



# C C LAND HOLDINGS LIMITED

( Incorporated in Bermuda with limited liability ) Stock Code: 1224



## INTERIM REPORT 2010

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## Directors

### Executive directors

Mr. Cheung Chung Kiu (*Chairman*)  
Dr. Lam How Mun Peter  
(*Deputy Chairman & Managing Director*)  
Mr. Tsang Wai Choi (*Deputy Chairman*)  
Mr. Lam Hiu Lo  
Mr. Leung Chun Cheong  
Mr. Leung Wai Fai  
Ms. Poon Ho Yee Agnes  
Dr. Wong Kim Wing  
Mr. Wu Hong Cho

### Non-executive director

Mr. Wong Yat Fai

### Independent non-executive directors

Mr. Lam Kin Fung Jeffrey  
Mr. Leung Yu Ming Steven  
Dr. Wong Lung Tak Patrick

## Audit Committee

Mr. Lam Kin Fung Jeffrey (*Chairman*)  
Mr. Leung Yu Ming Steven  
Dr. Wong Lung Tak Patrick

## Remuneration Committee

Mr. Cheung Chung Kiu (*Chairman*)  
Dr. Lam How Mun Peter  
Mr. Lam Kin Fung Jeffrey  
Mr. Leung Yu Ming Steven  
Dr. Wong Lung Tak Patrick

## Authorised Representatives

Dr. Lam How Mun Peter  
Mr. Leung Chun Cheong

## Company Secretary

Ms. Cheung Fung Yee

## Legal Advisors

### Hong Kong

Cheung, Tong & Rosa  
Woo Kwan Lee & Lo

### Bermuda

Conyers Dill & Pearman

## Auditors

Ernst & Young  
*Certified Public Accountants*

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Head Office and Principal Place of Business

7th Floor  
China United Centre  
28 Marble Road  
North Point, Hong Kong

## Branch Office

Rooms 3308-10  
China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited  
BNP Paribas  
Bank of Chongqing Co., Ltd.  
Bank of Communications Co., Ltd.  
Hang Seng Bank Limited  
Industrial and Commercial Bank of China (Asia) Limited  
The Bank of East Asia, Limited

## Share Registrars and Transfer Offices

### Principal Share Registrar and Transfer Office

HSBC Bank Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11  
Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

## Website

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

## Stock Code

1224

On behalf of the Board of Directors (the "Directors" or the "Board") of C C Land Holdings Limited (the "Company"), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2010.

## Business Review

For the six months ended 30 June 2010, the Group recorded a revenue of HK\$678.7 million, representing an increase of 82% compared with HK\$373.0 million for the corresponding period of last year. The increase in revenue was mainly due to increased revenue from the property business as more projects were completed and delivered to buyers, as well as increased sales from the packaging and luggage business.

During the first half of 2010, the property business reported a revenue of HK\$420.5 million, representing an increase of 146% compared with the revenue of HK\$171.1 million in the corresponding period of last year. The property business accounted for 62% of the Group's total revenue, becoming the key contributor of the Group. Profit from the property business was HK\$33.8 million (six months ended 30 June 2009: a loss of HK\$87.8 million), which included a recognized gain (before tax) of approximately HK\$164.8 million from the disposal of the Group's 50% interest in the Chengdu Wen Jiang Project. The booked gross profit margin of the property business dropped to 13% which is 5 percentage points lower than that of 2009. The drop was because most of the revenue recognized was from Phase I of i-City which was launched at the end of 2008. The selling price at that time was relatively low because the property market was just recovering and a less aggressive selling price was set for the first phase in line with market sentiments. Excluding the effect of the fair value adjustment on the acquisition of land use rights through the acquisition of the land banks in Yubei and Verakin New Park City, the gross profit margin would have been 27% for the six months ended 30 June 2010.

The revenues from the packaging and luggage business amounted to HK\$182.9 million (six months ended 30 June 2009: HK\$130.6 million) and HK\$72.1 million (six months ended 30 June 2009: HK\$70.1 million) respectively. Market conditions have seen a marked improvement which persisted in the first six months of 2010. Demand for our packaging and luggage products rebounded satisfactorily. The manufacturing business recorded a profit of HK\$16.4 million (six months ended 30 June 2009: HK\$4.8 million).

Other incomes recorded a fair value gain on investment properties of HK\$10.5 million and gains on disposal of a subsidiary and a jointly-controlled entity amounting to HK\$185.9 million in which HK\$164.8 million was realized from the above-mentioned disposal of the Group's 50% interest in the Chengdu Wen Jiang Project.

