–	–	7,015,880	–	–	–	7,015,880
Interests in associates									
– Hong Kong	1,049,132	43,948	703,261	–	–	–	2,462	3,162	1,801,965
– PRC	91,996	72,169	160,399	–	–	–	–	–	324,564
Advances to associates									
– Hong Kong	4,165	–	16,358	–	–	–	–	1,416	21,939
– PRC	958,156	79,255	536,047	–	–	–	–	–	1,573,458
Reportable segment assets	<u>16,318,592</u>	<u>22,281,401</u>	<u>13,625,458</u>	<u>3,495,225</u>	<u>9,245,829</u>	<u>288,488</u>	<u>1,551,917</u>	<u>74,827</u>	<u>66,881,737</u>
Unallocated corporate assets									151,895
Consolidated total assets									<u>67,033,632</u>
<b>Liabilities</b>									
Segment liabilities									
– Hong Kong	124,895	673,961	92,122	2,199,390	4,268,156	–	46,757	18,258	7,423,539
– PRC and Macau	814,180	18,728	11,566	–	–	–	–	5	844,479
– United Kingdom	–	82,178	3,357,116	–	–	–	–	–	3,439,294
– other countries	–	–	–	–	231	–	–	–	231
Reportable segment liabilities	<u>939,075</u>	<u>774,867</u>	<u>3,460,804</u>	<u>2,199,390</u>	<u>4,268,387</u>	<u>–</u>	<u>46,757</u>	<u>18,263</u>	<u>11,707,543</u>
Unallocated corporate liabilities									17,712,009
Consolidated total liabilities									<u>29,419,552</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>1,043,292</u>	<u>100,298</u>	<u>3,657,598</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>222</u>	

#### Other Material Items

For the six months ended 30th June, 2011

	Reportable segments total HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income total HK\$'000
Interest income	432,073	–	–	432,073
Finance costs	(71,859)	(82,673)	–	(154,532)
Net income (expenses)	360,214	(82,673)	–	277,541
Depreciation	–	(8,938)	–	(8,938)
Fair value changes				
on investment properties	–	–	2,651,110	2,651,110
Share of results of associates	780,772	–	303,440	1,084,212
Income tax expense	–	(61,112)	(44,689)	(105,801)
Non-controlling interests	<u>(6,824)</u>	<u>(228)</u>	<u>(5,405)</u>	<u>(12,457)</u>

#### 4. Operating Segments (continued)

##### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2010 (Restated)

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000						
<b>Major cash items excluding in revenue</b>									
– Hong Kong	–	–	–	–	448,736	–	–	–	448,736
– other countries	–	–	–	–	1,840,102	–	–	–	1,840,102
	–	–	–	–	2,288,838	–	–	–	2,288,838
<b>Revenue</b>									
Revenue from external customers									
– Hong Kong	379,373	303,499	162,349	–	(209,660)	–	6,139	5,371	647,071
– PRC	–	20,867	18,728	–	–	–	–	–	39,595
– other countries	–	–	–	–	5,800	–	–	–	5,800
	379,373	324,366	181,077	–	(203,860)	–	6,139	5,371	692,466
Revenue from external customers after non-controlling interests	350,167	323,746	180,026	–	(203,860)	–	6,139	5,371	661,589
Attributable property sales from associates/investees – Hong Kong	24,240	–	–	–	–	–	–	–	24,240
Attributable rental revenue from associates/investees									
– Hong Kong	–	1,505	11,498	–	–	–	945	165	14,113
– PRC	–	33,632	12,214	–	–	–	–	–	45,846
	374,407	358,883	203,738	–	(203,860)	–	7,084	5,536	745,788
<b>Result</b>									
Segment result									
– Hong Kong	137,800	292,165	157,414	23,625	(225,079)	(615)	49,487	18,532	453,329
– PRC	–	18,234	16,469	–	–	–	2,009	–	36,712
– other countries	–	–	–	–	(237,518)	–	–	–	(237,518)
	137,800	310,399	173,883	23,625	(462,597)	(615)	51,496	18,532	252,523
Share of results of associates									
– attributable property sales, net									
– Hong Kong	8,075	–	–	–	–	–	–	–	8,075
– attributable gross rental income									
– Hong Kong	–	1,505	11,498	–	–	–	945	165	14,113
– PRC	–	33,632	12,214	–	–	–	–	–	45,846
– attributable operating cost									
– Hong Kong	–	(703)	(3,928)	–	–	–	–	(2,519)	(7,150)
– PRC	–	(19,120)	(6,528)	–	–	–	–	–	(25,648)
Non-controlling interests	(22,105)	(454)	(912)	–	–	925	–	–	(22,546)
	123,770	325,259	186,227	23,625	(462,597)	310	52,441	16,178	265,213
Other income, net	398	–	–	–	–	–	100	–	498
Loss on disposal of investment property	–	–	(4)	–	–	–	–	–	(4)
Finance income	–	–	–	–	84,596	–	–	–	84,596
Share of results of associates									
– income tax and others	(13,955)	(19,202)	(4,021)	–	–	–	170	–	(37,008)
Other gains and losses, net	–	6,077	–	–	–	–	–	–	6,077
	110,213	312,134	182,202	23,625	(378,001)	310	52,711	16,178	319,372
Unallocated items									
Unallocated other gains and losses, net									(9)
Unallocated corporate expenses, net									(36,965)
Unallocated finance costs									(50,110)
Income tax expense									(35,391)
Unallocated non-controlling interests									2,470
<b>Core profit (excluding major non-cash items)</b>									199,367
Major non-cash items									
– fair value changes on investment properties (including share of results of associates and non-controlling interests)									(4,080,162)
– deferred tax credit									9,379
<b>Loss for the period attributable to owners of the Company</b>									<u>(3,871,416)</u>

#### 4. Operating Segments (continued)

##### Condensed Consolidated Statement of Financial Position

At 31st December, 2010

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed held-for-trading investments and treasury products HK\$'000	Floating rate and fixed rate notes HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000						
<b>Assets</b>									
Segment assets									
– Hong Kong	2,129,367	22,638,595	9,501,847	–	2,151,873	280,456	453,300	269,549	37,424,987
– PRC and Macau	7,806,833	1,032,898	334,947	–	–	–	–	4,960	9,179,638
– other countries	–	–	5,502	–	5,664,159	–	–	–	5,669,661
Interests in associates									
– Hong Kong	93,861	63	696,170	–	–	–	186	2,176	792,456
– PRC	73,421	171,710	6,469	–	–	–	–	–	251,600
Advances to associates									
– Hong Kong	1,678	–	22,941	–	–	–	2	1,405	26,026
– PRC	954,231	79,181	504,249	–	–	–	–	–	1,537,661
Reportable segment assets	<u>11,059,391</u>	<u>23,922,447</u>	<u>11,072,125</u>	<u>–</u>	<u>7,816,032</u>	<u>280,456</u>	<u>453,488</u>	<u>278,090</u>	<u>54,882,029</u>
Unallocated corporate assets									174,331
Consolidated total assets									<u>55,056,360</u>
<b>Liabilities</b>									
Segment liabilities									
– Hong Kong	106,975	554,381	127,699	–	2,682,141	150	74,480	20,738	3,566,564
– PRC and Macau	459,294	18,494	13,129	–	–	–	–	1	490,918
– other countries	–	–	13	–	–	–	–	–	13
Reportable segment liabilities	<u>566,269</u>	<u>572,875</u>	<u>140,841</u>	<u>–</u>	<u>2,682,141</u>	<u>150</u>	<u>74,480</u>	<u>20,739</u>	<u>4,057,495</u>
Unallocated corporate liabilities									16,788,014
Consolidated total liabilities									<u>20,845,509</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>642,952</u>	<u>486,334</u>	<u>643,415</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>173</u>	

##### Other Material Items

For the six months ended 30th June, 2010

	Reportable segments total HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000 (Restated)	Consolidated statement of comprehensive income total HK\$'000 (Restated)
Interest income	74,161	–	–	74,161
Finance income (costs)	84,596	(50,110)	–	34,486
Net income (expenses)	158,757	(50,110)	–	108,647
Depreciation	–	(9,955)	–	(9,955)
Fair value changes on investment properties	–	–	(4,064,502)	(4,064,502)
Share of results of associates	(1,772)	–	(17,367)	(19,139)
Income tax (expense) credit	–	(35,391)	9,379	(26,012)
Non-controlling interests	<u>(22,546)</u>	<u>2,470</u>	<u>1,707</u>	<u>(18,369)</u>



## 5. Other Income

	Six months ended 30th June,	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other income are:		
Building management fee income	67,480	39,748
Building management fee expenses	(50,345)	(23,246)
	17,135	16,502
Forfeiture of deposits received on sales of properties	237	398
Agency fee and arrangement fee income	194,966	66,116
Management and maintenance service income	4,145	6,064
Exchange gain, net	7,301	–

## 6. Investment Income (Expenses), Net

	Six months ended 30th June,	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised loss arising on change in fair value of investments held-for-trading	(55,145)	(21,192)
Financial assets designated as at fair value through profit or loss:		
Unrealised loss arising on change in fair value of bonds	(205,175)	(282,383)
Realised loss arising on change in fair value of bonds	(10,447)	(12,054)
Net loss arising on change in fair value of financial assets designated as at fair value through profit or loss	(215,622)	(294,437)
Financial liabilities at fair value through profit or loss classified as held-for-trading:		
Realised gain arising on change in fair value of derivative financial instruments	–	3,238
Dividend income on:		
Listed investments		
– available-for-sale investments	–	23,625
– other listed investments	3,596	10,686
Unlisted investments	23,506	19,318
Interest income	419,510	73,409
Imputed interest income on:		
Advances to associates	7,040	7,200
Advance to a non-controlling shareholder	164	164
	183,049	(177,989)

Included in interest income are interests from bonds, listed floating rate notes and unlisted floating rate and fixed rate notes approximately HK\$383,600,000, HK\$747,000 and HK\$3,800,000 respectively (six months ended 30th June, 2010: bonds HK\$43,989,000, listed floating rate notes HK\$590,000 and unlisted floating rate and fixed rate notes HK\$4,050,000 and interest expenses from derivative financial instruments HK\$1,021,000).

