



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

Interim Report For The Six Months Ended 30th June, 2012

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** Should there be any discrepancy between the English and Chinese versions, the English version shall prevail.*

CORPORATE INFORMATION

Directors

Executive Directors:

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

Chan, Sze-wan
Lam, Kwong-wai
Lui, Lai-kwan

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

Nomination Committee

Phillis Loh, Lai-ping (Chairman)
Chan, Kwok-wai
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 Limited

Bankers

(Listed in alphabetical order)

Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
Bank SinoPac
BNP Paribas
Cathay United Bank Company, Limited
China Everbright Bank
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

Beijing Office:

Room 202, Oriental Place
No. 9 East Dongfang Road
North Dongsanhuan Road
Chaoyang District, Beijing, PRC
Post Code: 100027
Tel: (8610) 6466 0638
Fax: (8610) 6466 0238

Chengdu Office:

Room 2608, 26th Floor, CCB Sichuan Building
No. 88 Tidu Street
Qinyang District, Chengdu
Sichuan Province, PRC
Post Code: 610016
Tel: (8628) 8676 7747
Fax: (8628) 6613 5700

Shanghai Office:

Room B103, Evergo Tower
1325 Central Huaihai Road
Xuhui District, Shanghai, PRC
Post Code: 200031
Tel: (8621) 6445 8945
Fax: (8621) 6445 9710

Shenzhen Office:

Rooms 1-3, South Gong, 6th Floor
Lowu Commercial Plaza
25 Railway Station Square
Luohu District, Shenzhen
Guangdong Province, PRC
Post Code: 518001
Tel: (86755) 8234 7139
Fax: (86755) 8234 0012

Macau Office:

Room 1101A, 11th Floor, AIA Tower
Nos. 251A-301 Avenida Comercial de Macau
Macau SAR
Tel: (853) 2828 3228
Fax: (853) 2899 1108

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

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, 2012 (the “Period”) together with the comparative figures for the corresponding period in 2011:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

	Notes	Six months ended 30th June,	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	3	863,904	1,023,393
Cost of sales		(54,533)	(167,363)
Gross profit		809,371	856,030
Other income	5	24,689	236,215
Investment income, net	6	753,199	183,049
Administrative expenses		(170,030)	(159,735)
Other expenses	7	(1,439)	(15,251)
Gain on disposals of properties and other fixed assets		348	–
Loss on disposals of investment properties		–	(886)
Fair value changes on investment properties		2,813,379	2,651,110
Finance costs	9	(170,569)	(154,532)
Other gains and losses, net	10	128,386	(8,491)
Share of results of associates		152,348	1,084,212
Profit before tax		4,339,682	4,671,721
Income tax expense	11	(165,855)	(105,801)
Profit for the period	8	4,173,827	4,565,920
Other comprehensive income			
Fair value changes on available-for-sale investments		(3,559)	345,978
Surplus on revaluation of properties and other fixed assets		98,162	–
Exchange differences on translation of foreign operations		(66,570)	112,646
Share of other comprehensive (expenses) income of associates		(12,929)	3,214
Other comprehensive income for the period (net of tax)		15,104	461,838
Total comprehensive income for the period		4,188,931	5,027,758
Profit for the period attributable to:			
Owners of the Company		4,157,942	4,553,463
Non-controlling interests		15,885	12,457
		4,173,827	4,565,920
Total comprehensive income for the period attributable to:			
Owners of the Company		4,171,475	5,015,262
Non-controlling interests		17,456	12,496
		4,188,931	5,027,758
Earnings per share (HK\$)	15		
Basic and diluted		2.18	2.39

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	<i>Notes</i>	30th June, 2012 <i>HK\$'000</i> (Unaudited)	31st December, 2011 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	16	37,953,050	34,484,529
Properties and other fixed assets		529,182	521,756
Property interests held for future development		–	–
Intangible assets		–	1,430
Goodwill	17	322,938	329,879
Interests in associates	18	1,685,164	1,693,745
Advances to associates	19	1,634,901	1,618,642
Interests in jointly controlled entities		–	–
Available-for-sale investments	20	4,096,610	4,160,350
Financial assets designated as at fair value through profit or loss		2,568,389	2,453,411
Advances to investee companies		–	406,241
Loans receivable – due after one year		30	58
Deferred tax assets		42,593	47,279
Advances to non-controlling shareholders		119,341	124,388
Pledged deposits		202,232	165,441
		49,154,430	46,007,149
Current assets			
Stock of properties		5,866,899	5,707,076
Available-for-sale investments	20	23,947	53,323
Investments held-for-trading		–	514,917
Financial assets designated as at fair value through profit or loss		4,314,520	2,773,200
Loans receivable – due within one year		63	60
Inventories for cosmetic products		3,501	3,939
Debtors, deposits and prepayments	21	711,116	583,469
Securities trading receivables and deposits		613,826	25,362
Tax recoverable		2,656	1,320
Pledged deposits		2,416,677	1,539,558
Time deposits, bank balances and cash		4,801,645	4,268,499
Sales proceeds held by stakeholders		903,419	33,725
		19,658,269	15,504,448
Assets classified as held for sale	12	196,761	–
		19,855,030	15,504,448
Current liabilities			
Creditors and accruals	22	571,686	765,027
Securities trading and margin payable		7,013	10,996
Deposits and receipts in advance		2,494,821	970,516
Tax liabilities		49,915	24,480
Borrowings – due within one year	23	14,685,405	10,006,667
		17,808,840	11,777,686
Liabilities directly associated with assets classified as held for sale	12	1,154	–
		17,809,994	11,777,686
Net current assets		2,045,036	3,726,762
Total assets less current liabilities		51,199,466	49,733,911

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)

At 30th June, 2012

	<i>Notes</i>	30th June, 2012 HK\$'000 (Unaudited)	31st December, 2011 HK\$'000 (Audited)
Equity attributable to owners of the Company			
Share capital	24	190,762	190,762
Properties revaluation reserve		98,162	–
Securities investments reserve		62,804	67,934
Statutory reserve		29,119	29,119
Other reserve		(7,137)	(7,259)
Special reserve		2,499,685	2,499,685
Capital redemption reserve		138,062	138,062
Translation reserve		881,866	961,487
Retained profits			
– proposed dividend		19,076	19,076
– others		35,891,332	31,752,466
		39,803,731	35,651,332
Non-controlling interests		728,433	716,675
Total equity		40,532,164	36,368,007
Non-current liabilities			
Financial guarantee liabilities		–	91
Borrowings – due after one year	23	9,918,751	12,684,015
Amounts due to associates	25	85,655	183,689
Amount due to an investee company	25	53,935	–
Amount due to a non-controlling shareholder	25	14,430	14,430
Deferred tax liabilities		594,531	483,679
		10,667,302	13,365,904
		51,199,466	49,733,911

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2012

	Attributable to owners of the Company			
	Share capital <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Securities investments reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> (note ii)
At 1st January, 2011 (audited)	190,762	–	102,715	9,314
Profit for the period	–	–	–	–
Other comprehensive income for the period	–	–	345,939	–
Total comprehensive income for the period	–	–	345,939	–
Deemed contribution from non-controlling interests	–	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–
Final dividend paid	–	–	–	–
At 30th June, 2011 (unaudited)	190,762	–	448,654	9,314
Loss for the period	–	–	–	–
Other comprehensive (expenses) income for the period	–	–	(380,720)	–
Total comprehensive (expenses) income for the period	–	–	(380,720)	–
PRC statutory reserve	–	–	–	19,805
Deemed acquisition of additional interest in a subsidiary (note iii)	–	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–
Interim dividend paid	–	–	–	–
At 31st December, 2011 (audited)	190,762	–	67,934	29,119
Profit for the period	–	–	–	–
Other comprehensive income (expenses) for the period	–	98,162	(5,130)	–
Total comprehensive income (expenses) for the period	–	98,162	(5,130)	–
Dividend paid to non-controlling shareholders	–	–	–	–
Final dividend paid	–	–	–	–
At 30th June, 2012 (unaudited)	<u>190,762</u>	<u>98,162</u>	<u>62,804</u>	<u>29,119</u>

Notes:

- (i) 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.
- (ii) The statutory reserve of the Group refers to The People's Republic of China ("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.
- (iii) In July and October 2011, the Group accepted the provisional allotment of new shares in a subsidiary at a consideration of approximately HK\$47,950,000 and increases the equity interests from 51.00% to 94.79%. The capital contribution to the subsidiary by the Group resulted in the adjustments to non-controlling interests of approximately HK\$3,078,000.

Attributable to owners of the Company

Other reserve <i>HK\$'000</i> (note i)	Special reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
(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
–	–	–	–	–	–	5,444	5,444
–	–	–	–	(1,599,977)	(1,599,977)	(23)	(1,600,000)
–	–	–	–	–	–	(10,897)	(10,897)
–	–	–	–	(19,076)	(19,076)	–	(19,076)
(7,275)	2,499,685	138,062	755,725	32,869,148	36,904,075	710,005	37,614,080
–	–	–	–	(1,055,647)	(1,055,647)	9,431	(1,046,216)
16	–	–	205,762	–	(174,942)	(3,141)	(178,083)
16	–	–	205,762	(1,055,647)	(1,230,589)	6,290	(1,224,299)
–	–	–	–	(19,805)	–	–	–
–	–	–	–	(3,078)	(3,078)	3,078	–
–	–	–	–	–	–	(2,698)	(2,698)
–	–	–	–	(19,076)	(19,076)	–	(19,076)
(7,259)	2,499,685	138,062	961,487	31,771,542	35,651,332	716,675	36,368,007
–	–	–	–	4,157,942	4,157,942	15,885	4,173,827
122	–	–	(79,621)	–	13,533	1,571	15,104
122	–	–	(79,621)	4,157,942	4,171,475	17,456	4,188,931
–	–	–	–	–	–	(5,698)	(5,698)
–	–	–	–	(19,076)	(19,076)	–	(19,076)
(7,137)	2,499,685	138,062	881,866	35,910,408	39,803,731	728,433	40,532,164

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2012

	Six months ended 30th June, 2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) generated from operating activities	(471,673)	885,336
Net cash used in investing activities		
Purchases of available-for-sale investments	(1,000)	(7,028,436)
Acquisition of subsidiaries (note i)	–	(388,884)
Other investing activities	(540,590)	(112,371)
	(541,590)	(7,529,691)
Net cash generated from financing activities		
Bank loans and other loans raised, net	1,899,193	4,289,296
Acquisition of additional interest in subsidiaries (note ii)	–	(1,200,000)
Other financing activities	(235,027)	(271,561)
	1,664,166	2,817,735
Net increase (decrease) in cash and cash equivalents	650,903	(3,826,620)
Cash and cash equivalents at 1st January	4,268,499	10,689,322
Effect of foreign exchange rate changes	(41,279)	(234,702)
Cash and cash equivalents at 30th June	4,878,123	6,628,000
Analysis of the balances of cash and cash equivalents		
Time deposits, bank balances and cash	4,801,645	6,628,000
Time deposits and bank balances included in assets classified as held for sale (Note 12)	76,478	–
	4,878,123	6,628,000

Notes:

- (i) 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 (“River Court Holdings”) which indirectly held the freehold office building, namely River Court, located at London, United Kingdom at a consideration of approximately GBP37.8 million, equivalent to approximately HK\$453.4 million and the net cash outflow arising on the acquisition was approximately HK\$388.9 million.
- (ii) 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, the owner of the leasehold interest in the land located at Macau which is a stock of property under development held for sale. The total cash consideration was HK\$1,600 million, of which HK\$1,200 million had been paid during the period ended 30th June, 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

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 (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“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, 2011 except as described below.