Other expenses sharply decreased by HK\$33.1 million to HK\$15.7 million as a result of a decrease in equity-settled share option expense since most of the share options granted in previous years were vested with no share options having been granted to Directors and employees during the period.

The treasury investment business reported a gain of HK\$11.1 million (six months ended 30 June 2009: a net loss of HK\$0.5 million after accounting for a tax credit of HK\$7.7 million). This was mainly due to an unrealized gain on listed securities reflected in the period amounting to HK\$8.2 million (six months ended 30 June 2009: unrealized loss of HK\$9.2 million).

The increase in marketing and distribution costs and administrative expenses was mainly due to the expansion of the property business and launching of more projects for pre-sales during the period.

The profit attributable to shareholders for the period amounted to HK\$73.2 million (six months ended 30 June 2009: a loss of HK\$110.7 million). The basic earnings per share for the period were HK2.85 cents (six months ended 30 June 2009: basic loss per share of HK5.16 cents).

## The PRC Property Development and Investment Business

The Group continues to focus its property business in Western China, predominantly in Chongqing and Chengdu. The two cities have seen strong economic growth with the GDP growth of Chongqing and Chengdu in the first half of 2010 reaching 17.6% and 16.8% respectively, which are much higher than the nation's average of 11.1%. Besides having the only inland free-trade zone in China, Chongqing has just announced the setting up of the Liangjiang New Area (兩江新區), China's third economic development zone after Shanghai's Pudong New Area and Tianjin's Binhai at a sub-provincial level. With a planned area of 1,200 square kilometres, the Liangjiang New Area will enjoy the same policy privileges in land policy, finance, taxation and investment, and government support for important and bold reform measures. By 2020, the Liangjiang New Area's GDP is expected to reach over RMB500 billion, accounting for 25% of the municipality's GDP, while, based on the development schedule for the New Area, its gross industrial output value is expected to be more than RMB1 trillion. The setting up of this New Area is considered a landmark move in the development of Western China, boosting economy and narrowing the gap between the east and the west. According to documents released by the State Council, the Liangjiang New Area will serve as a trial area to balance urban and rural development, focusing on an open economy and modern industrial system to become a manufacturing base, modern service base, financial hub, innovation centre and a model area for scientific development. A lot of large overseas corporations have set up their offices in the Airport Industrial Park (空港工業園) which is in the northern part of Chongqing and is one of the key development areas for the establishment of the Liangjiang New Area.

The Group believes it will benefit greatly from the setting up of the Liangjiang New Area since our core land bank with a Gross Floor Area ("GFA") of about 3.4 million square metres ("sqm") is situated in one of the most prime locations within this New Area.

## Recognized Revenue

During the six months ended 30 June 2010, the Group recognized a revenue from property sales of HK\$410.0 million or RMB358.6 million corresponding to an aggregate GFA of about 81,330 sqm (six months ended 30 June 2009: HK\$161.1 million or RMB141.9 million and 26,987 sqm respectively). The revenue from property sales increased by 1.5 times over the corresponding period of 2009 due to the on schedule completion of two projects during the period, Verakin New Park City Zone H and i-City Phase I, with a total GFA of 86,000 sqm.

As at 30 June 2010, the unrecognized revenue was approximately RMB2,959 million. Recognition of this revenue will depend on the time of completion of the relevant projects, the issuance of occupation permits and delivery of the completed units to the buyers.

The completed projects with a total GFA of 86,000 sqm for the six months ended 30 June 2010 are as follows:

Project	Usage	GFA (sqm)	Percentage of Area Sold as at 30 June 2010	The Group's Interest
Verakin New Park City — Zone H	Residential	17,000	98	61%
	Others	9,000		
i-City Phase I	Residential	50,000	94	100%
	Others	10,000		
TOTAL		86,000		



# MANAGEMENT DISCUSSION AND ANALYSIS

An analysis of the GFA recognized as revenue and the average selling prices ("ASP") for the six months ended 30 June 2010 is set out below:

	Project	Usage	GFA (sqm)	Sales Revenue Net of Business Tax (RMB'000)	ASP Net of Business Tax (RMB)	The Group's Interest
Projects completed before 31 December 2009	No.1 Peak Road	Residential	3,070	18,200	5,910/sqm	100%
		Car Park	2,330	5,200	93,270/unit	
	Verakin New Park City					61%
	— Zones A & B	Commercial	1,150	14,000	12,220/sqm	
	— Zone G	Residential	23,530	94,300	4,010/sqm	
	Others		1,470	3,500		
Projects completed during the first half of 2010	Verakin New Park City					61%
	— Zone H	Residential	15,330	104,300	6,800/sqm	
	i-City Phase I	Residential	34,450	119,100	3,460/sqm	100%
	TOTAL		81,330	358,600		