## 7. Other Expenses

Six months ended 30th June,  
2011  
HK\$'000

2010  
HK\$'000

Included in other expenses are:

Amortisation of intangible assets	1,430	1,430
Transaction cost in relation to acquisition of subsidiaries (Note 23)	13,297	–
Expenses for specific transactions	524	971
	<u>15,251</u>	<u>2,401</u>

## 8. Profit (Loss) for the Period

Six months ended 30th June,  
2011  
HK\$'000

2010  
HK\$'000  
(Restated)

Profit (loss) for the period has been arrived at after (charging) crediting:

Total staff costs:

Staff costs, including Directors' emoluments	(84,097)	(70,794)
Retirement benefits scheme contributions, net of forfeited contributions of HK\$152,000 (2010: HK\$146,000)	(3,706)	(3,126)
	(87,803)	(73,920)

Auditors' remuneration	(1,486)	(1,284)
Exchange loss, net	–	(5,628)
Depreciation	(8,938)	(9,955)
Cost of trading properties recognised	(108,097)	(233,507)
Cost of cosmetic products recognised	(1,854)	(1,524)
Share of tax of associates (included in share of results of associates)	(171,470)	13,743

Gross proceeds on sale of investments held-for-trading	2,629,028	1,057,775
Carrying amount on investments held-for-trading disposed	(2,526,438)	(1,259,420)
Transaction cost on investments held-for-trading disposed	(3,206)	(2,215)
Net gain (loss) on sale of investments held-for-trading included in revenue	99,384	(203,860)

Gross rental income from investment properties	722,399	505,443
Less: Direct operating expenses from investment properties that generated rental income during the period	(37,187)	(17,064)
Direct operating expenses from investment properties that did not generate rental income during the period	(5,519)	(4,097)
	<u>679,693</u>	<u>484,282</u>

## 9. Finance Costs (Income)

	Six months ended 30th June,	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on:		
Bank loans wholly repayable within five years	90,736	61,204
Bank loans wholly repayable over five years	55,195	1,302
Other loans wholly repayable within five years	9,929	2,319
	155,860	64,825
Imputed interest on:		
Amounts due to associates	999	232
Amounts due to non-controlling shareholders	5,444	750
	6,443	982
Total interest	162,303	65,807
Exchange loss (gain) on translation of foreign currency loans	6,735	(86,915)
Other finance costs	16,751	6,459
	185,789	(14,649)
Less: Interest capitalised to stock of properties under development	(30,609)	(15,829)
Interest capitalised to investment properties under development	(648)	(4,008)
	154,532	(34,486)

## 10. Income Tax Expense

	Six months ended 30th June,	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	30,940	27,914
Other than Hong Kong	3,554	5,575
	34,494	33,489
Overprovision in prior years:		
Hong Kong Profits Tax	(1,023)	(128)
Other than Hong Kong	-	(1)
	(1,023)	(129)
Deferred tax:		
Current period charge (credit)	72,330	(7,348)
	105,801	26,012

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the Period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 11. Dividends

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
(a) Interim dividend for 2011 declared after interim period end Interim dividend declared of HK1.0 cent (2010: nil) per share	<u>19,076</u>	<u>–</u>
(b) No special dividend for 2011 declared after interim period end (2010: HK40.0 cents per share)	<u>–</u>	<u>763,048</u>
(c) Final dividend for 2010 paid on 8th June, 2011 of HK1.0 cent (2009: HK1.0 cent) per share	<u>19,076</u>	<u>19,500</u>

## 12. Earnings (Loss) Per Share

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
Earnings (loss):		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	<u>4,553,463</u>	<u>(3,871,416)</u>
	<b>Number of shares</b>	
	2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u>1,907,619,079</u>	<u>1,942,887,346</u>

Diluted earnings (loss) per share for the six months ended 30th June, 2011 and 2010 was the same as the basic earnings (loss) per share as there was no diluting events during both periods.

### 13. Investment Properties

	Fair value HK\$'000	Cost HK\$'000	Total HK\$'000
At 1st January, 2010	39,306,690	1,401,792	40,708,482
Acquisition of a subsidiary	47,000	–	47,000
Additions	155,497	–	155,497
Construction costs incurred for investment properties	399,513	353,853	753,366
Transfer to assets classified as held for sale	(80,000)	–	(80,000)
Transfer to properties and other fixed assets	(114,400)	–	(114,400)
Exchange adjustments	–	59,302	59,302
Decrease in fair value recognised in the consolidated statement of comprehensive income	(10,831,293)	–	(10,831,293)
Disposals of subsidiaries	(3,277,000)	–	(3,277,000)
Disposals	(1,930)	–	(1,930)
	<hr/>	<hr/>	<hr/>
At 31st December, 2010	25,604,077	1,814,947	27,419,024
Acquisition of subsidiaries (Note 23)	3,362,492	–	3,362,492
Additions	10,982	–	10,982
Construction costs incurred for investment properties	23,653	92,380	116,033
Transfer to assets classified as held for sale	(5,220)	–	(5,220)
Exchange adjustments	137,704	39,174	176,878
Increase in fair value recognised in the consolidated statement of comprehensive income	2,651,110	–	2,651,110
Disposals	(5,462)	–	(5,462)
	<hr/>	<hr/>	<hr/>
<b>At 30th June, 2011</b>	<b><u>31,779,336</u></b>	<b><u>1,946,501</u></b>	<b><u>33,725,837</u></b>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes, are measured using the fair value model and are classified and accounted for as investment properties.

Property valuations as at 30th June, 2011 and 31st December, 2010 were carried out by B.I. Appraisals Limited ("B.I. Appraisals"), independent qualified professional valuers, in respect of the Group's investment properties in Hong Kong and PRC. B.I. Appraisals holds a recognised professional qualification and has recent relevant experience. For the investment property in United Kingdom which was acquired by the Group in January 2011, the directors of the acquiring subsidiary have valued this investment property based on their opinion on market value. Property valuation was arrived at by reference to market evidence of transaction prices for similar properties at similar locations.

The fair value of each investment property is individually determined at the end of each reporting period based on its market value and by adopting investment method, and/or direct comparison method, as appropriate. The valuation was relied on the discounted cash flow analysis and the capitalisation of income approach. The investment method is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current term leases, term yield rate, assumptions about rental income from future reversion leases in light of current market conditions, the assumed occupancy rate and reversionary yield rate. Judgment by the valuers is required to determine the principal valuation factors, including term yield rate and reversionary yield rate. Such yield rates were adopted after considering the investment sentiments and market expectations of properties of similar nature. Direct comparison method assumes each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

For the Group's investment properties under development, their fair value reflects the expectations of market participants of the value of the properties when they are completed, less deductions for the costs required to complete the projects and appropriate adjustments for profit and risk. The key assumptions include present value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors' return as a percentage of value or cost.

For the Group's investment properties under construction at cost, when their fair values were not reliably measurable, they were measured at cost, less any impairment loss, until the earlier of the date of construction is completed and the date at which fair values become reliably measurable.

#### 14. Goodwill

	<i>HK\$'000</i>
<b>Cost</b>	
At 1st January, 2010 and 31st December, 2010	54,689
Acquisition of subsidiaries ( <i>Note 23</i> )	<u>322,938</u>
At 30th June, 2011	<u>377,627</u>
<b>Impairment</b>	
At 1st January, 2010, 31st December, 2010 and 30th June, 2011	<u>47,748</u>
<b>Carrying amounts</b>	
<b>At 30th June, 2011</b>	<b><u>329,879</u></b>
At 31st December, 2010	<b><u>6,941</u></b>

#### 15. Interests in Associates

	<b>30th June, 2011</b>	31st December, 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investment in associates, unlisted	<b>283,667</b>	283,667
Share of post-acquisition profits and other comprehensive income, net of dividend received	<u><b>1,842,862</b></u>	<u>760,389</u>
	<b><u>2,126,529</u></b>	<b><u>1,044,056</u></b>

The Company provided corporate guarantee to secure bank loans granted to its associates. The fair value of the financial guarantee contract was determined by Norton Appraisals Limited, independent qualified professional valuers, and it was recognised as interests in associates and financial guarantee liabilities in the Group's unaudited condensed consolidated statement of financial position.

The investment properties held by the Group's principal associates were revalued at 30th June, 2011 by B.I. Appraisals. B.I. Appraisals continues to adopt investment method and/or direct comparison method as the valuation methodologies. The methods and significant assumptions applied in determining the fair values of investment properties are detailed in Note 13.