In the current period, the Group has applied, for the first time, the following amendments (“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:

HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on the Group’s financial position, particularly those involving securitisation of financial assets.

The Group had early adopted the amendments 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.

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 prior period adjustment has been required.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle ²
HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ⁴
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidation Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (Revised in 2011)	Employee Benefits ²
HKAS 27 (Revised in 2011)	Separate Financial Statements ²
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1st July, 2012

² Effective for annual periods beginning on or after 1st January, 2013

³ Effective for annual periods beginning on or after 1st January, 2014

⁴ Effective for annual periods beginning on or after 1st January, 2015

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 and revised HKFRSs but is not yet in a position to determine whether these new and revised HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new and revised 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 amounts received and receivable from property rental income, sales of properties held-for-sale, gains/losses from sales of investments held-for-trading, interest income from loan financing, commission from brokerage, settlement charges from brokerage and cosmetic goods sold less returns, analysed as follows:

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Property rental income	819,891	722,399
Sales of properties held-for-sale	31,667	177,177
(Losses) gains on sales of investments held-for-trading	(11,297)	99,384
Interest income from loan financing	15,690	12,248
Brokerage and cosmetic income	7,953	12,185
	<u>863,904</u>	<u>1,023,393</u>

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 – (i) property development and trading; (ii) property leasing for retail; (iii) property leasing for non-retail; (iv) listed available-for-sale equity investments; (v) listed investments held-for-trading and treasury products; (vi) floating rate and fixed rate notes; and (vii) 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 investments held-for-trading 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 2011.

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, 2012

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading 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						
Major cash items excluding in revenue									
- Hong Kong	-	-	-	-	1,393,031	-	-	-	1,393,031
- other countries	-	-	-	-	2,770,767	-	-	-	2,770,767
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,163,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,163,798</u>
Revenue									
Revenue from external customers									
- Hong Kong	31,667	508,967	168,149	-	4,316	-	2,965	20,678	736,742
- Mainland China	-	22,318	24,168	-	-	-	-	-	46,486
- United Kingdom	-	2,644	93,645	-	-	-	-	-	96,289
- other countries	-	-	-	-	(15,613)	-	-	-	(15,613)
	<u>31,667</u>	<u>533,929</u>	<u>285,962</u>	<u>-</u>	<u>(11,297)</u>	<u>-</u>	<u>2,965</u>	<u>20,678</u>	<u>863,904</u>
Revenue from external customers after non-controlling interests	29,297	533,089	284,777	-	(11,297)	-	2,965	20,678	859,509
Attributable property sales from associates/investees									
- Hong Kong	48,711	-	-	-	-	-	-	-	48,711
Attributable rental revenue from associates									
- Hong Kong	-	9,388	13,911	-	-	-	-	-	23,299
- Mainland China	-	43,676	41,616	-	-	-	-	-	85,292
	<u>78,008</u>	<u>586,153</u>	<u>340,304</u>	<u>-</u>	<u>(11,297)</u>	<u>-</u>	<u>2,965</u>	<u>20,678</u>	<u>1,016,811</u>
Result									
Segment result									
- Hong Kong	21,336	481,325	162,966	-	9,446	3,401	49,541	28,805	756,820
- Mainland China	-	19,496	20,384	-	-	-	2,443	-	42,323
- United Kingdom	-	2,641	93,556	-	-	-	-	-	96,197
- other countries	-	-	-	-	678,220	-	-	-	678,220
	<u>21,336</u>	<u>503,462</u>	<u>276,906</u>	<u>-</u>	<u>687,666</u>	<u>3,401</u>	<u>51,984</u>	<u>28,805</u>	<u>1,573,560</u>
Share of results of associates									
- attributable property sales, net									
- Hong Kong	25,453	-	-	-	-	-	-	-	25,453
- attributable gross income									
- Hong Kong	-	9,388	13,911	-	-	-	-	1,878	25,177
- Mainland China	-	43,676	41,616	-	-	-	-	-	85,292
- attributable operating cost									
- Hong Kong	-	(2,033)	(2,817)	-	-	-	-	-	(4,850)
- Mainland China	-	(24,039)	(7,025)	-	-	-	-	-	(31,064)
Non-controlling interests	(1,892)	(726)	(1,106)	-	-	(1,459)	-	-	(5,183)
	<u>44,897</u>	<u>529,728</u>	<u>321,485</u>	<u>-</u>	<u>687,666</u>	<u>1,942</u>	<u>51,984</u>	<u>30,683</u>	<u>1,668,385</u>
Other income, net	277	-	-	-	-	-	-	-	277
Finance costs	-	(1,554)	(55,028)	-	(12,423)	-	-	-	(69,005)
Other gains and losses, net	(606)	-	-	-	-	-	-	-	(606)
Share of results of associates - income tax and others	(719)	(13,282)	(20,635)	-	-	-	-	(164)	(34,800)
	<u>43,849</u>	<u>514,892</u>	<u>245,822</u>	<u>-</u>	<u>675,243</u>	<u>1,942</u>	<u>51,984</u>	<u>30,519</u>	<u>1,564,251</u>
Unallocated items									
Unallocated corporate expenses, net									(157,699)
Unallocated finance costs									(101,564)
Unallocated other gains and losses, net									(10)
Income tax expense									(64,422)
Unallocated non-controlling interests									(6,216)
Core profit (excluding major non-cash items)									<u>1,234,340</u>
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)									2,896,033
- gain on revaluation of stock of properties upon transfer to investment properties									129,002
- deferred tax expense									(101,433)
Profit for the period attributable to owners of the Company									<u>4,157,942</u>

4. Operating Segments (continued)

Condensed Consolidated Statement of Financial Position

At 30th June, 2012

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading 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						
Assets									
Segment assets									
– Hong Kong	3,211,582	26,866,301	7,234,006	-	222,346	113,553	355,625	42,726	38,046,139
– Mainland China and Macau	14,141,642	1,433,595	362,074	-	-	-	-	828	15,938,139
– United Kingdom	-	98,719	3,739,103	-	-	-	-	-	3,837,822
– other countries	-	-	-	-	7,505,943	-	-	-	7,505,943
Interests in associates									
– Hong Kong	429,443	57,863	718,839	-	-	-	1,612	2,688	1,210,445
– Mainland China	116,420	84,218	274,081	-	-	-	-	-	474,719
Advances to associates									
– Hong Kong	6,510	139	775	-	-	-	4	1,448	8,876
– Mainland China	966,123	78,570	581,332	-	-	-	-	-	1,626,025
Reportable segment assets	<u>18,871,720</u>	<u>28,619,405</u>	<u>12,910,210</u>	<u>-</u>	<u>7,728,289</u>	<u>113,553</u>	<u>357,241</u>	<u>47,690</u>	<u>68,648,108</u>
Unallocated corporate assets									164,591
Assets classified as held for sale									196,761
Consolidated total assets									<u>69,009,460</u>
Liabilities									
Segment liabilities									
– Hong Kong	1,198,315	483,659	160,290	-	5,307,577	42	9,279	73,426	7,232,588
– Mainland China and Macau	1,190,052	19,743	12,945	-	-	-	-	-	1,222,740
– United Kingdom	-	84,699	3,159,386	-	-	-	-	-	3,244,085
– other countries	-	-	-	-	180	-	-	-	180
Reportable segment liabilities	<u>2,388,367</u>	<u>588,101</u>	<u>3,332,621</u>	<u>-</u>	<u>5,307,757</u>	<u>42</u>	<u>9,279</u>	<u>73,426</u>	<u>11,699,593</u>
Unallocated corporate liabilities									16,776,549
Liabilities directly associated with assets classified as held for sale									1,154
Consolidated total liabilities									<u>28,477,296</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>319,424</u>	<u>100,225</u>	<u>3,365,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,232</u>	

Other Material Items

For the six months ended 30th June, 2012

	Reportable segments total HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000	Condensed consolidated statement of comprehensive income total HK\$'000
Interest income	495,321	-	-	495,321
Finance costs	(69,005)	(101,564)	-	(170,569)
Net income (expenses)	426,316	(101,564)	-	324,752
Depreciation	-	(7,410)	-	(7,410)
Fair value changes on investment properties	-	-	2,813,379	2,813,379
Gain on revaluation of stock of properties upon transfer to investment properties	-	-	129,002	129,002
Share of results of associates	65,208	-	87,140	152,348
Income tax expense	-	(64,422)	(101,433)	(165,855)
Non-controlling interests	(5,183)	(6,216)	(4,486)	(15,885)