## Contract Sales

Following on the property market recovery in 2009, property prices and transaction volumes were still up at the beginning of 2010. In order to curb speculative demands in certain cities, the Central Government tightened its monetary policies in April 2010 to cool off the overheated property market. As a result, home buyers began to adopt a wait-and-see attitude and property transactions dropped significantly in April and May. The upward trend of home prices began to ease off and price cuts for properties in the first-tier cities were evident. By comparison, the price fall was not significant in second-tier cities.

The strong economic growth in Chongqing and Chengdu continues to provide support to the property market. In addition, as an end-user market, it is less affected by the tightening of second home mortgages as most of the buyers are first-time buyers. In view of its low inventory and strong financial position, the Group does not see the need to lower prices for projects that were already launched. For new project launches however, the asking price is set at market levels in order to remain competitive. As most of the Group's projects are in prime locations and well executed, they are well received by customers. Property sales were seen to pick up from June.

For the first six months up to 30 June 2010, the contract sales amounted to RMB1,819.1 million (six months ended 30 June 2009: RMB557.3 million) which was about 2.3 times higher than that of the corresponding period in 2009, representing about 54% of the 2010 target sales revenue. In terms of GFA sold during the period, it reached a total of approximately 292,200 sqm of GFA (six months ended 30 June 2009: 101,200 sqm) growing by 1.9 times and representing about 55% of the 2010 target sales area of 536,000 sqm. The ASP for the first half of 2010 was RMB6,200 per sqm which is about 13% higher than that of RMB5,500 per sqm in the corresponding period of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

The breakdown for the contract sales in the first half of 2010 is as follows:

Project	Usage	Approximate Contract Sales Area (sqm)	Approximate Contract Sales Revenue (RMB'000)	Approximate Contract ASP Before Business Tax (RMB)
<b>Chongqing</b>				
No.1 Peak Road	Residential	300	1,700	6,600/sqm
	Car Park	2,300	5,500	98,000/unit
Verakin New Park City — Zones G, H, I & W	Residential	117,700	664,000	5,600/sqm
i-City Phases I & II	Residential	29,300	171,400	5,800/sqm
Riverside One, Wanzhou Phases I & II	Residential	4,000	14,800	3,700/sqm
	Car Park	6,200	14,000	67,900/unit
One Central @Midtown Phase I	Residential	64,500	447,600	6,900/sqm
Verakin Le Charme	Residential	43,900	185,600	4,200/sqm
		268,200	1,504,600	
<b>Chengdu</b>				
Sky Villa Phases I & II	Residential	18,800	294,200	15,700/sqm
	Car Park	4,200	10,900	76,000/unit
Land Leader Phase I	Residential	800	9,000	10,700/sqm
	Car Park	200	400	100,000/unit
		24,000	314,500	
Total		292,200	1,819,100	

For the first six months up to 30 June 2010, the subscription sales was about RMB2,188 million with a GFA of about 326,200 sqm (six months ended 30 June 2009: RMB658 million and 126,300 sqm respectively).

## Property Projects Under Development

There were 16 projects in different stages of development during the year. The total area under construction as at 30 June 2010 was about 2 million sqm.

## Chongqing Projects

**Verakin New Park City (同景國際城)** — a high-end multi-phased residential and commercial project with a total GFA of about 1.6 million sqm. Zone H is a town-house development with a GFA of about 26,000 sqm. The residential portion of Zone H with a GFA of about 17,000 sqm was completed, with delivery starting in May 2010. Construction of Zone I is still ongoing and will provide about 150,000 sqm of residential and commercial property. Sales of Zone I progressed well during the period. The ASP was RMB5,500 per sqm which was 11% higher than that of previous year. As at 30 June 2010, a total of 824 units or 97,700 sqm, or 87% of the residential area were sold at an ASP of RMB5,300 per sqm. Zone W has 4,006 residential units or a total GFA of 192,000 sqm. The first batch of 970 units or 48,500 sqm was launched for pre-sale in May 2010. An accumulated total of 686 units or 34,400 sqm (about 70%) of the first batch launched for Zone W were sold as at 30 June 2010.