#### 16. Advances to Associates

	<b>30th June, 2011</b>	31st December, 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest bearing advances to associates	<b>102,411</b>	109,052
Interest-free advances to associates	<u><b>1,492,986</b></u>	<u>1,454,635</u>
	<b><u>1,595,397</u></b>	<b><u>1,563,687</u></b>

The advances to associates are unsecured. An approximately HK\$958,156,000 was expected to be repayable in 2013 and the amount is therefore shown as non-current. For the remaining HK\$637,241,000, the Group will not demand for repayment within one year from the end of the reporting period and the advances are therefore shown as non-current. The interest bearing advances to associates bear interest at the prevailing market rates. The Directors consider that the fair values of the interest-free advances at the end of the reporting period, determined based on the present values of the estimated future cash flows discounted using the prevailing market rates at the end of the reporting period, approximate to their carrying amounts.

## 17. Available-for-sale Investments

	<b>30th June, 2011</b> <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Available-for-sale investments comprise:		
Listed investments:		
– Equity securities listed in Hong Kong	<b>3,495,225</b>	–
Unlisted securities:		
– Equity securities		
incorporated in Hong Kong	<b>142,735</b>	152,463
incorporated in elsewhere	<b>3,892,849</b>	3,899
	<b>7,530,809</b>	156,362
Debt securities	<b>252,494</b>	262,690
Club debentures	<b>15,731</b>	15,731
	<b>7,799,034</b>	434,783
Less: Current	<b>(112,771)</b>	(100,704)
	<b>7,686,263</b>	334,079

## 18. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$15,288,000 (31st December, 2010: HK\$27,207,000) comprised rental receivables billed in advance and settlements from tenants are expected upon receipts of billings and properties sales proceeds receivables.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period:

	<b>30th June, 2011</b> <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
0 – 30 days	<b>6,145</b>	17,546
31 – 60 days	<b>842</b>	576
61 – 90 days	<b>487</b>	50
Over 90 days	<b>7,814</b>	9,035
	<b>15,288</b>	27,207

The Directors consider that the fair values of the Group's debtors, deposits and prepayments at the end of the reporting period approximate to their carrying amounts.

## 19. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$199,368,000 (31st December, 2010: HK\$418,462,000).

The following is an aged analysis of trade payables at the end of the reporting period:

	<b>30th June, 2011</b> <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
0 – 90 days	39,972	222,972
Over 90 days	<u>159,396</u>	<u>195,490</u>
	<u><b>199,368</b></u>	<u><b>418,462</b></u>

The Directors consider that the fair values of the Group's creditors and accruals at the end of the reporting period approximate to their carrying amounts.

## 20. Share Capital

	<b>Number of shares</b>	<b>Share Capital</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2010, 31st December, 2010 and 30th June, 2011	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1st January, 2010	1,950,000,079	195,000
Repurchase of ordinary shares ( <i>Note</i> )	<u>(42,381,000)</u>	<u>(4,238)</u>
<b>At 31st December, 2010 and 30th June, 2011</b>	<u><b>1,907,619,079</b></u>	<u><b>190,762</b></u>

*Note: During the Period, the Company had not repurchased any of the Company's share. During the year ended 31st December, 2010, the Company repurchased on the Stock Exchange a total of 42,381,000 ordinary shares of the Company, at an aggregate consideration after expense of approximately HK\$535.7 million (including transaction cost), which were immediately cancelled during the year. The nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to the share premium and retained profits of the Group.*

## 21. Borrowings

	<b>30th June, 2011</b> <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Bank loan, unsecured	310,000	–
Bank loans, secured	19,339,566	15,718,535
Other loans, secured	<u>6,467,477</u>	<u>2,991,975</u>
	<b>26,117,043</b>	18,710,510
Less: Amounts due within one year	<u>(8,826,423)</u>	<u>(3,727,552)</u>
Amounts due after one year	<u><b>17,290,620</b></u>	<u><b>14,982,958</b></u>

## 22. Amounts due to Associates and a Non-controlling Shareholder

Both the amounts due to associates and a non-controlling shareholder are unsecured and interest-free. The associates and the non-controlling shareholder will not demand for repayment within one year from the end of the reporting period and the amounts are therefore shown as non-current. The Directors consider that the fair values of both amounts at the end of the reporting period, determined based on the present values of the estimated future cash flows discounted using the prevailing market rates at the end of the reporting period, approximate to their respective carrying amounts.



## 23. Acquisition of Subsidiaries

### Acquisition of River Court Holdings Limited and its subsidiaries (the “River Court Group”)

On 14th January, 2011, the Group entered into a sale and purchase agreement with independent third parties, in relation to the acquisition of 100% equity interests in River Court Holdings Limited, which indirectly held the freehold office building, namely River Court, located at 116-129 Fleet Street, London, United Kingdom at a consideration of GBP37.8 million, equivalent to approximately HK\$453.4 million (the “Acquisition”). The Acquisition was completed on 14th January, 2011.

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of the Acquisition are as follows:

	<b>Fair Value</b> <b>HK\$'000</b>
Net assets acquired:	
Investment property	3,362,492
Debtors and prepayments	62
Bank balances and cash	64,552
Secured bank loan	(3,253,087)
Deposits and receipt in advance	(35,964)
Creditors and accruals	(50,166)
Deferred tax asset	42,609
	<hr/>
	130,498
Goodwill	322,938
	<hr/>
Total consideration	<u>453,436</u>
Satisfied by:	
Cash consideration paid	<u>453,436</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	453,436
Bank balances and cash acquired	(64,552)
	<hr/>
	<u>388,884</u>

Goodwill can be attributable to the anticipated profitability of the acquired business. None of the goodwill recognised is expected to be deductible for income tax purposes. Acquisition-related costs amounting to HK\$13.3 million (*Note 7*) was recognised as other expenses in the unaudited condensed consolidated statement of comprehensive income.

The fair value of debtors and prepayments include debtors with a fair value and gross contractual amount receivable of GBP5,000 (equivalent to HK\$62,000).

Since the Acquisition, River Court Group contributed revenue of HK\$99.1 million and profit of HK\$39.0 million to the Group for the Period. If the Acquisition had occurred on 1st January, 2011, the revenue and the profit from River Court Group contributed to the Group for the six months ended 30th June, 2011 would have been approximately HK\$105.9 million and HK\$41.5 million respectively.

## 24. Change in Ownership Interest in Subsidiaries Without Change of Control

### (a) Acquisition of additional interest in Moon Ocean Ltd. (“Moon Ocean”)

On 28th March, 2011, the Group entered into a sale and purchase agreement with an independent third party to acquire 2,999 non-voting deferred shares in Moon Ocean, representing 29.99% of the entire issued share capital of Moon Ocean, at a total cash consideration of HK\$1,600 million (“Consideration”). Moon Ocean is the owner of the leasehold interest in the land located at Avenida Wai Long, Taipa, Macau which is a stock of property under development held for sale (the “Development”). As a result of the acquisition, the Group owns 100% of Moon Ocean and the Development. The acquisition was completed on 28th March, 2011. The carrying amount of the non-controlling interest in Moon Ocean on the date of acquisition was HK\$23,000. The Group recognised a decrease in non-controlling interests of HK\$23,000 and a decrease in equity attributable to owners of the Company of HK\$1,599,977,000. Stock of properties is stated at lower of cost and net realisable value while the non-controlling interest is stated at cost of equity investment plus its proportionate share of carrying amount of the net assets (if any). The Consideration is determined by reference to, among other things, the market value of the Development. The effect of change in the ownership interest of Moon Ocean on the equity attributable to owners of the Company during the Period is summarised as follows:

	<b>30th June, 2011</b> <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
Carrying amount of non-controlling interest acquired	23	–
Consideration paid to a non-controlling interest	(1,200,000)	–
Consideration payable to a non-controlling interest	(400,000)	–
	<u>                    </u>	<u>                    </u>
Excess of consideration recognised within equity	<u>(1,599,977)</u>	<u>                    </u>

### (b) Effect of change in ownership interest in Moon Ocean without change of control on the equity attributable to owners of the Company for the Period

	<b>Six months ended</b> <b>30th June, 2011</b> <i>HK\$'000</i>
Total comprehensive income for the Period attributable to owners of the Company	5,015,262
Change in equity attributable to owners of the Company arising from acquisition of additional interest in Moon Ocean	<u>(1,599,977)</u>
Net effect for change in ownership interest in Moon Ocean without change of control on equity attributable to owners of the Company	<u><u>3,415,285</u></u>

## 25. Capital Commitments and Contingent Liabilities

	<b>30th June, 2011</b> <i>HK\$'000</i>	31st December, 2010 <i>HK\$'000</i>
(a) Capital commitments:		
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	<b>455,480</b>	520,744
Development expenditure of properties in Mainland China	<b>4,803,726</b>	1,813,500
Development expenditure of properties in Macau	<b>127,825</b>	100,701
Share of commitment of an associate	<b>64,216</b>	43,238
Renovation of properties	<b>33,733</b>	45,832
Acquisition of investment property in Hong Kong	<b>711,040</b>	–
	<b><u>6,196,020</u></b>	<b><u>2,524,015</u></b>
Authorised but not contracted for:		
Development expenditure of properties in Hong Kong	<b><u>205,320</u></b>	<b><u>205,320</u></b>
(b) Contingent liabilities:		
Guarantees given to banks, in respect of banking facilities utilised by associates and an investee company	<b>1,084,100</b>	1,100,100
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	<b>15,000</b>	15,000
Repurchase guarantee given to banks in respect of mortgages facilities given to property purchasers by subsidiaries	<b>144,485</b>	9,235
	<b><u>1,243,585</u></b>	<b><u>1,124,335</u></b>

## 26. Material Related Party Transactions

During the Period, the Group entered into the following material transactions with related parties:

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
Income received from associates:		
Office rental	–	133
Management fee	24	24
Interest income	2,235	2,481
Accountancy fee	60	60
Consultancy fee	114	–
Management and maintenance service income received from a Director and a substantial shareholder	4,145	5,976
Property management service income received from companies controlled by a Director and a substantial shareholder	7,659	–
Expenses paid to associates:		
Office rental	782	577
Building management fee	268	268

Accountancy fee was charged based on an appropriate allocation of costs incurred by central administrative departments of the Group. Office rental and building management fee were determined on terms similar to those applicable to transactions with unrelated parties. Management fee, consultancy fee, management and maintenance service income and property management service income were charged at the terms agreed by both parties. Interest income was charged at the prevailing market rate based on outstanding balance during the Period.