4. Operating Segments (continued)

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						
Major cash items excluding in revenue									
- Hong Kong	-	-	-	-	2,583,547	-	-	-	2,583,547
- other countries	-	-	-	-	5,832,101	-	-	-	5,832,101
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,415,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,415,648</u>
Revenue									
Revenue from external customers									
- Hong Kong	151,351	418,961	163,901	-	99,276	-	6,393	18,040	857,922
- Mainland China	25,826	21,365	19,122	-	-	-	-	-	66,313
- United Kingdom	-	2,759	96,291	-	-	-	-	-	99,050
- other countries	-	-	-	-	108	-	-	-	108
	<u>177,177</u>	<u>443,085</u>	<u>279,314</u>	<u>-</u>	<u>99,384</u>	<u>-</u>	<u>6,393</u>	<u>18,040</u>	<u>1,023,393</u>
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									
- Hong Kong	-	4,753	12,710	-	-	-	-	1,021	18,484
- Mainland China	-	36,998	38,720	-	-	-	-	-	75,718
	<u>3,212,593</u>	<u>484,106</u>	<u>329,609</u>	<u>-</u>	<u>99,384</u>	<u>-</u>	<u>6,393</u>	<u>19,061</u>	<u>4,151,146</u>
Result									
Segment result									
- Hong Kong	62,668	393,240	156,202	-	92,826	7,913	55,779	31,544	800,172
- Mainland China	4,171	18,532	16,346	-	-	-	1,999	-	41,048
- United Kingdom	-	2,657	92,716	-	-	-	-	-	95,373
- other countries	-	-	-	-	122,987	-	-	-	122,987
	<u>66,839</u>	<u>414,429</u>	<u>265,264</u>	<u>-</u>	<u>215,813</u>	<u>7,913</u>	<u>57,778</u>	<u>31,544</u>	<u>1,059,580</u>
Share of results of associates									
- attributable property sales, net									
- Hong Kong	906,275	-	-	-	-	-	-	-	906,275
- attributable gross income									
- Hong Kong	-	4,753	12,710	-	-	-	-	1,021	18,484
- Mainland China	-	36,998	38,720	-	-	-	-	-	75,718
- attributable operating cost									
- Hong Kong	-	(1,748)	(3,371)	-	-	-	-	(168)	(5,287)
- Mainland China	-	(20,911)	(6,632)	-	-	-	-	-	(27,543)
Non-controlling interests	(1,072)	(562)	(1,035)	-	-	(4,155)	-	-	(6,824)
	<u>972,042</u>	<u>432,959</u>	<u>305,656</u>	<u>-</u>	<u>215,813</u>	<u>3,758</u>	<u>57,778</u>	<u>32,397</u>	<u>2,020,403</u>
Other income, net	237	-	-	-	-	-	-	-	237
Loss on disposals of investment properties	-	(436)	(450)	-	-	-	-	-	(886)
Finance costs	-	(1,537)	(53,658)	-	(16,664)	-	-	-	(71,859)
Other gains and losses, net	-	(9,191)	-	-	-	-	-	-	(9,191)
Share of results of associates									
- income tax and others	(152,482)	(12,439)	(21,954)	-	-	-	-	-	(186,875)
	<u>819,797</u>	<u>409,356</u>	<u>229,594</u>	<u>-</u>	<u>199,149</u>	<u>3,758</u>	<u>57,778</u>	<u>32,397</u>	<u>1,751,829</u>
Unallocated items									
Unallocated corporate income, net									40,491
Unallocated finance costs									(82,673)
Unallocated other gains and losses, net									700
Income tax expense									(61,112)
Unallocated non-controlling interests									(228)
Core profit (excluding major non-cash items)									
									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)
Profit for the period attributable to owners of the Company									
									<u>4,553,463</u>

4. Operating Segments (continued)

Condensed Consolidated Statement of Financial Position

At 31st December, 2011

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading 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						
Assets									
Segment assets									
- Hong Kong	1,869,331	23,765,719	7,187,653	-	515,415	187,089	367,235	47,889	33,940,331
- Mainland China and Macau	13,330,190	1,375,467	191,504	-	-	-	-	4,432	14,901,593
- United Kingdom	-	103,125	3,653,878	-	-	-	-	-	3,757,003
- other countries	-	-	-	-	5,426,082	-	-	-	5,426,082
Interests in associates									
- Hong Kong	462,934	49,431	728,247	-	-	-	2,378	3,098	1,246,088
- Mainland China	123,664	81,542	242,450	-	-	-	-	-	447,656
Advances to associates									
- Hong Kong	6,340	-	11,390	-	-	-	-	1,427	19,157
- Mainland China	962,083	78,621	558,781	-	-	-	-	-	1,599,485
Reportable segment assets	<u>16,754,542</u>	<u>25,453,905</u>	<u>12,573,903</u>	<u>-</u>	<u>5,941,497</u>	<u>187,089</u>	<u>369,613</u>	<u>56,846</u>	61,337,395
Unallocated corporate assets									174,202
Consolidated total assets									<u>61,511,597</u>
Liabilities									
Segment liabilities									
- Hong Kong	129,441	440,997	143,363	-	3,300,691	150	13,840	75,301	4,103,783
- Mainland China and Macau	831,517	18,984	15,594	-	-	-	-	1	866,096
- United Kingdom	-	88,151	3,173,826	-	-	-	-	-	3,261,977
- other countries	-	2	-	-	116	-	-	-	118
Reportable segment liabilities	<u>960,958</u>	<u>548,134</u>	<u>3,332,783</u>	<u>-</u>	<u>3,300,807</u>	<u>150</u>	<u>13,840</u>	<u>75,302</u>	8,231,974
Unallocated corporate liabilities									16,911,616
Consolidated total liabilities									<u>25,143,590</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>1,680,285</u>	<u>110,804</u>	<u>3,423,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,505</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	Condensed 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>

5. Other Income

	Six months ended 30th June,	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Included in other income are:		
Building management fee income	96,795	67,480
Building management fee expenses	(85,515)	(50,345)
	11,280	17,135
Forfeiture of deposits received on sales of properties	277	237
Management and maintenance service income	3,275	4,145
Arrangement fee income	–	194,966
Exchange gain, net	–	7,301
	11,280	17,135

6. Investment Income, Net

	Six months ended 30th June,	
	2012 <i>HK\$'000</i>	2011 <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)
Financial assets designated as at fair value through profit or loss:		
Unrealised gain (loss) arising on change in fair value of bonds	215,472	(205,175)
Realised gain (loss) arising on change in fair value of bonds	38,118	(10,447)
Net gain (loss) arising on change in fair value of financial assets designated as at fair value through profit or loss	253,590	(215,622)
Other investment income	186	–
Dividend income on:		
Listed investments	4,400	3,596
Unlisted investments	15,734	23,506
Interest income	479,289	419,510
Imputed interest income on:		
Advances to associates	–	7,040
Advance to a non-controlling shareholder	–	164
	753,199	183,049

Included in interest income are interests from bonds, unlisted floating rate and fixed rate notes of approximately HK\$440,787,000 and HK\$3,691,000 respectively (six months ended 30th June, 2011: bonds of HK\$383,600,000, listed floating rate notes of HK\$747,000 and unlisted floating rate and fixed rate notes of HK\$3,800,000).

7. Other Expenses

	Six months ended 30th June,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other expenses are:		
Amortisation of intangible assets	1,430	1,430
Expenses for specific transactions	9	524
Transaction cost in relation to acquisition of subsidiaries	–	13,297
	<u> </u>	<u> </u>

8. Profit for the Period

	Six months ended 30th June,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(109,571)	(84,097)
Retirement benefits scheme contributions, net of forfeited contributions of HK\$295,000 (2011: HK\$152,000)	(4,423)	(3,706)
	(113,994)	(87,803)
Auditors' remuneration	(1,583)	(1,486)
Exchange loss, net	(3,488)	–
Depreciation	(7,410)	(8,938)
Cost of trading properties recognised	(10,095)	(108,097)
Cost of cosmetic products recognised	(1,369)	(1,854)
Share of tax of associates (included in share of results of associates)	(25,756)	(171,470)
Gross proceeds on sale of investments held-for-trading	1,374,822	2,629,028
Carrying amount on investments held-for-trading disposed	(1,384,058)	(2,526,438)
Transaction cost on investments held-for-trading disposed	(2,061)	(3,206)
Net (loss) gain on sale of investments held-for-trading included in revenue	(11,297)	99,384
Gross rental income from investment properties	819,891	722,399
Less: Direct operating expenses from investment properties that generated rental income during the period	(37,919)	(37,187)
Direct operating expenses from investment properties that did not generate rental income during the period	(1,604)	(5,519)
	<u>780,368</u>	<u>679,693</u>

9. Finance Costs

	Six months ended 30th June,	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on:		
Bank loans wholly repayable within five years	174,332	90,736
Bank loan wholly repayable over five years	21,901	55,195
Other loans wholly repayable within five years	17,561	9,929
	<u>213,794</u>	<u>155,860</u>
Imputed interest on:		
Amounts due to associates	–	999
Amount due to a non-controlling shareholder	–	5,444
	<u>–</u>	<u>6,443</u>
Total interest	213,794	162,303
Exchange (gain) loss on translation of foreign currency loans	(5,138)	6,735
Other finance costs	18,298	16,751
	<u>226,954</u>	<u>185,789</u>
Less: Interest capitalised to stock of properties under development	(31,692)	(30,609)
Interest capitalised to investment properties under development	(24,693)	(648)
	<u>170,569</u>	<u>154,532</u>

10. Other Gains and Losses, Net

	Six months ended 30th June,	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Included in other gains and losses, net are:		
Gain on revaluation of stock of properties upon transfer to investment properties	129,002	–
Write-down of stock of properties	(606)	–
	<u>128,396</u>	<u>–</u>

11. Income Tax Expense

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	42,721	30,940
Other than Hong Kong	8,182	3,554
	50,903	34,494
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	(1,404)	(1,023)
Other than Hong Kong	408	–
	(996)	(1,023)
Deferred tax:		
Current period charge	115,948	72,330
	165,855	105,801

Hong Kong Profits Tax is calculated at 16.5% (2011: 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.

12. Assets Classified as Held for Sale/Liabilities Directly Associated with Assets Classified as Held for Sale

On 16th June, 2012, Mass Rise Limited, a wholly-owned subsidiary of the Company (“First Vendor”) and, Asian Kingdom Limited, a company wholly-owned by a controlling shareholder and Director of the Company (“Second Vendor”), being vendors, have entered into a sale and purchase agreement pursuant to which an independent third party of the Company agreed to purchase a total of 1,512,059,473 shares in G-Prop (Holdings) Limited (“G-Prop”) (“G-Prop Shares”) at an aggregate consideration of HK\$423,660,973 (of which HK\$285,338,057 is payable to the First Vendor and HK\$138,322,916 is payable to the Second Vendor) (subject to downward adjustment). G-Prop Shares represented (i) all the G-Prop Shares held by the Group and the Second Vendor; and (ii) approximately 62.26% of the entire issued share capital of G-Prop with approximately 41.93% held by the Group and approximately 20.33% held by the Second Vendor. The consideration to the First Vendor was satisfied by the purchaser in cash of HK\$65,968,257 and by promissory notes of HK\$219,369,800. Details of the disposal were set out in the announcement of the Company dated 17th June, 2012.

The disposal was completed on 6th August, 2012. Upon completion, G-Prop and its subsidiaries (“G-Prop Group”) have been ceased to be subsidiaries of the Group and their consolidated results, assets and liabilities have been ceased to be consolidated with those of the Group.

In accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, the consolidated assets and the consolidated liabilities of the G-Prop Group have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale in the Condensed Consolidated Statement of Financial Position as at 30th June, 2012.