**Mansions on the Peak (御府)** — a project with a total GFA of about 58,000 sqm under construction during the period. The development consists of 46 luxury villas with clubhouse facilities and shops. The pre-sales is planned to be launched in the second half of 2010 and the project is expected to be completed in the second half of 2011.

**No. 8 Peak Road (山頂道8號)** — a development providing a planned total GFA of about 51,000 sqm made up of 8 low-rise condominium blocks and a few retail units. Construction work is ongoing during the period and is expected to be completed by 2011. The first batch of about 20,700 sqm of condominiums was first launched in July 2010. Over 63% of the launched units were sold at an ASP of RMB10,100 per sqm, generating a subscription sales of approximately RMB133 million, on the first day of launch.

**Le Ambassadeur (山頂道國賓城)** — a four-phased development project of high-rise apartments with a total GFA of about 495,000 sqm. Construction work of the first phase commenced in January 2010. Pre-sale of the first phase is planned for late 2010 or early 2011.

**One Central @Midtown (都會首站) & Lot #10** — a landmark development in our Yubei main land bank that provides a planned total GFA of about 588,000 sqm, comprising an up-market shopping mall, a 5-star hotel with an associated serviced apartment block, two Grade-A office towers, a SOHO building, and 4 high-rise residential towers with retail podiums. The master plan is undergoing final approval by the local authority. Phase I comprises of four residential towers (One Central @Midtown), a SOHO building, retail spaces and car parking spaces with a total GFA of about 186,000 sqm. Construction work of Phase I is ongoing and the four residential towers were topped out during the period. One Central @Midtown has a total of 1,410 residential units with an aggregate GFA of 101,000 sqm. Pre-sale of the first residential tower, Tower 3, took place in January 2010 and all units were sold. Tower 2 was launched for pre-sales in April 2010 and all units were completely subscribed for on the first day. To meet the strong demand, Tower 1 was simultaneously released on the same day. Altogether 3 towers with a total of 1,086 units or 72,000 sqm were launched during the period and about 949 units or 64,500 sqm, or over 90% were sold at an ASP of RMB6,900 per sqm. The project is expected to be completed in 2011.

**i-City (愛都會)** — a three-phased development project near the new Yubei train terminal, providing a total GFA of about 301,000 sqm of mixed residential and commercial property. The first phase with an aggregate GFA of about 60,000 sqm was completed, with delivery starting in May 2010. Over 94% of the residential units of Phase I were sold as at 30 June 2010. Construction of the second phase with a total GFA of about 130,000 sqm is in progress during the period. Phase II continued to be well received by the Chongqing market. As at 30 June 2010, 499 units or 55,600 sqm, or 58% of Phase II residential units were sold at an ASP of RMB5,400 per sqm which was 42% higher than that of Phase I. The second phase of the project is expected to be completed in 2011. Foundation work of the third phase of the project has started.

**Phoenix County (梧桐郡)** — a high-end residential townhouse and high-rise apartments project near the new Yubei train terminal with a total GFA of about 399,000 sqm. Construction of the first phase with a GFA of about 79,000 sqm commenced in May 2010. Pre-sales is scheduled for early 2011 and the first phase of the project is expected to be completed in 2012.



**Riverside One, Wanzhou (濱江壹號)** — located in the Jiangnan New District in Wanzhou, the project will be developed into an integrated complex, consisting of high-end residential property, retail outlets, and an office building with a total GFA of about 408,000 sqm. Construction work for the first phase of the residential property with a GFA of about 72,000 sqm is ongoing during the period. All the residential units of Phase I were sold. Sales of the car park spaces of Phase I commenced in March 2010, 80% of which were sold within the first month. Phase I is planned for delivery in the second half of 2010. Construction of Phase II with a total GFA of about 102,000 sqm commenced in April 2010 and pre-sales was launched in June 2010 with an ASP of RMB3,900 per sqm which was 15% higher than that of Phase I. Phase II is expected to be completed in the second half of 2011.

**Verakin Le Charme (同景 • 南門金階)** — a residential project located in the Fuling District of Chongqing with a total GFA of about 69,000 sqm for residential and commercial development. The residential development with 492 units or 44,100 sqm was launched in early March 2010 and received overwhelming response. About 84% were sold on the first day of launch. As at 30 June 2010, all residential units were sold at an ASP of RMB4,200 per sqm. The project is expected to be completed in 2011.