Details of the balances with related parties at the end of the reporting period are set out in Notes 16 and 22 above.

## 27. Comparative figures

As explained in Note 2, due to the adoption of the amendment to HKAS 12, “Deferred Tax: Recovery of Underlying Assets”, for the financial year ended 31st December, 2010, certain comparative figures have been restated to comply with the new requirements. Certain other comparative figures presented in the unaudited condensed consolidated financial statements have been reclassified to conform with the current period’s presentation.

## **INTERIM DIVIDEND**

In order to maintain a continuous dividend payment record, the Board has declared a nominal interim dividend of HK1 cent per share for the Period (the “Interim Dividend”) (2010: nil). The Board considers that it is necessary to adopt a conservative dividend policy by maintaining a higher cash reserve in view of the fluctuation of global capital market since early August 2011.

Dividend warrants will be posted on or about 14th September, 2011 to shareholders whose names appear on the register of members of the Company on 6th September, 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 1st September, 2011 to 6th September, 2011, both days inclusive. In order to qualify for the Interim Dividend, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 31st August, 2011.

## **FINANCIAL OPERATION REVIEW**

### **Results**

#### *Revenue*

Revenue for the Period amounted to HK\$1,023.4 million (six months ended 30th June, 2010: HK\$692.5 million), an 47.8% increase over the same period last year and comprised gross rental income HK\$722.4 million (six months ended 30th June, 2010: HK\$505.4 million); property sales HK\$177.2 million (six months ended 30th June, 2010: HK\$379.4 million), profit in sales of held-for-trading investments on a net basis HK\$99.4 million (six months ended 30th June, 2010: loss HK\$203.9 million) and others HK\$24.4 million (six months ended 30th June, 2010: HK\$11.6 million). For property leasing, follow the completion of renovation of Windsor House and the opening of The ONE, the rental income in retail section jumped by 36.6% and the acquisition of River Court in London, the rental income from non-retail section had also shown an 54.3% increase during the Period. For held-for-trading investments, recognised gain on listed securities of HK\$99.4 million (six months ended 30th June, 2010: loss HK\$203.9 million).

#### *Gross Profit*

Gross profit for the Period amounted to HK\$856.0 million (six months ended 30th June, 2010: HK\$419.3 million), an 104.2% increase as compared with the same period last year, mainly due to an increase in profit of HK\$303.3 million from listed securities investments and HK\$195.4 million from property leasing.

#### *Property Leasing*

For property leasing, the rental revenue in retail section jumped by 36.6% to HK\$443.1 million. Rental revenue from non-retail section also jumped by 54.3% to HK\$279.3 million during the Period. The Period recorded an increase of 42.9% in total rental revenue to HK\$722.4 million as compared with 2010 of HK\$505.4 million. Together with the attributable rental revenue generated from associates of HK\$93.2 million (six months ended 30th June, 2010: HK\$58.8 million), the total attributable rental revenue to the Group after non-controlling interests reached approximately HK\$813.7 million (six months ended 30th June, 2010: HK\$562.6 million), which achieved an 44.6% increase over the same period last year.

Attributable net rental income for the Period showed HK\$738.6 million, an 44.4% increase over HK\$511.5 million in 2010.

## FINANCIAL OPERATION REVIEW *(continued)*

### Results *(continued)*

#### *Property Development and Trading*

In relation to properties sales recognised as profit for the Group and its associates, an attributable profit of HK\$972.0 million (six months ended 30th June, 2010: HK\$123.8 million) was recorded. The major components recorded in gross profit are sales of: MOD 595 in Mongkok resulting in loss of HK\$1.2 million (six months ended 30th June, 2010: HK\$3.0 million); i-home in Tai Kok Tsui generated a profit of HK\$11.7 million (six months ended 30th June, 2010: HK\$43.9 million); Phase I of Splendid City in Chengdu generated a profit of HK\$4.2 million (six months ended 30th June, 2010: nil) and York Place in Wanchai generated a profit of HK\$39.3 million (six months ended 30th June, 2010: HK\$29.5 million). Profit represented sales revenue less cost. York Place was previously an investment property and was transferred to stock of properties in 2008 at its then market value. For the units sold and recognised in the Period, the cost included a valuation surplus of HK\$34.7 million (six months ended 30th June, 2010: HK\$64.1 million). If the valuation surplus is excluded from the cost, a profit of HK\$74.0 million (six months ended 30th June, 2010: HK\$93.6 million) would be resulted.

Parking spaces at The Zenith in Wanchai (87.5% interest) sold during the Period had contributed an attributable profit to the Group of HK\$3.9 million (six months ended 30th June, 2010: The Zenith HK\$9.9 million and Gemstar Tower in Hunghom (61.96% interest) HK\$30.5 million).

In respect of properties held by associates, The Hermitage in West Kowloon (25% interest), Hing Wai Centre in Aberdeen (50% interest) and Kwong Kin Trade Centre in Tuen Mun (50% interest) generated profit of HK\$903.8 million, HK\$1.3 million and HK\$0.5 million respectively (six months ended 30th June, 2010: Hing Wai Centre HK\$2.8 million, Indihome in Tsuen Wan (50% interest) HK\$0.7 million, Miami Crescent in Sheung Shui (50% interest) HK\$4.4 million and Park Mansion in Ngau Tau Kok (35% interest) HK\$0.4 million) was reflected in the share of results of associates. For the sale of Parc Palais in Homantin (10% interest), a contribution of HK\$8.5 million (six months ended 30th June, 2010: HK\$4.7 million) was recorded in investment income.

During the Period, the forfeited deposits received for Splendid City in Chengdu HK\$0.1 million (six months ended 30th June, 2010: HK\$0.4 million) and The Metropolis in Chengdu HK\$0.1 million (six months ended 30th June, 2010: nil) were recorded in other income.

At 30th June, 2011, deposits received from stock of properties contracted to be sold and revenue to be recognised in late 2011 amounted to HK\$1.7 million. The presale recorded for Phase I of The Metropolis in Chengdu at 30th June, 2011 was 165 units of RMB213.3 million, equivalent to HK\$256.9 million, profit of which is expected to be recognised in late 2012 and HK\$229.6 million deposits were received with an average selling price approximately RMB1.3 million per unit.

In summary, the Group together with associated companies and an investee company, executed properties sale agreements, including presale agreements, to third parties with an attributable amount contracted sales of HK\$604.2 million (six months ended 30th June, 2010: HK\$1,565.5 million). Property sale profit in total recognised in the Period was HK\$972.0 million (six months ended 30th June, 2010: HK\$123.8 million).

#### *Securities Investments*

Under the low interest environment, the Group has closely managed the securities investments with a view to yield enhancement. In March and June 2011, the Group has subscribed RMB2 billion senior secured guaranteed bonds due 2014 and US\$150 million senior notes due 2015 issued by Kaisa Group Holdings Ltd. with interest rate at 8.5% per annum and 13.5% per annum respectively, announcements in respect of the subscriptions had been made on 20th January, 2011 and 23rd May, 2011 respectively.

During the Period, the total gain recognised on listed securities investments was HK\$199.1 million (six months ended 30th June, 2010: loss HK\$354.4 million), comprised gain on listed held-for-trading investments and treasury products of HK\$199.1 million (six months ended 30th June, 2010: loss on listed held-for-trading investments and treasury products of HK\$378.0 million and gain on listed equity securities included in available-for-sale investments of HK\$23.6 million).

## FINANCIAL OPERATION REVIEW *(continued)*

### Results *(continued)*

#### *Securities Investments (continued)*

##### Listed Available-for-sale Equity Investments

The Group had not disposed any listed available-for-sale equity investments for the first half year of 2011 and 2010. Dividend income of HK\$23.6 million was recognised in investment income for the six months ended 30th June, 2010.

##### Listed Held-for-trading Investments and Treasury Products

The listed held-for-trading investments and treasury products generated a profit before or after finance costs of HK\$215.8 million and HK\$199.1 million respectively for the Period (six months ended 30th June, 2010: loss before/after finance income of HK\$462.6 million/HK\$378.0 million).

Profit from the listed held-for-trading investments reflected in the condensed consolidated statement of comprehensive income for the Period comprised a gross profit of totaling HK\$99.4 million (six months ended 30th June, 2010: loss HK\$203.9 million), an unrealised loss on fair value changes amounted to HK\$260.3 million (six months ended 30th June, 2010: HK\$303.6 million), a realised loss on bonds of HK\$10.5 million (six months ended 30th June, 2010: HK\$12.0 million), no transaction of derivative financial instruments (six months ended 30th June, 2010: realised gain on release of the fair value liability on the maturity of HK\$3.2 million) and dividend and interest income of HK\$387.2 million (six months ended 30th June, 2010: HK\$53.7 million). Net finance cost for the Period of HK\$16.7 million (six months ended 30th June, 2010: finance income of HK\$84.6 million) including interest expense and exchange loss of HK\$9.9 million (six months ended 30th June, 2010: HK\$2.3 million) and HK\$6.8 million (six months ended 30th June, 2010: exchange gain of HK\$86.9 million) respectively.