12. Assets Classified as Held for Sale/Liabilities Directly Associated with Assets Classified as Held for Sale (continued)

The major classes of assets and liabilities of G-Prop Group reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale are as follows:

	30th June, 2012 HK\$'000	31st December, 2011 HK\$'000
Assets classified as held for sale:		
Investment properties (Note 16)	33,700	–
Goodwill (Note 17)	6,941	–
Available-for-sale investments	79,297	–
Debtors, deposits and prepayments	345	–
Time deposits and bank balances	76,478	–
	<u>196,761</u>	<u>–</u>
Liabilities directly associated with assets classified as held for sale:		
Creditors and accruals	626	–
Deposits and receipts in advance	489	–
Tax liabilities	22	–
Deferred tax liabilities	17	–
	<u>1,154</u>	<u>–</u>

13. Administrative Procedures for Repossession of Land in Macau by Macau Government

As set out in the Company's announcement dated 17th June, 2012, Moon Ocean, a wholly-owned subsidiary of the Company, received a notice of preliminary hearing dated 15th June, 2012 ("Hearing Notice") from the Land, Public Works and Transport Bureau of the Macau Special Administrative Region of the People's Republic of China ("Macau") ("LPWT") regarding the transfers of the rights deriving from the land concession for the five plots of land adjacent to the Macau International Airport (according to the Company's record, formerly known as Lots 1C; 2; 3; 4 and 5 (parcels 5A & 5B), Avenida Wai Long, Taipa, Macau, and registered in Macau Land Registry under Nos. 22993, 22991, 22995, 22990 and 22989 and now known as Lots 1C1; 1C2; 1C3; 2a; 2b; 2d; 3; 4a; 4b; 5a1; 5a2; 5a3; 5b1; 5b2; 5b3; 5b4; 5b5; 5b6; A3a; A3b; A4a; A4b; E1a; E1b; E2 and E3 and registered in the Macau Land Registry under No. 22989) ("Macau Land") from five Macau companies to which the land concession was originally granted ("Original Owners") to Moon Ocean ("Land Transfers") and the amendment of the related land concession contracts.

It was stated in the Hearing Notice that (i) the Chief Executive of Macau had approved the initiation of the procedures for declaring the act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid and the return of the Macau Land to the Original Owners ("Matter"); and (ii) Moon Ocean may make written submission regarding the Matter within 15 days from the receipt of the Hearing Notice.

The Group's Macau legal adviser made the submission which set out basis for opposing the Matter on 29th June, 2012 and as set out in the Company's announcement dated 14th August, 2012, Moon Ocean received a notice from the LPWT stating that (i) the Chief Executive of Macau has declared the previous act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid ("Decision"); and (ii) Moon Ocean may present objection to the Decision within 15 days from the gazetting of the Decision and may also appeal to the Court of Second Instance. The Decision was then published on the official bulletin of the Macau Government dated 15th August, 2012.

The Group has the intention to oppose the Decision and/or to appeal against the Decision to the relevant court of Macau and is seeking legal advice for appropriate legal actions. The outcome of the Matter is thus pending for any subsequent decision of the Chief Executive of Macau or judgment from the court of Macau. As a result, the directors of the Company considered that no impairment loss on assets or write-down of stock of properties attributable to the development of the Macau Land should be recognised for the six months ended 30th June, 2012 and no significant provision for liabilities relating to the Matters should be recognised at 30th June, 2012.

13. Administrative Procedures for Repossession of Land in Macau by Macau Government (continued)

The abovementioned key sources of estimation of uncertainty at the end of the reporting period have a significant risk of causing material adjustment to the carrying amounts of the Group's stock of properties under development held for sale; prepayment, deposits and other receivables; other fixed assets; and deposits received on sales of properties totaling HK\$2,475.4 million, HK\$138.6 million, HK\$0.8 million and HK\$383.1 million respectively which were included in the Group's condensed consolidated statement of financial position at 30th June, 2012 and attributable to the Macau Land. Adjustment may need to be made to the carrying amount the Group's stock of properties under development held for sale; prepayment, deposits and other receivables; other fixed assets; and deposits received on sale of properties should the Decision become final.

Regarding capital commitment in respect of remaining contractual obligations under construction contracts for the development of La Scala project on the Macau Land, the Group recorded approximately HK\$2,804.4 million at 30th June, 2012. Adjustments may need to be made to the liabilities arising from the remaining contractual obligations under construction contracts should there be claims from construction contractors in response to suspension of construction of La Scala project as a result of the Decision becoming final.

Regarding the presale of La Scala project on the Macau Land commenced since March 2012, the Group recorded approximately HK\$3,825.3 million contracted sales at 30th June, 2012 representing presale of 302 units of La Scala project, after cancellation of 2 contracted sales. In case of the Decision becoming final, Moon Ocean may consider entering into cancellation agreements with purchasers of La Scala in the presale and refund deposits received. Adjustments may need to be made to the liabilities should there be claims which may bring up by purchasers of La Scala in the presale.

As stated in the Company's annual report in 2011, the Group has acquired 29.99% equity interest in Moon Ocean at a consideration of HK\$1,600 million and reduced the equity attributable to the owners of the Company of the similar amount. There is no financial effect to equity attributable to the owners of the Company in case of the Decision becoming final.

In addition, in case of the Decision becoming final, the Group will seek legal advice for appropriate actions to be taken in respect of La Scala project. The Group is determined to pursue claims it may have against the Macau Government and/or the Original Owners for compensation for the losses of the Group.

14. Dividends

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
(a) Interim dividend for 2012 declared after interim period end Interim dividend declared of HK1 cent (2011: HK1 cent) per share	<u>19,076</u>	<u>19,076</u>
(b) Final dividend for 2011 paid on 13th June, 2012 of HK1 cent (2010: HK1 cent) per share	<u>19,076</u>	<u>19,076</u>

15. Earnings per Share

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

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	<u>4,157,942</u>	<u>4,553,463</u>
	Number of shares	
	2012	2011
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,907,619,079</u>	<u>1,907,619,079</u>

Diluted earnings per share for the six months ended 30th June, 2012 and 2011 were the same as the basic earnings per share as there were no diluting events during both periods.

16. Investment Properties

	Fair value		Cost	Total HK\$'000
	Completed properties HK\$'000	Properties under construction HK\$'000	Properties under construction HK\$'000	
At 1st January, 2011	25,337,077	267,000	1,814,947	27,419,024
Acquisition of subsidiaries	3,362,492	–	–	3,362,492
Additions	962,415	–	–	962,415
Construction costs incurred	–	26,761	551,818	578,579
Exchange adjustments	(10,719)	–	83,827	73,108
Increase in fair value recognised in the consolidated statement of comprehensive income	2,955,354	4,239	–	2,959,593
Disposal of a subsidiary	(860,000)	–	–	(860,000)
Disposals	(10,682)	–	–	(10,682)
At 31st December, 2011	31,735,937	298,000	2,450,592	34,484,529
Additions	8,055	–	–	8,055
Construction costs incurred	–	25,589	266,283	291,872
Transfer from properties and other fixed assets	–	107,539	–	107,539
Transfer from stock of properties	279,871	–	–	279,871
Transfer to assets classified as held for sale (Note 12)	(33,700)	–	–	(33,700)
Transfer to properties under construction	(37,600)	37,600	–	–
Exchange adjustments	20,630	–	(19,125)	1,505
Increase in fair value recognised in the consolidated statement of comprehensive income	2,754,007	59,372	–	2,813,379
Carrying amounts				
At 30th June, 2012	34,727,200	528,100	2,697,750	37,953,050

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, 2012 and 31st December, 2011 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 the Mainland China. For the investment property in the United Kingdom, the valuations as at 30th June, 2012 and 31st December, 2011 were carried out by Peak Vision Appraisals Limited ("Peak Vision Appraisals"), another independent qualified professional valuers. Both valuers have recent relevant experience in the valuation of similar properties in the relevant locations.

The valuation reports for the investment properties as at 30th June, 2012 and 31st December, 2011 are signed by the respective director of B.I. Appraisals and Peak Vision Appraisals, who are members of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors. The valuations were performed in accordance with "The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition 2005)" published by The Hong Kong Institute of Surveyors and the "Royal Institute of Chartered Surveyors Valuation Standards (7th Edition 2011)" published by the Royal Institute of Chartered Surveyors.

The fair value of each completed 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.

16. Investment Properties (continued)

For the Group's investment properties under construction at fair value, 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.

17. Goodwill

	<i>HK\$'000</i>
Cost	
At 1st January, 2011	54,689
Acquisition of subsidiaries (note)	<u>322,938</u>
At 31st December, 2011	377,627
Transfer to assets classified as held for sale (Note 12)	<u>(6,941)</u>
At 30th June, 2012	<u>370,686</u>
Impairment	
At 1st January, 2011, 31st December, 2011 and 30th June, 2012	<u>47,748</u>
Carrying amounts	
At 30th June, 2012	<u><u>322,938</u></u>
At 31st December, 2011	<u><u>329,879</u></u>

Note: The goodwill was arisen from the acquisition of River Court Holdings and its subsidiaries.

18. Interests in Associates

	30th June, 2012	31st December, 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investment in associates – unlisted	283,758	283,758
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>1,401,406</u>	<u>1,409,987</u>
	<u><u>1,685,164</u></u>	<u><u>1,693,745</u></u>

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 condensed consolidated statement of financial position.

The investment properties held by the Group's principal associates were revalued as at 30th June, 2012 by B.I. Appraisals. B.I. Appraisals continues to adopt investment method and/or direct comparison method as the valuation methodologies. The valuation methods and significant assumptions applied in determining the fair values of investment properties are detailed in Note 16.

19. Advances to Associates

	30th June, 2012 <i>HK\$'000</i>	31st December, 2011 <i>HK\$'000</i>
Interest-bearing advances to associates	86,763	97,465
Interest-free advances to associates	1,548,138	1,521,177
	<u>1,634,901</u>	<u>1,618,642</u>

The advances to associates are unsecured. An approximately HK\$966,123,000 was expected to be repayable in 2016 and the amount is therefore shown as non-current. For the remaining HK\$668,778,000, the Group 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 interest-bearing advances to associates bear interest at the prevailing market rates.

20. Available-for-sale Investments

	30th June, 2012 <i>HK\$'000</i>	31st December, 2011 <i>HK\$'000</i>
Available-for-sale investments comprise:		
Unlisted equity securities:		
– Incorporated in Hong Kong	113,857	120,529
– Incorporated elsewhere	3,892,849	3,892,849
	4,006,706	4,013,378
Unlisted debt securities	97,120	184,564
Club debentures	16,731	15,731
Total	<u>4,120,557</u>	<u>4,213,673</u>
Analysis for reporting purposes as:		
Non-current assets	4,096,610	4,160,350
Current assets	23,947	53,323
	<u>4,120,557</u>	<u>4,213,673</u>

21. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$17,305,000 (31st December, 2011: HK\$12,839,000) comprised mainly rental receivables billed in advance and settlements from tenants are expected upon receipts of billings and properties sales proceeds receivables.