##### Other Comprehensive Income from Listed Available-for-sale Equity Investments

The listed equity securities included in available-for-sale investments also bring an addition of fair value of HK\$355.7 million (six months ended 30th June, 2010: deduction of fair value HK\$181.7 million) was recognised in other comprehensive income as an equity transaction of securities investments reserve.

#### *Other Income and Expenses*

Other income mainly comes from net building management fee income, agency fee and arrangement fee income and management and maintenance service income increased to HK\$236.2 million (six months ended 30th June, 2010: HK\$97.5 million), representing an increase of 142.3% as compared with the same period last year.

During the Period, administrative expenses increased by 32.8% to HK\$159.7 million (six months ended 30th June, 2010: HK\$120.3 million) and finance costs increased by 547.8% to HK\$154.5 million (six months ended 30th June, 2010: finance income HK\$34.5 million), including exchange loss of HK\$6.8 million (six months ended 30th June, 2010: gain of HK\$86.9 million) on foreign currency loan hedged for foreign currency securities investments.

Other gains and losses recorded a net loss of HK\$8.5 million as compared to a net gain of HK\$6.1 million for the same period last year.

## **FINANCIAL OPERATION REVIEW** *(continued)*

### **Results** *(continued)*

#### *Associates*

The share of results of associates for the Period was a profit of HK\$1,084.2 million as compared to loss of HK\$19.1 million (restated) for the same period last year, which was mainly due to recognise the sale of The Hermitage and the increase in fair value on investment properties.

#### *Fair Value Changes on Investment Properties*

Investment properties of the Group in Hong Kong and PRC were revalued as at 30th June, 2011 by B.I. Appraisals Limited (“B.I. Appraisals”), independent property valuers and recorded an increase in fair value of HK\$2,651.1 million (six months ended 30th June, 2010: decrease of HK\$4,064.5 million) as a result of the upturn of the properties markets in Hong Kong and Mainland China.

### **Profit, Core Profit, Dividend, Repurchase and Cash Payment Ratio**

#### *Profit*

Profit attributable to owners of the Company for the Period was HK\$4,553.5 million as compared to loss of HK\$3,871.4 million (restated) for the same period last year. The profit for the Period was mainly due to increase in profit from listed securities investments, share of results of associates and the fair value gain on investment properties. Earnings per share was HK\$2.39 (six months ended 30th June, 2010: loss per share of HK\$1.99 (restated)).

#### *Core Profit*

If the net gain on the major non-cash items of HK\$2,904.5 million (six months ended 30th June, 2010: loss of HK\$4,070.8 million (restated)) are excluded, the Group will have a core profit attributable to owners of the Company for the Period of HK\$1,649.0 million (six months ended 30th June, 2010: HK\$199.4 million) and a core earnings per share of HK86.4 cents (six months ended 30th June, 2010: HK10.3 cents), an increase of 727.0% and 738.8% over 2010 respectively.

#### *Dividend*

Final dividend of HK1.0 cent (year ended 31st December, 2009: HK1.0 cent) per share in total amount of HK\$19.1 million for the year ended 31st December, 2010 were paid in cash on 8th June, 2011.

#### *Repurchase*

During the Period, the Company had not repurchased any of the Company’s share.



## FINANCIAL OPERATION REVIEW *(continued)*

### Profit, Core Profit, Dividend, Repurchase and Cash Payment Ratio *(continued)*

#### *Cash Payment Ratio*

Based on (a) the core profit for the Period of HK\$1,649.0 million (six months ended 30th June, 2010: HK\$199.4 million) or HK86.4 cents (six months ended 30th June, 2010: HK10.3 cents) per share; (b) no repurchase for the Period (six months ended 30th June, 2010: amount utilised for share repurchase HK\$495.4 million (including transaction cost) or HK25.5 cents per share) and (c) interim dividend of HK1.0 cent (six months ended 30th June, 2010: special dividend HK40.0 cents) per share declared for the Period, the ratio of such cash payment to the core profit is 1.2% (six months ended 30th June, 2010: 635.9%).

#### **Net Asset Value**

As at 30th June, 2011, the Group's total net asset to owners of the Company amounted to approximately HK\$36,904.1 million (31st December, 2010: HK\$33,507.9 million), an increase of HK\$3,396.2 million or 10.1% when compared with 31st December, 2010. With the total number of ordinary shares in issue of 1,907,619,079 as at 30th June, 2011 (31st December, 2010: 1,907,619,079 shares), the net asset value per share to owners of the Company was HK\$19.35, an increase of 10.1% over 31st December, 2010 (HK\$17.57 per share). The movement in net asset value was mainly due to (a) profit attributable to owners of the Company for the Period of HK\$4,553.5 million; (b) addition in the reserve for the listed available-for-sale investment of HK\$355.7 million and (c) reduction in relation to the acquisition of 29.99% non-controlling interest in the Macau Project of HK\$1,600.0 million.

An addition in fair value on the listed equity securities investments categorised as available-for-sales investments of approximately HK\$355.7 million (six months ended 30th June, 2010: deduction of HK\$181.7 million) was recognised for the Period. The carrying amount of the cumulative gain on fair value of the listed equity securities investments in securities investments reserve as at 30th June, 2011 is HK\$355.7 million (31st December, 2010: nil).

Other than the existing projects and those disclosed in the interim results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

#### **Securities Investments**

As at 31st December, 2010, the carrying amount of the listed securities investments and treasury products was HK\$7,607.5 million. During the Period, the portfolio was increased by a net purchase of HK\$2,989.2 million. After adding the fair value gain of HK\$95.4 million for the Period, the listed securities investments portfolios of the Group reached HK\$10,692.1 million as at 30th June, 2011 representing 16.0% of total assets, which formed part of the Group's cash management activities.

The portfolio of HK\$10,692.1 million (31st December, 2010: HK\$7,607.5 million) comprised (a) equity securities (available-for-sale investments) of HK\$3,495.2 million (31st December, 2010: nil); (b) equity securities (investments held-for-trading) of HK\$523.3 million (31st December, 2010: HK\$2,422.1 million) and (c) bonds (financial assets designated as at fair value through profit or loss) of HK\$6,673.6 million (31st December, 2010: HK\$5,185.4 million).

## **FINANCIAL OPERATION REVIEW** *(continued)*

### **Securities Investments** *(continued)*

#### *Unlisted Equity Securities*

In June 2011, the Group acquired 49% of the entire issued share capital of Grandday Group Limited (“Grandday”), which indirectly held the land located at the southeast exterior of Yin Xing Ken District, Yinyang Town, Qidong City, Jiangsu Province, at a consideration of US\$500 million (equivalent to HK\$3,889.0 million). As the Group has no significant influence in the board of directors of Grandday and therefore the investment in Grandday is classified as an unlisted equity investment included in available-for-sale investment.

#### *Notes held by Listed Subsidiaries*

As at 30th June, 2011, the carrying amount of the floating rate and fixed rate notes amounted to HK\$252.5 million (31st December, 2010: HK\$262.7 million) representing 0.4% of the total assets of the Group at the end of the reporting period. The decrease mainly represented a redemption of the fixed rate notes upon maturity during the Period.

### **Risk Management**

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

### **Equity**

The number of issued ordinary shares as at 30th June, 2011 and 31st December, 2010 were 1,907,619,079.

### **Debt and Gearing**

As at 30th June, 2011, the Group’s bank and other borrowings amounted to HK\$26,117.0 million (31st December, 2010: HK\$18,710.5 million). Cash and deposit at bank amounted to HK\$6,628.0 million (31st December, 2010: HK\$10,689.3 million), pledged deposit amounted to HK\$504.4 million (31st December, 2010: HK\$187.1 million) and net borrowings amounted to HK\$18,984.6 million (31st December, 2010: HK\$7,834.1 million).

Total debt to equity ratio was 69.4% (31st December, 2010: 54.7%) and net debt to equity ratio was 50.5% (31st December, 2010: 22.9%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$37,614.1 million (31st December, 2010: HK\$34,210.9 million).

However, if the listed securities investments and treasury products of HK\$10,692.1 million (31st December, 2010: HK\$7,607.5 million) are included, the net debt to equity ratio will be 22.0% (31st December, 2010: 0.7%).

The increase of total debt to equity ratio and net debt to equity ratio were mainly due to the increase of borrowings, for acquisition of an investment property in United Kingdom and acquisition of unlisted equity securities during the Period.

As at 30th June, 2011, the Group’s bank and other borrowings were denominated in Hong Kong dollar (68.4%), United States dollar (16.0%), Pound Sterling (12.9%), Renminbi (2.3%), Japanese Yen (0.3%) and Singapore dollar (0.1%). Of the Group’s bank and other borrowings of HK\$26,117.0 million, 33.8%, 33.6%, 21.3%, and 11.3% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. United States dollar and Japanese Yen investment securities were hedged by United States dollar and Japanese Yen borrowings respectively. The Group’s bank and other borrowings carrying interest rates were calculated mainly with reference to HIBOR and inter-bank rate while the loan in Pound Sterling was carried at fixed rate. As at 30th June, 2011, about 87.1 % of the Group’s borrowing were on floating rate basis and 12.9% were on fixed rate basis. No hedging for interest rate is subsisted at the end of the reporting period.

## FINANCIAL OPERATION REVIEW *(continued)*

### Pledge of Assets

As at 30th June, 2011, the Group had pledged the following assets:

- (a) The Group's investment properties, properties and other fixed assets, stock of properties and time deposits with their respective carrying amount of approximately HK\$29,838.0 million (31st December, 2010: HK\$23,787.4 million), HK\$486.8 million (31st December, 2010: HK\$488.4 million), HK\$2,393.8 million (31st December, 2010: HK\$2,219.8 million) and HK\$504.4 million (31st December, 2010: HK\$163.1 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) The Group's available-for-sale investments, investments held-for-trading and bonds with carrying amount of approximately HK\$9,006.6 million (31st December, 2010: investments held-for-trading and bonds HK\$7,219.6 million and cash deposit HK\$23.9 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions and utilised by the Group as borrowings due within one year of approximately HK\$6,467.5 million (31st December, 2010: HK\$2,682.0 million).
- (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.
- (d) The Group has subordinated and assigned its advances to associates and advance to an investee company of approximately HK\$1,845.7 million (31st December, 2010: HK\$1,806.0 million) to financial institutions to secure general banking credit facilities granted to associates and an investee company.

### Repurchase Guarantee

Certain mortgagee banks have provided end-user financing to purchasers of Splendid City and The Metropolis and the Group has provided repurchase guarantees to these mortgagee banks for securing the obligations of such purchasers for repayments. Such guarantees will be terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the mortgagee banks.

The total outstanding amount of repurchase guarantee as at 30th June, 2011 was RMB120.0 million (equivalent to HK\$144.5 million) (31st December, 2010: RMB7.8 million (equivalent to HK\$9.2 million)) and disclosed in the contingent liabilities.

### Financial and Interest Income/Expenses

Interest income was included in revenue and investment income. Other than imputed interest, interest income for the Period was HK\$432.1 million, representing an increase of 482.3% from that of 30th June, 2010 (HK\$74.2 million).

## **FINANCIAL OPERATION REVIEW** *(continued)*

### **Financial and Interest Income/Expenses** *(continued)*

Finance costs included interest expenses on bank and other loans, imputed interest expenses, exchange difference on foreign currency loans, arrangement fee and facility and commitment fee expenses. Excluding imputed interest, interest expenses for the Period amounted to HK\$130.0 million, representing an 184.5% increase over the interest expenses of HK\$45.7 million recorded for the same period last year. The increase in interest expenses was mainly due to increase in bank loan and interest rate during the Period. Interest capitalised for the Period was HK\$31.3 million as compared to HK\$19.8 million for the same period last year. The average interest rate over the period under review was 1.33% (six months ended 30th June, 2010: 0.90%), which was expressed as a percentage of total interest paid over the average total borrowings.

### **Remuneration Policies, Share Option Scheme and Share Award Scheme**

During the period under review, the Group employed a total of 348 staff (six months ended 30th June, 2010: 321 staff) (excluding about a total of 341 staff (six months ended 30th June, 2010: 318 staff) for estate management employed under the Group's estate management company, Perfect World Company Limited and about a total of 171 staff (six months ended 30th June, 2010: 127 staff) employed under the Chengdu office, PRC).

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Director continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted during the Period.

The Company had adopted a share award scheme (the "Scheme") in 2009. The Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the Scheme during the Period.

### **Mainland China, Macau and United Kingdom**

Profit contribution from the Group's investment in the Mainland China (including gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Period amounted to HK\$109.7 million (six months ended 30th June, 2010: loss HK\$21.6 million). The Group's net investment as at 30th June, 2011 amounted to HK\$11,885.9 million (31st December, 2010: HK\$7,468.1 million) representing approximately 31.6% of the Group's net asset value.

Besides, the Group's net investment in Macau as at 30th June, 2011 amounted to HK\$2,010.5 million (31st December, 2010: HK\$1,748.2 million) representing approximately 5.3% of the Group's net asset value.

Further, the Group acquired an investment property in United Kingdom in value of GBP280.0 million (equivalent to HK\$3,500.2 million) in January 2011, which contributed a profit of HK\$39.0 million for the Period. As at 30th June, 2011, the Group's net investment amounted to HK\$493.1 million representing approximately 1.3% of the Group's net asset value.

## FINANCIAL OPERATION REVIEW *(continued)*

### Listed Subsidiaries

At the end of the reporting period, the Group owned 61.96% interest in Chi Cheung Investment Company, Limited and 41.93% interest in G-Prop (Holdings) Limited.

### Property Valuation

A property valuation has been carried out by B.I. Appraisals, independent qualified professional valuers, in respect of the Group's investment properties in Hong Kong and PRC as at 30th June, 2011 and that valuation was used in preparing 2011 interim results. Property valuation as at 31st December, 2010 was also carried out by B.I. Appraisals. B.I. Appraisals continues to adopt investment method and/or direct comparison method as the valuation methodologies. For the investment property in United Kingdom which was acquired by the Group in January 2011, the directors of acquiring subsidiary have valued this investment property based on their opinion of the open market investment value.

The Group's investment properties were valued at HK\$33,725.8 million (31st December, 2010: HK\$27,419.0 million), an 9.61% increase over 2010 after adjusted for additions and disposals of investment properties during the Period. The increase in fair value of approximately HK\$2,651.1 million was recognised in the unaudited condensed consolidated statement of comprehensive income for the Period. The Group also shared an increase in fair value of investment properties of the associates of HK\$303.4 million (adjusted deferred tax expense of HK\$20.6 million) for the Period. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the unaudited condensed consolidated financial statements. Investment property under development at Chinese Estates Plaza, Chengdu was stated at cost of HK\$1,946.5 million and will be carried at fair value, until the earlier of the date when its fair value first become reliably measurable or the date of its completion of the property.

The increase in fair value of HK\$2,651.1 million or 9.61% was mainly attributable to the Group's three major investment properties, namely Windsor House, Silvercord and Causeway Place, which recorded increase of HK\$894.9 million (or 12.1%), HK\$810.9 million (or 14.7%) and HK\$187.4 million (or 13.4%) respectively. The three properties have in aggregate shown an increase of HK\$1,893.2 million or 71.4% of the total increase. Such increase has reflected the general market trend for the Period. Rental renewals of these three properties for the Period have shown a remarkable increase over the end of 2010.

## **BUSINESS REVIEW**

### **Hong Kong Property Investment**

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 94.76% during the Period excluding improvement work area of Silvercord. The occupancy rate achieved 97.34% if non-core properties are excluded and it has been increased 2.90% over the same period of last year. The high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

The Group's overall gross rental growth was 25.12% with rental income of HK\$582.9 million for the Period as compared with the corresponding period of last year. The rental income from Hong Kong retail portion showed an upward momentum with 38.04% growth while the non-retail portion maintained stable performance. The increase in gross rental income is mainly attributable to the completion of renovation works of Windsor House and the opening of The ONE. Retail rents were generally raised due to the increase in tenants' business turnover benefited from the continuous growth of Mainland China tourists' spending and the improved local consumption.

The Group had disposed the retail shops of Excelsior Plaza (include Laforet), Southorn Centre (also known as Wanchai Computer Centre) and York Place in July and August 2010 respectively.

During the Period, the average occupancy rate of the shops of Causeway Place was approximately 98.79%.

The overall rental income of Windsor House was raised 54.02% for the Period as compared with the corresponding period of last year due to the completion of renovation works of Windsor House in May 2010. The revamped Windsor House provides shoppers a cozy shopping environment with a diversified trade mix. During the Period, its average occupancy rate was approximately 94.46%. The rental growth and high occupancy rate once again demonstrate the Group's expertise on value enhancement for its investment properties through renovations.

As for Silvercord, the overall rental income was raised 1.72% for the Period as compared with the corresponding period of last year. Its average occupancy rate was approximately 97.69% during the Period excluding improvement work area. Improvement works in relation to further refine the configuration of the retail shops and restaurants at basement to third floor had been completed in February 2011.

The ONE had been grand opened on 29th October, 2010 subsequent to the completion of redevelopment of the former Tung Ying Building in July 2010. It is a 29-storey integrated shopping, entertainment and food and beverage complex with more than 400,000 square feet of retail spaces. At present, The ONE is the tallest retail complex of its kind in Hong Kong and is one of the landmark shopping arcades in Tsim Sha Tsui. All the shops were leased out as of 30th June, 2011 with many of them are popular fashion brands and well-known trademarks.

The occupancy rate for the Group's office properties maintained at a high level throughout the first half of 2011. During the Period, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 90.57%, 99.81% and 91.62% respectively, bringing the approximate occupancy rate of the overall office portfolio to 93.97%.

## **BUSINESS REVIEW** *(continued)*

### **Hong Kong Property Development**

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving pleasing results.

York Place is a high-end residential tower located in prime area of Wanchai, having 94 units with flat size ranging from gross floor area of approximately 576 square feet to 2,037 square feet. As at 30th June, 2011, all units were sold.

i-home is a joint venture project with the Urban Renewal Authority located in Tai Kok Tsui. It provides a single residential tower block comprises 182 units with flat size ranging from gross floor area of approximately 462 square feet to 1,182 square feet. As at 30th June, 2011, all units were sold.