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

	30th June, 2012 <i>HK\$'000</i>	31st December, 2011 <i>HK\$'000</i>
0 - 30 days	4,572	3,150
31 - 60 days	3,456	977
61 - 90 days	449	588
Over 90 days	8,828	8,124
	<u>17,305</u>	<u>12,839</u>

22. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$260,898,000 (31st December, 2011: HK\$520,513,000).

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

	30th June, 2012 <i>HK\$'000</i>	31st December, 2011 <i>HK\$'000</i>
0 - 90 days	35,325	82,250
Over 90 days	225,573	438,263
	<u>260,898</u>	<u>520,513</u>

23. Borrowings

	30th June, 2012 <i>HK\$'000</i>	31st December, 2011 <i>HK\$'000</i>
Secured bank loans	19,197,457	19,235,017
Unsecured bank loan	99,139	155,000
Other secured loans	5,307,560	3,300,665
	<u>24,604,156</u>	<u>22,690,682</u>
Less: Amounts due within one year	(14,685,405)	(10,006,667)
	<u>9,918,751</u>	<u>12,684,015</u>

24. Share Capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2011, 31st December, 2011 and 30th June, 2012	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1st January, 2011, 31st December, 2011 and 30th June, 2012	<u>1,907,619,079</u>	<u>190,762</u>

25. Amounts due to Associates, an Investee Company and a Non-controlling Shareholder

The amounts due to associates, an investee company and a non-controlling shareholder are unsecured and interest-free. The associates, investee company and 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.

26. Capital Commitments and Contingent Liabilities

	30th June, 2012 <i>HK\$'000</i>	31st December, 2011 <i>HK\$'000</i>
(a) Capital commitments:		
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	393,125	314,274
Development expenditure of properties in Mainland China	4,681,824	5,164,854
Development expenditure of properties in Macau	2,804,355	500,873
Share of commitment of an associate	69,521	71,164
Renovation of properties	19,220	19,387
	<u>7,968,045</u>	<u>6,070,552</u>
Authorised but not contracted for:		
Development expenditure of properties in Hong Kong	205,320	205,320
	<u>205,320</u>	<u>205,320</u>
(b) Contingent liabilities:		
Guarantees given to banks, in respect of banking facilities utilised by associates and an investee company	733,500	1,068,100
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000	15,000
Repurchase guarantee given to banks in respect of mortgages facilities given to property purchasers by subsidiaries	165,486	94,399
	<u>913,986</u>	<u>1,177,499</u>

27. Material Related Party Transactions

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

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Interest income received from associates	2,501	2,235
Management and maintenance service income received from a Director and substantial shareholder	3,275	4,145
Property management service income received from companies controlled by a Director and substantial shareholder	7,653	7,659
Rent and building management fee paid to associates	<u>1,074</u>	<u>1,050</u>

Interest income was charged at the prevailing market rate based on outstanding balance during the Period. Management and maintenance service income and property management service income were charged at the terms agreed by both parties. Rent and building management fee were determined on terms similar to those applicable to transactions with unrelated parties.

As set out in the Company's announcement dated 8th March, 2012, companies wholly-owned by a Director and substantial shareholder of the Company and his close family members respectively had issued letters of offer to purchase or entered into agreements to acquire certain residential units of the Group's stock of properties under developments at a total consideration of approximately HK\$179.7 million. At the end of the reporting period, the total deposits received in respect of the transactions amounted to approximately HK\$26.1 million with balance of consideration aggregated to approximately HK\$153.6 million. Considerations of the transactions were determined with reference to the prevailing market value.

Details of other balances with related parties at the end of the reporting period are set out in Notes 19 and 25 above.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1 cent per share for the Period (the “Interim Dividend”) (2011: HK1 cent per share).

Dividend warrants will be posted on or about 13th September, 2012 to shareholders whose names appear on the register of members of the Company on 4th September, 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 30th August, 2012 to 4th September, 2012, 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 29th August, 2012.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Period amounted to HK\$863.9 million (six months ended 30th June, 2011: HK\$1,023.4 million), a 15.6% decrease over the same period of last year and comprised gross rental income HK\$819.9 million (six months ended 30th June, 2011: HK\$722.4 million); property sales HK\$31.7 million (six months ended 30th June, 2011: HK\$177.2 million), loss on sales of investments held-for-trading on a net basis HK\$11.3 million (six months ended 30th June, 2011: gain of HK\$99.4 million) and others HK\$23.6 million (six months ended 30th June, 2011: HK\$24.4 million). The decrease in revenue was mainly due to the decrease in sales of development properties and listed securities investments.

Gross Profit

Gross profit for the Period amounted to HK\$809.4 million (six months ended 30th June, 2011: HK\$856.0 million), a 5.4% decrease as compared with same period of last year which was mainly due to a loss of HK\$11.3 million from sale of listed securities investments as compared to a gain of HK\$99.4 million recognised in same period of last year and a decrease in profit of HK\$37.0 million in property sales, which were partially offset by an increase in profit of HK\$100.7 million from property leasing.

Property Leasing

For property leasing, the rental revenue in retail section jumped by 20.5% to HK\$533.9 million and rental revenue in non-retail section jumped by 2.4% to HK\$286.0 million respectively during the Period. The total rental income in revenue for the Period recorded an increase of 13.5% to HK\$819.9 million as compared with 2011 of HK\$722.4 million.

Together with the attributable rental revenue generated from associates of HK\$108.6 million (six months ended 30th June, 2011: HK\$93.2 million), the total attributable rental revenue to the Group after non-controlling interests reached approximately HK\$926.5 million (six months ended 30th June, 2011: HK\$813.7 million), which achieved an 13.9% increase over the same period last year.

Attributable net rental income for the Period showed HK\$851.2 million, an 15.2% increase over HK\$738.6 million in 2011.

FINANCIAL OPERATION REVIEW (continued)

Results (continued)

Property Development and Trading

During the Period, the attributable properties sales revenue and the relevant attributable profit from the Group and its associates recorded a decrease of 97.6% to HK\$78.0 million (six months ended 30th June, 2011: HK\$3,212.6 million) and decrease of 95.4% to HK\$44.9 million (six months ended 30th June, 2011: HK\$972.0 million) respectively.

The Group expects a substantial generation of sales revenue and recognition of attributable profit in the later half of the 2012 from the presales of properties, namely One WanChai in Wanchai (87.5% interest), The Coronation in West Kowloon (15% interest), Phase I of The Metropolis in Chengdu as well as Phase II of Splendid City in Chengdu.

The major components recorded in gross profit are sales of: i-home in Tai Kok Tsui and City 151 in Kau Pui Lung Road generated a profit of HK\$13.9 million and HK\$0.1 million respectively while MOD 595 in Mongkok recorded a loss of HK\$0.2 million (six months ended 30th June, 2011: profits on sales of i-home of HK\$11.7 million, Phase I of Splendid City of HK\$4.2 million, York Place in Wanchai of HK\$39.3 million and loss on sale of MOD 595 of HK\$1.2 million).

Parking spaces at The Zenith in Wanchai (87.5% interest) sold during the Period had contributed an attributable profit to the Group of HK\$6.5 million (six months ended 30th June, 2011: HK\$3.9 million).

In respect of properties held by associates, The Hermitage in West Kowloon (25% interest), Hing Wai Centre in Aberdeen (50% interest) and Shiu Fai Terrace in Stubbs Road (50% interest) generated profit of HK\$17.8 million, HK\$6.7 million and HK\$0.1 million respectively (six months ended 30th June, 2011: The Hermitage of HK\$903.8 million, Hing Wai Centre of HK\$1.3 million and Kwong Kin Trade Centre in Tuen Mun (40% interest) of HK\$0.5 million) was reflected in the share of results of associates. For the six months ended 30th June, 2011, the sale of Parc Palais in Homantin (10% interest) contributed of HK\$8.5 million to investment income.

During the Period, the forfeited deposits received for Splendid City of HK\$0.3 million (six months ended 30th June, 2011: Splendid City of HK\$0.1 million and The Metropolis of HK\$0.1 million) was recorded in other income.

At 30th June, 2012, deposits received from stock of properties contracted to be sold and revenue to be recognised in late 2012 amounted to HK\$1,839.9 million. Of which, HK\$553.6 million deposits were received from Phase I of The Metropolis and Phase II of Splendid City, with average selling price of approximately RMB1.3 million and RMB0.9 million per unit respectively. The presale recorded for Phase I of The Metropolis and Phase II of Splendid City were 184 units of RMB241.1 million (equivalent to HK\$294.3 million) and 351 units of RMB313.7 million (equivalent to HK\$382.9 million) respectively, revenue and profits of which are expected to be recognised in late 2012. Besides, the presale recorded for One WanChai as at 30th June, 2012 was 148 units of HK\$1,305.1 million, and the attributable interest of sales to the Group was HK\$1,142.0 million. Revenue and profit from sales of One WanChai are expected to be recognised in late 2012. The presale recorded for The Coronation was 732 units and the attributable interest of its sales to the Group was HK\$1,414.6 million.

The presale recorded of La Scala in Macau was 302 units of HK\$3,825.3 million with deposit received of HK\$383.1 million.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Property Development and Trading (continued)

In summary, the Group together with associates and an investee company, executed properties sale agreements, including presale agreements, to third parties and connected persons (as disclosed in the section headed “Other Information and Events after the Reporting Period”) with an attributable amount contracted sales of HK\$6,333.2 million (six months ended 30th June, 2011: HK\$604.2 million) during the Period. Attributable property sale profit in total recognised in the Period was HK\$44.9 million (six months ended 30th June, 2011: HK\$972.0 million).

Securities Investments

In view of the uncertainty and volatility in the securities market, the Group sold all the listed equity securities during the Period with gross proceeds of HK\$1,374.8 million (six months ended 30th June, 2011: HK\$2,629.0 million) and recorded a realised loss of HK\$11.3 million (six months ended 30th June, 2011: gain of HK\$99.4 million) on listed investments held-for-trading, the loss of which was included in revenue. During the Period, a realised gain from sale of bonds of HK\$38.1 million (six months ended 30th June, 2011: loss of HK\$10.5 million) was recognised. The net realised gain for the Period was HK\$26.8 million (six months ended 30th June, 2011: HK\$88.9 million).