MOD 595 is another joint venture project with the Urban Renewal Authority located in Mongkok. It provides a single residential tower block comprises 85 units with flat size ranging from gross floor area of approximately 483 square feet to 1,188 square feet. 98.82% of total units (i.e. 1 unit remaining) were sold up to 30th June, 2011. The remaining unit has been transacted in August 2011.

Sun Fair Mansions, 12 Shiu Fai Terrace, located in Mid-Levels East, is a traditional prestigious location for luxury residential project in Hong Kong. A luxury residential tower which provides a total residential gross floor area of around 41,020 square feet will be redeveloped. Site formation work is in progress. Completion of the project is scheduled for mid 2013 and its launching is scheduled for the first quarter of 2012.

The Group has a two-phase redevelopment project in Wanchai (87.5% interest) undertaken with the Urban Renewal Authority. All residential units of The Zenith (Phase I project) were sold. Phase II project, named as ONE WANCHAI, is a residential/commercial complex development with total gross floor area of approximately 159,700 square feet which provides 237 residential units with flat size ranging from gross floor area of approximately 420 square feet to 1,200 square feet and retail properties. Redevelopment work with preservation of the core elements of Wanchai Market and superstructure work are in progress. Completion is re-scheduled to early 2013. Pre-sale consent was received in June 2011 and it is expected to be launched in the second half of 2011.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area of about 36,000 square feet which provides a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. The first phase of the site formation work had been completed. Piling works and the associated substructure works are in progress. The project is expected to be launched in the third quarter of 2012.

The Hermitage (25% interest), is one of the Group's joint venture development projects in West Kowloon Reclamation Area. It comprises 6 residential tower blocks and provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. Certificate of compliance was issued in March 2011 and the residential units are being handed over to individual purchasers. As at 30th June, 2011, 936 units were sold, representing 97.10% of total units.

Another West Kowloon - joint venture development project is located at the junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road (15% interest). Its superstructure work is in progress. 6 residential tower blocks, which provide in aggregate 740 residential units and retail properties with a total gross floor area of around 650,600 square feet, will be developed. Completion of the whole project is re-scheduled to the third quarter of 2012. It is expected to be launched in 2011.

## **BUSINESS REVIEW** *(continued)*

### **Macau Property Development**

The Group is planned to develop the site at Avenida Wai Long, Taipa, Macau (owned 100% interest upon acquisition of the remaining 29.99% interest from an independent third party in March 2011) into a high-end residential project with a total residential gross floor area of approximately 5,786,296 square feet (excluding car park area and outdoor facilities area). Such development named as La Scala, will comprise 26 residential tower blocks and will be developed in phases. Phase I development is being implemented and its site formation work commenced in May 2010. The launching of Phase I development is re-scheduled to the fourth quarter of 2011.

### **Mainland China Property Investment**

The average occupancy rate of the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen was approximately 97.85% for the Period.

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex and has a gross floor area of around 263,708 square feet. The average occupancy rates of the office and retail spaces for the Period were approximately 86.37% and 56.44% respectively.

Platinum (50% interest), a 20-storey Grade A office building located at Taicang Road of Luwan District in Shanghai, has a gross floor area of about 466,464 square feet. The average occupancy rate for the Period was approximately 99.52%.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 82.70% for the Period.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 99.54% for the Period.

### **Mainland China Property Development**

Splendid City, a residential and commercial project located at Yingbin Road of Jinniu District in Chengdu, has a site area of approximately 795,625 square feet and a corresponding gross floor area of approximately 3.74 million square feet. It will comprise 19 residential tower blocks with a commercial building and will be developed in two phases. Phase I of Splendid City will provide 1,226 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet and a commercial building with gross floor area of approximately 272,740 square feet. Phase I had been completed in November 2010 and the residential units had been handed over to individual purchasers. As at 30th June, 2011, 1,210 units of Phase I were sold, representing 98.69%. Phase II of Splendid City will provide 1,625 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet. It is under superstructure construction and expected to be completed in mid 2012. The launching of Phase II is scheduled for the third quarter of 2011.



## **BUSINESS REVIEW** *(continued)*

### **Mainland China Property Development** *(continued)*

The Metropolis is a residential project located at Dongda Street of Jinjiang District in Chengdu, with site area of approximately 194,411 square feet and corresponding gross floor area of approximately 1.65 million square feet. It will comprise 6 residential tower blocks and will be developed in phases. Phase I of The Metropolis will provide 572 units with flat size ranging from gross floor area of approximately 704 square feet to 2,692 square feet. It is under superstructure construction and expected to be completed in end 2012. Since its first sales launch of Phase I commenced in December 2010, 165 units (i.e. 28.85%) were presold up to 30th June, 2011.

Chinese Estates Plaza, a commercial and residential project at South Taisheng Road of Qingyang District in Chengdu, has a site area of about 404,267 square feet with a development scale of 3.2 million square feet. It will comprise a Grade A office building, a five stars hotel, a shopping centre and 4 residential tower blocks. Superstructure construction works are in progress. Completion of the commercial and residential portions are scheduled for end 2013 and end 2014 respectively.

The commercial and residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), has a site area of around 2,207,546 square feet and a gross floor area of approximately 11.08 million square feet. The land was handed over in July 2010 and the project is at design stage. It will be developed in four phases and Phase I is expected to be completed in the second quarter of 2016.

In June 2011, the Group invested indirectly in the land located at the southeast exterior of Yin Xing Ken District, Yinyang Town, Qidong City, Jiangsu Province (49% interest), having a total site area of approximately 14.37 million square feet. The land will be developed into an integrated residential, business and resort complex with an estimated total gross floor area of 17.01 million square feet. Construction of the first phase of the development has commenced. Details of such investment have been included in “Other Information and Events After The Reporting Period” below.

### **Overseas Property Investment**

In January 2011, the Group acquired a Grade A freehold office building, namely River Court, situate at 116-129 Fleet Street, London, United Kingdom. River Court provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces. The office area is let to an international investment bank as part of its European headquarters and the retail unit at the ground floor and lower ground floor is let to a chemists retail company. Details of the acquisition have been included in “Other Information and Events After The Reporting Period” below.

## **OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD**

### **Acquisition of River Court**

As announced on 14th January, 2011, the Group had entered into a sale and purchase agreement with independent third parties on 14th January, 2011 to acquire the entire issued share capital in River Court Holdings Limited, which indirectly held a Grade A freehold office building, namely River Court, situate at 116-129 Fleet Street, London, United Kingdom, at a final consideration consisted of payment in cash of approximately GBP37.76 million and the assumption of shareholders' loan of approximately GBP43.29 million (equivalent to approximately HK\$453.44 million and HK\$519.85 million respectively). The acquisition constituted a discloseable transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Completion of the acquisition took place on 14th January, 2011.

### **Subscription and Purchase of Bonds**

As announced on 20th January, 2011, the Group had entered into a subscription agreement with, among others, Kaisa Group Holdings Ltd. ("Kaisa") on 19th January, 2011 in relation to the subscription and purchase of its 8.5% senior secured guaranteed bonds due 2014 in the aggregate principal amount of RMB2 billion, to be settled in United States dollar (which is equivalent to approximately US\$303 million). The subscription was completed on 15th March, 2011.

### **Acquisition of Non-controlling Interest in Moon Ocean Ltd.**

On 28th March, 2011, the Group entered into a sale and purchase agreement with an independent third party to acquire 2,999 non-voting deferred shares in Moon Ocean Ltd. ("Moon Ocean"), representing 29.99% of the entire issued share capital of Moon Ocean, at a total cash consideration of HK\$1,600 million. Moon Ocean is the owner of the leasehold interest in the land located at Avenida Wai Long, Taipa, Macau which is under development (the "Development"). As a result of the acquisition, the Group owns 100% of Moon Ocean and the Development. The acquisition constituted a discloseable transaction of the Company under the Listing Rules and an announcement had been made on 28th March, 2011. The acquisition was completed on 28th March, 2011.

### **Investment in Grandday Group Limited**

The Group had on 16th May, 2011 entered into a sale and purchase agreement with Evergrande Real Estate Group Limited and its wholly-owned subsidiary, to acquire 49 shares in Grandday Group Limited ("Grandday"), representing 49% of the entire issued share capital of Grandday, which indirectly owns the land use rights of the land located at the southeast exterior of Yin Xing Ken District, Yinyang Town, Qidong City, Jiangsu Province, at a total cash consideration of US\$500 million (equivalent to approximately HK\$3,888.95 million). Relevant announcement had been made on 16th May, 2011. As per the announcement, the acquisition constituted a discloseable transaction of the Company under the Listing Rules. The acquisition was completed on 22nd June, 2011.

## **OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD** *(continued)*

### **Subscription and Purchase of Notes**

As announced on 23rd May, 2011, the Group had entered into a subscription agreement with, among others, Kaisa on 23rd May, 2011 in relation to the subscription and purchase of its additional 13.5% senior notes due 2015 in the aggregate principal amount of US\$150 million. The subscription was completed on 14th June, 2011.

### **Proposed Disposal of Chi Cheung Group**

As announced on 29th June, 2011, the Group had entered into a sale and purchase agreement with an independent third party (the “Agreement”) on 29th June, 2011 in relation to the disposal of 209,931,186 shares in Chi Cheung Investment Company, Limited (“Chi Cheung”), a subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), representing all the share interests of the Group in Chi Cheung and representing approximately 61.96% of the entire issued share capital of Chi Cheung, at a total consideration of HK\$836,238,998.53 (the “Disposal”). Completion of the Disposal was conditional upon the fulfilment of conditions precedent on or before 29th July, 2011. As subsequently announced on 29th July, 2011, given that the conditions precedent had not been all fulfilled on 29th July, 2011, the Agreement had lapsed after 29th July, 2011 and the Disposal would not proceed.

### **Acquisition of a Property held for Investment**

The Group had successfully bidden from a tender for the acquisition of an investment property known as “Lynx Hill” located at No.3 Deep Water Bay Road, Hong Kong at a consideration of HK\$888.8 million on 31st May, 2011. Completion of the acquisition took place on 17th August, 2011.

## **PROSPECTS**

The global economy is still in turbulence from the aftermaths of the 2009 economic crisis. The United States and European economies are of particular concerns and should be closely observed. On the other hand, it does appear that nations have become very experienced in deploying collaborative and prompt efforts to address economic issues and to prevent economic downturns. Overall, we remain cautiously optimistic about 2011.

Our new shopping centre, The ONE, has become a spotlight for shoppers and destination for tourists since its opening with 100% occupancy rate. The retail rental income of the Group is benefiting from the continuous growth of Mainland China tourists’ spending and improved local consumption.

The Group has planned to launch La Scala, a high-end residential project located at Avenida Wai Long, Taipa, Macau; as well as ONE WANCHAI, a residential development with conservation of the core elements of Wanchai Market for sale in the second half of 2011. The Group is confident that both projects will be well received by the market, because of the strong demand for premier residential properties in prime locations. Meanwhile, River Court, a prime office property in London, has brought positive return since acquisition in the first half of 2011.

## PROSPECTS (continued)

The Central Government has implemented a new series of macroeconomic regulations including, among others, financial and administrative measures to stabilise the residential property market since 2010. Under the impact of these measures, especially the house purchase restriction scheme, the residential property market in eastern coastal and first-tier cities of China, which previously saw a rapid price rise and being the forces of such regulations, has now stabilised. In respect of the Group's development projects in Chengdu city in western China, The Metropolis is now at launch, and Phase II of Splendid City is expected to be launched in the third quarter of the year while nearly all units of Phase I of Splendid City were sold and delivered. Given their prime locations and superb designs, construction and management services, these projects were well received and sought after by buyers. The Group believes that the effect of these macroeconomic regulations on the sales of its Chengdu projects would be minimal. In the medium-to-long run, the Group is optimistic about the prospect of the domestic residential property market in view of the sustainable growth of the Mainland China economy and the huge demand for residential properties.

The Group will continue replenishing its land bank in Hong Kong, the Mainland China and overseas and expanding its investment property portfolio at opportune times.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th June, 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Appendix 10 of Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:-

### I The Company

Name of Directors	Number of Shares Held	Note	Capacity	Percentage of Issued Share Capital
Joseph Lau, Luen-hung ("Mr. Joseph Lau")	230,984,820	(1)	Founder and beneficiary of trust	
	1,198,658,948	(2)	Founder and beneficiary of trust	
	<u>1,429,643,768</u>			74.94%
Lau, Ming-wai ("Mr. MW Lau")	230,984,820	(1)	Beneficiary of trust	
	1,198,658,948	(2)	Beneficiary of trust	
	<u>1,429,643,768</u>			74.94%

#### Notes:

- (1) These shares were indirectly owned by a discretionary trust of which Mr. Joseph Lau was the founder. Mr. Joseph Lau, Mr. MW Lau and certain other family members of Mr. Joseph Lau were eligible beneficiaries of that trust.
- (2) These shares were held by a unit trust of which Mr. Joseph Lau was one of the unit holders. The rest of the units in the unit trust were held by a discretionary trust of which Mr. Joseph Lau was the founder. Mr. MW Lau and certain other family members of Mr. Joseph Lau were eligible beneficiaries of the discretionary trust.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS** *(continued)*

**II Associated Corporations of the Company**

**1. Chi Cheung Investment Company, Limited (“Chi Cheung”)**

<b>Name of Director</b>	<b>Number of Shares Held</b>	<b>Note</b>	<b>Capacity</b>	<b>Percentage of Issued Share Capital</b>
Mr. Joseph Lau	209,931,186	(1)	Founder of trust, beneficiary of trust and interest in controlled corporation	61.96%

**2. G-Prop (Holdings) Limited (“G-Prop”)**

<b>Name of Director</b>	<b>Number of Shares Held</b>	<b>Note</b>	<b>Capacity</b>	<b>Percentage of Issued Share Capital</b>
Mr. Joseph Lau	1,018,380,590	(2)	Founder of trust, beneficiary of trust and interest in controlled corporation	
	493,678,883	(3)	Interest in controlled corporation	
	<u>1,512,059,473</u>			62.26%

*Notes:*

- (1) Mr. Joseph Lau, by virtue of his 74.94% interests in the issued share capital of the Company as disclosed in paragraph I above, was deemed to be interested in 209,931,186 shares of Chi Cheung held by Billion Up Limited, an indirect wholly-owned subsidiary of the Company.
- (2) Mr. Joseph Lau, by virtue of his 74.94% interests in the issued share capital of the Company as disclosed in paragraph I above, was deemed to be interested in 1,018,380,590 shares of G-Prop held by Mass Rise Limited, an indirect wholly-owned subsidiary of the Company.
- (3) Such interests were held by a company of which Mr. Joseph Lau was the sole ultimate beneficial owner.

All the interests stated above represent long positions. The percentage shown was the number of shares the relevant Directors were interested in expressed as a percentage of the number of issued shares as at 30th June, 2011.

Save as disclosed above, none of the other Directors and chief executives of the Company had or were deemed under the SFO to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th June, 2011.

During the Period, none of the Directors and chief executives of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30th June, 2011, so far as are known to any Directors or chief executives of the Company, the following parties (other than Directors or chief executives of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:–

<b>Name of Substantial Shareholders</b>	<b>Number of Shares Held</b>	<b>Notes</b>	<b>Capacity</b>	<b>Percentage of Issued Share Capital</b>
GZ Trust Corporation	1,429,643,768	(1), (2)	Trustee, beneficiary of a trust and interest in controlled corporation	74.94%
Global King (PTC) Ltd.	1,198,658,948	(1)	Trustee	62.83%
Joseph Lau Luen Hung Investments Limited	230,984,820	(2)	Beneficial owner	12.10%

### Notes:

- (1) GZ Trust Corporation as trustee of a discretionary trust held units in a unit trust of which Global King (PTC) Ltd. was the trustee and therefore was regarded as interested in the same parcel of shares held by Global King (PTC) Ltd. These shares were the same parcel of 1,198,658,948 shares of the Company referred to in both “Founder and beneficiary of trust” and “Beneficiary of trust” of Mr. Joseph Lau and Mr. MW Lau respectively under “Directors’ and Chief Executives’ Interests in the Securities of the Company and Associated Corporations” as disclosed in paragraph I above.
- (2) GZ Trust Corporation as trustee of another discretionary trust held the entire issued share capital of Joseph Lau Luen Hung Investments Limited and therefore was regarded as interested in the same parcel of shares held by Joseph Lau Luen Hung Investments Limited. These shares were the same parcel of 230,984,820 shares of the Company referred to in both “Founder and beneficiary of trust” and “Beneficiary of trust” of Mr. Joseph Lau and Mr. MW Lau respectively under “Directors’ and Chief Executives’ Interests in the Securities of the Company and Associated Corporations” as disclosed in paragraph I above.

All the interests stated above represent long positions. As at 30th June, 2011, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

## SHARE AWARD SCHEME

The Company had adopted a share award scheme (the “Share Award Scheme”) in 2009. The Share Award Scheme is a long-term incentive arrangement for the selected employees. The purpose of the Share Award Scheme is to recognise and reward certain employees of the Group for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. It also intends to attract suitable professional recruits to join the Group and to assist in the further development of the Group. Details of the Share Award Scheme were set out in the circular of the Company dated 23rd December, 2008. No share was granted under the Share Award Scheme during the Period.

## **AUDIT COMMITTEE REVIEW**

The interim results for the Period are unaudited and have not been reviewed by the auditors of the Company. The Audit Committee of the Company, comprised all the Independent Non-executive Directors (“INED(s)”), has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the Period.

## **CORPORATE GOVERNANCE**

Throughout the Period, the Company had applied the principles of the Code on Corporate Governance Practices (the “Code”) and complied with the code provisions and certain recommended best practices set out in the Code contained in Appendix 14 to the Listing Rules, except (i) the roles of chairman and chief executive officer are not separate (which is required under code provision A.2.1), considered reasons were disclosed in page 37 of the Corporate Governance Report under the Company’s 2010 Annual Report; and (ii) the Chairman of the Board was unable to attend the Company’s annual general meeting held on 26th May, 2011 (“AGM”) (which is required under code provision E.1.2) as he had to deal with business issue and therefore Mr. Chan, Kwok-wai, an INED as well as the chairman of Audit Committee and Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code. All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code and the said code of conduct during the Period.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (“Relevant Employees”) who, because of office or employment, are likely to be in possession of unpublished price-sensitive information in relation to the Group’s securities had been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the said code during the Period.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **APPRECIATION**

We would like to take this opportunity to express our gratitude to the shareholders for their continued support. We would also like to express our sincere thanks to all staff members for their dedication and hard work.

On behalf of the Board  
**Joseph Lau, Luen-hung**  
*Chairman*

Hong Kong, 17th August, 2011