Furthermore, the Group recorded an unrealised gain on the fair value change of bonds of HK\$215.5 million (six months ended 30th June, 2011: unrealised loss of listed equity securities and bonds of HK\$260.3 million), which had no effect to the cash flow of the Group.

During the both periods, there was no disposal on listed equity securities included in available-for-sale investments.

Summing up the above and adding the net income from dividend, interest income, other investment income and other finance costs of HK\$432.9 million (six months ended 30th June, 2011: HK\$370.5 million), the gain recognised on securities investments was HK\$675.2 million (six months ended 30th June, 2011: HK\$199.1 million).

The respective income/expense from securities investments under different categories are further elaborated below.

Listed Available-for-sale Equity Investments

The Group had not disposed any listed available-for-sale equity investments for the first half year of 2012 and 2011.

Listed Investments Held-for-trading and Treasury Products

The listed investments held-for-trading and treasury products recorded a profit before or after finance costs of HK\$687.7 million (six months ended 30th June, 2011: HK\$215.8 million) and HK\$675.2 million (six months ended 30th June, 2011: HK\$199.1 million) respectively for the Period.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Securities Investments (continued)

Listed Investments Held-for-trading and Treasury Products *(continued)*

Loss from the listed investments held-for-trading reflected in the condensed consolidated statement of comprehensive income for the Period comprised a gross loss totaling HK\$11.3 million (six months ended 30th June, 2011: gain of HK\$99.4 million), an unrealised gain on fair value changes amounted to HK\$215.5 million (six months ended 30th June, 2011: unrealised loss of HK\$260.3 million), a realised gain on bonds of HK\$38.1 million (six months ended 30th June, 2011: realised loss of HK\$10.5 million) and dividend, interest income and other investment income of HK\$445.4 million (six months ended 30th June, 2011: dividend and interest income of HK\$387.2 million). Net relevant finance cost for the Period of HK\$12.5 million (six months ended 30th June, 2011: HK\$16.7 million) including interest expense of HK\$17.6 million (six months ended 30th June, 2011: HK\$9.9 million) and exchange gain of HK\$5.1 million (six months ended 30th June, 2011: exchange loss of HK\$6.8 million).

Other Income and Expenses

Other income mainly comes from net building management fee income and management and maintenance service income decreased to HK\$24.7 million (six months ended 30th June, 2011: HK\$236.2 million), representing a decrease of 89.5% as compared with the same period last year.

During the Period, administrative expenses increased by 6.4% to HK\$170.0 million (six months ended 30th June, 2011: HK\$159.7 million) and finance costs increased by 10.4% to HK\$170.6 million (six months ended 30th June, 2011: HK\$154.5 million), net of exchange gain of HK\$5.1 million (six months ended 30th June, 2011: exchange loss of HK\$6.8 million) on foreign currency loan hedged for foreign currency securities investments.

Other gains and losses recorded a net gain of HK\$128.4 million, mainly comprised of gain on revaluation of stock of properties upon transfer to investment properties of HK\$129.0 million (six months ended 30th June, 2011: nil), as compared to a net loss of HK\$8.5 million for the same period last year.

Associates

The share of results of associates for the Period was a profit of HK\$152.3 million as compared to HK\$1,084.2 million for the same period last year, which was mainly due to decrease in recognition on sale of The Hermitage of HK\$17.8 million (six months ended 30th June, 2011: HK\$903.8 million).

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 30th June, 2012, by B.I. Appraisals Limited (“B.I. Appraisals”). Whereas the investment property in the United Kingdom was revalued by Peak Vision Appraisals Limited (“Peak Vision Appraisals”). Both B.I. Appraisals and Peak Vision Appraisals are independent property valuers. An increase in fair value of HK\$2,813.4 million (six months ended 30th June, 2011: HK\$2,651.1 million) was recorded during the Period mainly as a result of the upturn of the properties markets in Hong Kong and Mainland China. This unrealised fair value gain will not affect the cash flow of the Group.

FINANCIAL OPERATION REVIEW *(continued)*

Profit, Core Profit, Dividends, Repurchase and Cash Payment Ratio

Profit

Profit attributable to owners of the Company for the Period was HK\$4,157.9 million as compared to HK\$4,553.5 million for the same period last year. The decrease in profit for the Period was mainly due to the decrease in contribution from associates, the increase in fair value gains on investment properties, the increase in fair value gains on bonds and interest income on bonds. Earnings per share for the Period was HK\$2.18 (six months ended 30th June, 2011: HK\$2.39).

Core Profit

If the net gain on the major non-cash items of HK\$2,923.6 million (six months ended 30th June, 2011: HK\$2,904.5 million) are excluded, the Group will have a core profit attributable to owners of the Company for the Period of HK\$1,234.3 million (six months ended 30th June, 2011: HK\$1,649.0 million) and a core earnings per share of HK64.7 cents (six months ended 30th June, 2011: HK86.4 cents), a decrease of 25.1% and 25.1% over 2011 respectively.

The major non-cash items were fair value gain on investment properties and gain on revaluation of stock of properties together with their respective deferred tax of HK\$2,923.6 million (six months ended 30th June, 2011: HK\$2,904.5 million).

Dividends

Final dividend of HK1 cent (year ended 31st December, 2010: HK1 cent) per share in total amount of HK\$19.1 million for the year ended 31st December, 2011 was paid in cash on 13th June, 2012.

Repurchase

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

Cash Payment Ratio

Based on (a) the core profit for the Period of HK\$1,234.3 million (six months ended 30th June, 2011: HK\$1,649.0 million) or HK64.7 cents (six months ended 30th June, 2011: HK86.4 cents) per share; and (b) interim dividend of HK1 cent (six months ended 30th June, 2011: HK1 cent) per share declared for the Period, the ratio of such cash payment to the core profit is 1.5% (six months ended 30th June, 2011: 1.2%).

Net Asset Value

As at 30th June, 2012, the Group's total net asset to owners of the Company amounted to approximately HK\$39,803.7 million (31st December, 2011: HK\$35,651.3 million), an increase of HK\$4,152.4 million or 11.6% when compared with 31st December, 2011. With the total number of ordinary shares in issue of 1,907,619,079 as at 30th June, 2012 (31st December, 2011: 1,907,619,079 shares), the net asset value per share to owners of the Company was HK\$20.87, an increase of 11.7% over 31st December, 2011 (HK\$18.69 per share). The movement in net asset value was mainly due to (a) profit for the Period attributable to owners of the Company of HK\$4,157.9 million; and (b) payment of final dividend of HK\$19.1 million.

FINANCIAL OPERATION REVIEW *(continued)*

Net Asset Value *(continued)*

There was no transaction on the listed equity securities investments categorised as available-for-sales investments for the Period. The carrying amounts of the listed equity securities investments reserve as at 30th June, 2012 and 31st December, 2011 were nil.

Other than the disposal of G-Prop Group and 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, 2011, the carrying amount of the listed securities investments and treasury products was HK\$5,741.5 million. During the Period, the portfolio was increased by a net purchase of HK\$925.9 million. After adding the fair value gain of HK\$215.5 million for the Period, the listed securities investments portfolio of the Group became HK\$6,882.9 million as at 30th June, 2012 representing 9.97% of total assets, which formed part of the Group's cash management activities.

As at 30th June, 2012, the portfolio of HK\$6,882.9 million (31st December, 2011: HK\$5,741.5 million) represented bonds (financial assets designated as at fair value through profit or loss) (31st December, 2011: equity securities of HK\$514.9 million and bonds of HK\$5,226.6 million).

Unlisted Equity Securities

As at 30th June 2012, the Group's unlisted equity securities mainly consisted of 49% of the entire issued share capital of Grandday Group Limited ("Grandday") with carrying amount of US\$500 million (equivalent to HK\$3,889.0 million) (31st December, 2011: HK\$3,889.0 million), which indirectly held the land located at the southeast exterior of Yin Xing Ken District, Yinyang Town, Qidong, Jiangsu Province, the People's Republic of China. As the Group has no significant influence over the board of directors of Grandday and its subsidiaries, the investment in Grandday is classified as an unlisted equity investment and included in available-for-sale investment. The investment was carried at cost less impairment if any. There was no impairment recognised during the Period.

Notes held by Listed Subsidiaries

As at 30th June, 2012, the carrying amount of the fixed rate notes (excluding G-Prop Group) amounted to HK\$97.1 million (31st December, 2011: floating rate and fixed rate notes of HK\$184.6 million), representing 0.1% of the total assets of the Group. The decrease mainly represented the floating rate notes in relation to G-Prop Group reclassified as assets held for sale and redemption upon maturity of a floating rate note 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.

FINANCIAL OPERATION REVIEW *(continued)*

Equity

The number of issued ordinary shares as at 30th June, 2012 and 31st December, 2011 were 1,907,619,079.

Debt and Gearing

As at 30th June, 2012, the Group's bank and other borrowings amounted to HK\$24,604.2 million (31st December, 2011: HK\$22,690.7 million). Cash and deposit at bank amounted to HK\$4,801.7 million (31st December, 2011: HK\$4,268.5 million), pledged deposit amounted to HK\$2,618.9 million (31st December, 2011: HK\$1,705.0 million) and net borrowings amounted to HK\$17,183.6 million (31st December, 2011: HK\$16,717.2 million).

Total debt to equity ratio was 60.7% (31st December, 2011: 62.4%) and net debt to equity ratio was 42.4% (31st December, 2011: 46.0%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$40,532.2 million (31st December, 2011: HK\$36,368.0 million). The total debt to equity ratio and net debt to equity ratio remained stable as compared to 31st December, 2011.

However, if the listed securities investments and treasury products of HK\$6,882.9 million (31st December, 2011: HK\$5,741.5 million) are included, the net debt to equity ratio will be 25.4% (31st December, 2011: 30.2%).

As at 30th June, 2012, the Group's bank and other borrowings were denominated in Hong Kong dollar (61.6%), United States dollar (20.5%), Pound Sterling ("GBP") (12.9%) and Renminbi ("RMB") (5.0%). Of the Group's bank and other borrowings of HK\$24,604.2 million, 59.7%, 16.1%, 21.2% and 3.0% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. United States dollar investment securities were hedged by United States dollar borrowings. The Group's bank and other borrowings in Hong Kong dollars and United States dollars were carried at interest rates calculated mainly with reference to HIBOR/cost of funds; bank borrowings in Pound Sterling were effectively carried at fixed rate; and bank borrowings in Renminbi were carried at interest rates calculated with reference to borrowing rates quoted by Peoples' Bank of China. As at 30th June, 2012, about 87.1% of the Group's borrowings 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.

Pledge of Assets

As at 30th June, 2012, 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\$35,915.6 million (31st December, 2011: HK\$32,981.7 million), HK\$483.5 million (31st December, 2011: HK\$485.1 million), HK\$2,551.1 million (31st December, 2011: HK\$2,626.3 million) and HK\$449.6 million (31st December, 2011: HK\$411.6 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.

FINANCIAL OPERATION REVIEW *(continued)*

Pledge of Assets *(continued)*

- (b) The Group's bonds with carrying amount of approximately HK\$6,882.9 million (31st December, 2011: investment held-for-trading and bonds of HK\$5,741.3 million) and cash deposit of approximately HK\$2,169.3 million (31st December, 2011: HK\$1,293.4 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which approximately HK\$5,307.6 million (31st December, 2011: HK\$3,300.7 million) was utilised as at 30th June, 2012 as borrowings due within one year.
- (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 of approximately HK\$1,540.3 million (31st December, 2011: advances to associates and an investee company of HK\$1,920.0 million) to financial institutions to secure general banking credit facilities granted to the associates (31st December, 2011: 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, 2012 was RMB135.6 million (equivalent to HK\$165.5 million) (31st December, 2011: RMB76.7 million (equivalent to HK\$94.4 million)) and disclosed in the contingent liabilities.

Financial and Interest Income/Expenses

Interest income was included in revenue and investment income. Interest income for the Period was HK\$495.3 million, representing an increase of 14.6% from that of 30th June, 2011 (excluding imputed interest income) of HK\$432.1 million.

Finance costs included interest expenses on bank and other loans, exchange difference on foreign currency loans, arrangement fee and facility and commitment fee expenses. Interest expenses for the Period amounted to HK\$157.4 million, representing an 21.1% increase over the interest expenses of HK\$130.0 million (excluding imputed interest expenses) recorded for the same period last year. The increase in interest expenses was mainly due to the increase in bank loan and interest rate during the Period. Interest capitalised for the Period was HK\$56.4 million as compared to HK\$31.3 million for the same period last year. The average interest rate over the period under review was 1.67% (six months ended 30th June, 2011: 1.33%), which was expressed as a percentage of total interest paid over the average total borrowings.

FINANCIAL OPERATION REVIEW *(continued)*

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 30th June, 2012, the Group employed a total of 690 staff in Hong Kong (31st December, 2011: 691 staff) including about 345 staff (31st December, 2011: 344 staff) employed under the estate management company in Hong Kong. Besides, there was a total of 302 staff (31st December, 2011: 195 staff), which included about 138 staff (31st December, 2011: 101 staff) of the estate management company in Chengdu, in the offices at Mainland China and Macau.

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 ("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 (mainly included in gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Period amounted to HK\$155.6 million (six months ended 30th June, 2011: HK\$109.7 million). The Group's net investment in the Mainland China as at 30th June, 2012 amounted to HK\$12,585.8 million (31st December, 2011: HK\$12,187.7 million) representing approximately 31.1% of the Group's total equity.

Besides, the Group's net investment in Macau as at 30th June, 2012 amounted to HK\$2,605.7 million (31st December, 2011: HK\$2,494.3 million) representing approximately 5.9% of the Group's total equity.

Further, the Group's investment property in the United Kingdom with carrying amount of GBP274.8 million as at 30th June, 2012 (equivalent to HK\$3,309.7 million) contributed a profit of HK\$61.8 million to the Group for the Period. As at 30th June, 2012, the Group's net investment in the United Kingdom amounted to HK\$630.8 million representing approximately 1.6% of the Group's total equity.

Listed Subsidiaries

At the end of the reporting period, the Group owned two listed subsidiaries, comprising 61.96% interest in Chi Cheung Investment Company, Limited and, taking into consideration the control over its board of directors, 41.93% interest in G-Prop. As disclosed in Note 12 to the condensed consolidated financial statements, the disposal of the Group's entire 41.93% interest in G-Prop has completed on 6th August, 2012.

FINANCIAL OPERATION REVIEW *(continued)*

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 the Mainland China as at 30th June, 2012 and 31st December, 2011. For the investment property in the United Kingdom, the valuation as at 30th June, 2012 and 31st December, 2011 was carried out by Peak Vision Appraisals, another independent qualified professional valuers. Their valuations were based on investment method and/or direct comparison method as the valuation methodologies and were used in preparing 2012 interim results.

The Group's investment properties were valued at HK\$37,953.1 million, excluding the investment properties classified as assets held for sale, (31st December, 2011: HK\$34,484.5 million) an 8.7% increase over 2011 after adjusted for the additions, disposals and reclassification of investment properties during the Period. The increase in fair value of approximately HK\$2,813.4 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 associates of HK\$87.1 million (adjusted deferred tax expense of HK\$6.2 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\$2,697.8 million will be carried at fair value, until the earlier of the date when their fair value first become reliably measurable or the date of the completion of the properties.

The increase in fair value of HK\$2,813.4 million or 8.7% was mainly attributable to the Group's three major investment properties, namely Windsor House, Silvercord and The ONE, which after adjusted the additions during the Period, recorded an increase of HK\$970.2 million (or 11.6%), HK\$704.5 million (or 11.0%) and HK\$628.6 million (or 11.9%) respectively. The three properties have in aggregate shown an increase of HK\$2,303.3 million or 81.9% of the total increase. Such increase has reflected an upturn in the property markets of Hong Kong and Mainland China for the Period. Rental renewals of these three properties for the Period have shown a remarkable increase over the end of 2011.

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 99.06% during the Period. The occupancy rate achieved 99.54% if non-core properties are excluded. 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 16.17% with rental income of HK\$677.1 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 21.48% growth while the non-retail portion maintained stable performance with rental growth of 2.59%. The increase in gross rental income is mainly attributable to the remarkable rental income improvement from Silvercord and 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.

During the Period, the average occupancy rate of the shops of Causeway Place was approximately 91.29%.

BUSINESS REVIEW *(continued)*

Hong Kong Property Investment *(continued)*

The overall rental income of Windsor House was raised 5.11% for the Period as compared with the corresponding period of last year. Its average occupancy rate was increased to approximately 99.55% during the Period, representing 5.09% increase over the corresponding period of last year. Windsor House provides shoppers a cozy shopping environment with a diversified trade mix. Various marketing and promotion activities are held in Windsor House from time to time which boosts shoppers' traffic flow and thus increases tenants' business turnover. As a result, Windsor House recorded satisfactory rental growth and high occupancy rate.

As for Silvercord, the overall rental income was substantially raised 49.85% for the Period as compared with the corresponding period of last year. During the Period, its average occupancy rate was 100%, representing 2.31% increase over the corresponding period of last year. Benefited from the prosperous shopping atmosphere of Canton Road, Tsim Sha Tsui, as well as the introduction of several luxury and premium brands in the shopping mall, Silvercord's rental rate and property value is generally uplifted.

The tallest retail complex of its kind in Hong Kong, The ONE recorded 15.48% increase of its overall rental income for the Period as compared with the corresponding period of last year. Its average occupancy rate was approximately 99.94% during the Period with many of the shops 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 2012. During the Period, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 94.05%, 100% and 99.40% respectively, bringing the approximate occupancy rate of the overall office portfolio to 97.44%.

Hong Kong Property Development

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

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 it is expected to be launched in the first quarter of 2014.

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. One WanChai (Phase II project with preservation of the core elements of Wanchai Market) 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. Its superstructure work is in progress. Completion is scheduled for end 2012. Pre-sale consent was received in June 2011. Since its first sales launch commenced in November 2011, 148 units were presold up to 30th June, 2012, representing 62.45% of total units.

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 has been completed. Piling works and the associated substructure works have also been completed in late July 2012. Launching of the project is re-scheduled to 2014.

BUSINESS REVIEW *(continued)*

Hong Kong Property Development *(continued)*

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, 2012, 962 units were sold and recognised, representing 99.79% of total units.

The Coronation (15% interest), is another joint venture development project of the Group in West Kowloon Reclamation Area. Its superstructure work is in progress and the whole project is expected to be completed in end 2012. 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. Pre-sale consent was received in December 2011. The sale is in progress and 732 units (i.e. 98.92%) were presold up to 30th June, 2012.

Macau Property Development

La Scala is a high-end residential project located in Avenida Wai Long, Taipa, Macau with a total residential gross floor area of approximately 5,786,296 square feet (excluding car park area and outdoor facilities area). It will comprise 26 residential tower blocks and will be developed in phases. Phase I development will comprise 9 residential tower blocks and provide in aggregate 899 residential units. Site formation works and the first stage excavation works for the Phase I development have been completed. Next stage construction works and the presale of the Phase I development are suspended.

Mainland China Property Investment

During the Period, the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen were fully let out.

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 99.07% and 58.48% 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 97.18%.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 76.14% for the Period.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was 100% for the Period.

BUSINESS REVIEW *(continued)*

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 provides in aggregate 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, 2012, 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 end 2012. The launching of Phase II was commenced in September 2011, 351 units were presold up to 30th June, 2012.

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 provides 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, 184 units were presold up to 30th June, 2012.

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. Residential portion is expected to be launched before second quarter of 2013.

The Group invested indirectly in the land located at the southeast exterior of Yin Xing Ken District, Yinyang Town, Qidong, 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. Construction of the first phase of the development has commenced. The launching of the first phase was commenced in July 2012.

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 project is at design stage. It will be developed in four phases and Phase I is expected to be completed in the third quarter of 2016.

Overseas Property Investment

River Court is a Grade A freehold office building situate at 116-129 Fleet Street, London, United Kingdom. It provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces. It was fully let out as of 30th June, 2012.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

Disposal of Properties – Connected Transactions

As announced on 8th March, 2012, Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”) (the Chairman and Chief Executive Officer and controlling shareholder of the Company) and his associates had offered to purchase or entered into agreements respectively to acquire certain units of the Group’s residential properties, namely La Scala and/or One WanChai. The transactions constituted connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Disposal of G-Prop Group – Connected Transaction

As announced on 17th June, 2012, a wholly-owned subsidiary of the Company (the “First Vendor”) and a company indirectly wholly-owned by Mr. Joseph Lau (the “Second Vendor”) had on 16th June, 2012 entered into a sale and purchase agreement with (among other parties) an independent third party (the “Purchaser”) in relation to the disposal of 1,018,380,590 shares and 493,678,883 shares owned by the First Vendor and the Second Vendor respectively in G-Prop (Holdings) Limited, the then subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited (“G-Prop”), representing (i) all the share interests of the First Vendor and Second Vendor in G-Prop; and (ii) approximately 62.26% of the entire issued share capital of G-Prop (with approximately 41.93% and 20.33% held by the First Vendor and the Second Vendor respectively) as at the date of the announcement, at a total consideration of HK\$423,660,973 (of which HK\$285,338,057 is payable to the First Vendor and HK\$138,322,916 is payable to the Second Vendor). Completion of the disposal took place on 6th August, 2012. The Purchaser has also entered into the security agreement with the First Vendor on 6th August, 2012, pursuant to which 1,512,059,473 shares of G-Prop have been charged in favour of the First Vendor, for the purpose of securing the Purchaser’s obligations to repay the total principal amount under the promissory note(s) or any part thereof.

As the Second Vendor is indirectly wholly-owned by Mr. Joseph Lau, the Second Vendor, being a substantial shareholder of G-Prop, was an associate of a controller of the Company for the purpose of the Listing Rules. Therefore, the disposal constituted a connected transaction for the Company for the purpose of the Listing Rules. As the applicable ratios in respect of the disposal were more than 0.1% but less than 5%, the disposal was subject to the reporting and announcement requirements and exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Administrative Procedures for Repossession of Land in Macau by Macau Government

As set out in the Company’s announcement dated 17th June, 2012, Moon Ocean Ltd., a wholly-owned subsidiary of the Company (“Moon Ocean”), received a notice of preliminary hearing dated 15th June, 2012 (the “Hearing Notice”) from the Land, Public Works and Transport Bureau (the “LPWT”) of the Macau Special Administrative Region of the People’s Republic of China (“Macau”) regarding the transfers of the rights deriving from the land concession for the five plots of land adjacent to the Macau International Airport (according to the Company’s record, formerly known as Lots 1C; 2; 3; 4 and 5 (parcels 5A & 5B), Avenida Wai Long, Taipa, Macau, and registered in Macau Land Registry under Nos. 22993, 22991, 22995, 22990 and 22989 and now known as Lots 1C1; 1C2; 1C3; 2a; 2b; 2d; 3; 4a; 4b; 5a1; 5a2; 5a3; 5b1; 5b2; 5b3; 5b4; 5b5; 5b6; A3a; A3b; A4a; A4b; E1a; E1b; E2 and E3 and registered in the Macau Land Registry under No. 22989) (the “Macau Land”) from five Macau companies to which the land concession was originally granted (the “Original Owners”) to Moon Ocean (the “Land Transfers”) and the amendment of the related land concession contracts.

It was stated in the Hearing Notice that (i) the Chief Executive of Macau had approved the initiation of the procedures for declaring the act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid and returning the Macau Land to the Original Owners (the “Matter”); and (ii) Moon Ocean may make written submission regarding the Matter within 15 days from the receipt of the Hearing Notice.

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

Administrative Procedures for Repossession of Land in Macau by Macau Government *(continued)*

The Group's Macau legal adviser made the submission which set out basis for opposing the Matter on 29th June, 2012 and as set out in the Company's announcement dated 14th August, 2012, Moon Ocean received a notice from the LPWT stating that (i) the Chief Executive of Macau has declared the previous act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid (the "Decision"); and (ii) Moon Ocean may present objection to the Decision within 15 days from the gazetting of the Decision and may also appeal to the Court of Second Instance. The Decision was then published on the official bulletin of the Macau government dated 15th August, 2012.

The Group has the intention to oppose the Decision and/or to appeal against the Decision to the relevant court of Macau and is seeking legal advice for appropriate legal actions. The outcome of the Matter is thus pending for any subsequent decision of the Chief Executive of Macau or judgment from the court of Macau.

In case of the Decision becoming final, the Group will seek legal advice for appropriate actions to be taken in respect of La Scala project. The Group is determined to pursue claims it may have against the Macau government and/or the Original Owners for compensation for the losses of the Group.

PROSPECTS

The Europe's sovereign debts and slow United States economic recovery are still worries for the markets, and decreases in aggregate demand in these countries have also adversely affected exports for the developing countries, including Mainland China. However, the governments in the European countries are already aware of the importance of stimulating economic growth and the market is still hopeful that the United States will be implementing the third round of quantitative easing later this year. It is hopeful that the governments will ultimately be able to tackle the economic difficulties, albeit not a smooth or a short path.

In Hong Kong, on the other hand, uncertainties surrounding housing policies are reduced by the statements and new policies put forth by the new Chief Executive.

The Group sees promising future in its core businesses. Along the prolonged process of global economy recovery, Hong Kong will continue to enjoy a low interest rate environment; coupled with market fluctuations that will inevitably continue, property has become a safe haven for capital and one of the most reliable hedges against inflation. The Group therefore expects that the market will be filtering up towards quality and well located properties, and as a result, One WanChai, our premier residential project will be well sought in the second half of this year.

As a result of external economic uncertainty, office occupiers are likely to remain cautious, particularly for core Central offices. Wanchai and Causeway Bay, where our office portfolio is located, are relatively resilient towards global economic woes; and with overall occupancy rates high at over 97% on average, the Group is confident that our office investment properties will prove to outperform the general market with stable rental income.

Our core retail investment properties are all located in prime shopping areas. The ONE, for instance, will continue to be the landmark for local customers and tourists. Windsor House and Silvercord will also enjoy benefits from the continuous growth in arrivals and spending of tourists from Mainland China. The Group's retail rental growth will continue to be positive. Meanwhile, River Court, the Group's investment in London, will continue making contributions through stable return.

PROSPECTS (continued)

The Central Government is implementing policies to regulate the mainland residential property market for the third year, and has clearly stated that such regulating policies will be firmly implemented. The residential property markets of the major cities have generally been stabilised as a result. The Group believes that consequent to the policies of the Central Government to stimulate steady economic growth as well as the fine tuning of its monetary policies, the economic growth of Mainland China will continue to maintain at relatively high rates in the medium-to-long term, leading to a positive outlook for its residential property markets. Given the prime locations and superb quality, the Group's development projects, The Metropolis and Splendid City in Chengdu, city in western China, will continue to be well sought after by buyers. The Group is confident that the sales of these projects will continue to perform well.

In view of the performance of securities investments last year and the challenges in the global economic environment in the year ahead, the Board would continue its policy in maintaining a higher cash reserve in 2012. Apart from sale of development properties in Hong Kong and the Mainland China according to development schedules and progress, the Group would also consider sale of particular investment property (or property interests held by the Group) in Hong Kong or the Mainland China or securities investment when such disposal is beneficial to the Group and its shareholders as a whole.

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

As at 30th June, 2012, 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
Mr. Joseph Lau	230,984,820	(1)	Founder and beneficiary of trust	
	1,199,715,948	(2)	Founder and beneficiary of trust	
	<u>1,430,700,768</u>			74.99%
Lau, Ming-wai ("Mr. MW Lau")	230,984,820	(1)	Beneficiary of trust	
	<u>1,199,715,948</u>	(2)	Beneficiary of trust	
	<u>1,430,700,768</u>			74.99%

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”)

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

2. G-Prop

Name of Director	Number of Shares Held	Note	Capacity	Percentage of Issued Share Capital
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 74.99% 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 74.99% 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, 2012.

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, 2012.

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, 2012, 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:-

Name of Substantial Shareholders	Number of Shares Held	<i>Notes</i>	Capacity	Percentage of Issued Share Capital
GZ Trust Corporation	1,430,700,768	(1), (2)	Trustee, beneficiary of a trust and interest in controlled corporation	74.99%
Global King (PTC) Ltd.	1,199,715,948	(1)	Trustee	62.89%
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 1,199,715,948 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, 2012, 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 not 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 and complied with the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) contained in Appendix 14 to the Listing Rules, except the following deviations:–

Code Provision A.2.1 – Chairman and Chief Executive

Mr. Joseph Lau acts as both the chairman (the “Chairman”) and chief executive officer (the “CEO”) of the Company since December 2006. The Board considers that this structure will not impair the balance of power and authority of the Board. At present, the Board also believes that under the leadership of Mr. Joseph Lau as the Chairman and CEO, the Board’s decision could be made effectively and it is beneficial to the management and development of the Group’s businesses. The Board would still consider segregation of the roles of the Chairman and the CEO if and when appropriate.

Code Provision E.1.2 – Chairman Attending Annual General Meeting

Mr. Joseph Lau, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25th May, 2012 (“AGM”) as he had a business engagement. Mr. Chan, Kwok-wai, 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. The chairman of Nomination Committee, Ms. Phillis Loh, Lai-ping had attended the AGM.

BOARD OF DIRECTORS

As at 30th June, 2012, the Board comprised eight Directors, including three Executive Directors, two Non-executive Directors and three INEDs, and among the Directors, two Executive Directors, namely Ms. Chan, Sze-wan and Mr. Lam, Kwong-wai were appointed on 12th June, 2012.

On 13th July, 2012, the Board further appointed Ms. Lui, Lai-kwan as an Executive Director, resulting a total of nine Directors constitutes the Board, with INEDs representing one-third of the Board.

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 (except Ms. Lui, Lai-kwan who has been appointed as Executive Director of the Company after the Period with effect from 13th July, 2012), 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 (the “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.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULES 13.51B(1) AND 13.51(2) OF THE LISTING RULES

On 23rd May, 2012, the Board was informed by Mr. Joseph Lau that the Court of Criminal Instruction of Macau had, in a pre-judgment process, formally accepted the accusation from the Public Prosecutor against, inter alia, Mr. Joseph Lau of committing offences of bribery and money laundering in relation to the acquisition of the Macau Land (the "Accusation").

The Board has on 24th May, 2012 resolved the formation of a special committee (the "Special Committee") to consider and handle all matters in relation to the Accusation. Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, being the INEDs of the Company, have been appointed as members of the Special Committee with effect from 24th May, 2012.

On 28th June, 2012, the Company was informed by Mr. Joseph Lau that the Criminal Court of the Court of First Instance of Macau served a notification on his Macau legal adviser and himself on 26th June and 28th June, 2012 respectively regarding the prosecution against, inter alia, Mr. Joseph Lau for committing offences of bribery and money laundering in relation to the acquisition of the Macau Land. Based on the notification, the trial will proceed before a collegial court and the hearing will commence on 17th September, 2012 at 9:15 a.m.

Mr. Lam, Kwong-wai has resigned as the company secretary of G-Prop and financial controller of G-Prop and its subsidiaries with effect upon completion of the disposal of G-Prop on 6th August, 2012. Subsequently, Mr. Lam has been appointed as a non-executive director of G-Prop with effect from 14th August, 2012.

Save those changes mentioned above, there is no change of information of each director that is required to be disclosed under Rules 13.51B(1) and 13.51(2) of the Listing Rules, since the publication of the annual report of the Company for the year ended 31st December, 2011.

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, 15th August, 2012