**Jiangbei Project** — a 25% equity interest joint venture project located along the north bank of the city centre section of the Jialing River, with a total GFA of about 1,030,000 sqm. The project is to be developed into a high-end residential and commercial complex. Foundation work started in June 2010.

## Chengdu Projects

**Sky Villa (四海逸家)** — a residential project located in the Jinjiang District with a total GFA of about 557,000 sqm. The first phase comprises of 682 residential units or about 88,000 sqm GFA occupying three towers. Construction of the superstructure has been completed. Internal and external finishing work is now in progress. All residential units of Phase I have been pre-sold. Delivery of Towers 1 and 2 of Phase I is scheduled for the second half of 2010 and delivery of Tower 3 of Phase 1 is expected to take place in the first half of 2011. Phase II comprises of five towers with a total of 1,079 residential units or a total GFA of 102,000 sqm. Construction of the second phase is in progress and is expected to be completed in 2012. Tower 5 and Tower 1 of Phase II with a total of 371 units or a total GFA of 34,200 sqm were launched for pre-sale in February and May 2010 respectively. About half of the units were sold as at the end of June 2010. The current ASP has increased to RMB16,000 per sqm which is about 30% higher than last year's average price of RMB12,300 per sqm.

**Land Leader (城南逸家)** — a luxury villa and townhouse project with a total GFA of about 312,000 sqm in Shuangliu County, Chengdu. The project is just 8 minutes away from the southern extension of the Chengdu South Renmin Road. Shuangliu County is a highly developed transportation hub and presently the sole aviation hub in Chengdu. It is the largest air traffic centre in Western China. The project is located opposite to the Sichuan University campus along a river bank and will be developed in phases. The first phase of the project with a total residential and car park GFA of 46,400 sqm is under construction and pre-sales of the first batch with 69 units were launched in May 2010. The first phase of the project is estimated to be completed and ready for delivery in 2012.

**Mumashan Project (牧山逸家)** — a high-end villa project with a total GFA of about 344,000 sqm in Huayuan Town, Xinjin County, Chengdu, a suburban district approximately 15 kilometres south-west of Chengdu. The project is close to the Shuangliu International Airport and the site has been cleared and upgraded by the local government from rural land into land for low-density residential property development. Construction is scheduled to commence in the second half of 2010 and the first phase of GFA 30,000 sqm is expected to be completed in 2012.

**Dujiangyan Project (都江逸家)** — a low-rise residential project with a total GFA of about 58,000 sqm in the Dujiangyan district which is a famous tourist location. Construction work started in February 2010. Pre-sales will be launched in the second half of 2010. The project is expected to be completed in 2011.

## Projects in Other Districts

**Dazhou Project (雍河灣)** — a residential project located in the Tongchuan District with a total GFA of about 413,000 sqm. Construction for Phase I with a GFA of about 150,000 sqm will commence in the second half of 2010 and pre-sales is planned for the first half of 2011. Phase I is expected to be completed in 2012.

**Silver Lining (雲都國際)** — a pilot project in Kunming with a total GFA of about 94,000 sqm, comprising of residential, serviced apartments and commercial property. Construction work commenced in early 2010. Pre-sales of the residential and serviced apartments was launched in June 2010 and received overwhelming response. On the first day of launch, a total of 369 units with a GFA of about 29,500 sqm were sold, generating a subscription sales of approximately RMB211 million at an ASP of RMB7,150 per sqm, representing 61% of the launched units. The development is expected to be completed in 2011.

As at 30 June 2010, details of the projects held for development are as follows:

Locations/Project Names	Expected Completion Date	GFA (sqm)	The Group's Interest
Chongqing, Yubei District			
— Phoenix County	2012 or after	399,000	100%
— i-City	2011 or after	241,000	100%
— Mansions on the Peak	2011	58,000	100%
— One Central @Midtown & Lot #10	2011 or after	588,000	100%
— No. 8 Peak Road	2011	51,000	100%
— Le Ambassadeur	2012 or after	495,000	100%
— 17-1	2013 or after	217,000	100%
— 9	2013 or after	365,000	100%
— 19	2013 or after	383,000	100%
— 4	2013 or after	597,000	100%
— 3-1	2013 or after	301,000	100%
— Others	2013 or after	109,000	100%
Chongqing, Jiangbei District	2013 or after	1,030,000	25%
Chongqing, Nan'an District			
— Verakin New Park City	2012 — 2017	1,305,000	61%
Chongqing, Wanzhou District			
— Riverside One, Wanzhou	2010 or after	408,000	100%
Chongqing, Tongnanxian	2013 or after	867,000	100%
Chongqing, Shapingba District, U-City	2013 or after	423,000	100%
Chongqing, Fuling District, Nanmenshan			
— Verakin Le Charme	2011	69,000	31%
Chengdu, Dujiangyan District, Xujia Town	2011	58,000	100%
Chengdu, Dujiangyan District, Yutang Town	2013 or after	187,000	60%
Chengdu, Jinjiang District			
— Sky Villa	2010 — 2014	557,000	51%
Chengdu, Shuangliu County,			
— Land Leader	2012 or after	312,000	51%
Chengdu, Xinjin County,			
— Mumashan Project	2013 or after	344,000	51%
Meishan, Pengshan County			
— Binjiang New Town	2013 or after	1,000,000	60%
Sichuan, Dazhou, Tongchuan District	2012 or after	413,000	100%
Kunming — Silver Lining	2011	94,000	70%
<b>Total</b>		<b>10,871,000</b>	

# MANAGEMENT DISCUSSION AND ANALYSIS

## Land Bank

Land bank is the fundamental element for future profitability of a property developer. The Group is extremely careful in purchasing new land banks. Only land with great attractive development potential and good profit margins will be considered. To improve the asset turnover rate, the Group will only consider land lots capable of pre-sales launches no later than 12 months following completion of acquisition. The Group prefers to take over land lots or on-going projects from small developers instead of acquiring land banks directly from land auctions. Because of its strong local knowledge and connections, the Group is in a better position to source land banks or ongoing projects from small local developers at below market prices. To enjoy economies of scale, the Group will primarily focus on new opportunities located in cities where its existing projects are situated. The Group aims to keep a land bank portfolio sufficient for 7 to 8 years of development.

As at 30 June 2010, the Group had 16 land lots in its land bank portfolio of approximately 10.9 million sqm GFA (attributable GFA amounted to about 8.4 million sqm) held for development. The average land cost is about RMB1,680 per sqm. The Group's land bank portfolio covers Chongqing, Chengdu, key cities in Sichuan, and Kunming. Within its portfolio, the land lots located at the Yubei District, Chongqing, are of the highest value due to their excellent location, and the maturity of its neighbourhood. A large portion of the Group's trophy investments properties will be developed on these land lots.

During the period, the Group added only one new land lot which is located in the Fuling District of Chongqing. In February 2010, the Group acquired a 51% equity interest in and the shareholder's loan to a company which holds a piece of land in Nanmenshan, Fuling District, Chongqing, on which a project known as Verakin Le Charme is developed, at a total consideration of RMB43.4 million, through its 61% owned subsidiary which holds the Verakin New Park City Project. The effective interest in the project is 31.1%. The land site has a total GFA of about 69,000 sqm for residential and commercial development. The acquisition GFA cost was about RMB850 per sqm.

During the period, to refine its land bank portfolio, the Group disposed of all its 60% interest in the Jintang Project, Chengdu at a consideration of HK\$340 million. A profit before tax of HK\$21.1 million was recognized (HK\$86 million impairment loss previously provided for the land interests was written back in the last year). The proceeds will be used to fund land bank acquisition in the future.

As at 30 June 2010, the Group's land bank has a well-diversified portfolio. The breakdown by usage is as follows:

Usage	Completed Properties held for Investment GFA (sqm)	Properties held for Own Use GFA (sqm)	Completed Properties held for Sale GFA (sqm)	Land held for Development GFA (sqm)		Total GFA (sqm)	Percentage
				Total	Attributable		
				Commercial	28,000		
Residential	3,000	—	20,000	5,981,000	4,494,000	6,004,000	54.2
Office	—	—	—	781,000	753,000	781,000	7.1
Hotel & serviced apartment	—	—	—	576,000	456,000	576,000	5.2
Townhouse & villa	—	—	—	1,356,000	916,000	1,356,000	12.3
Others (Car-park spaces and other auxiliary facilities)	53,000	11,000	65,000	1,410,000	1,166,000	1,539,000	13.9
<b>Total</b>	<b>84,000</b>	<b>20,000</b>	<b>94,000</b>	<b>10,871,000</b>	<b>8,445,000</b>	<b>11,069,000</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

The completed properties held for sale is only 0.85% of the total land bank. Out of the 20,000 sqm completed residential properties, about 77% have been sold and are pending delivery. This shows that the Group does not have much inventory available for sale and does not have any financial pressure.

The breakdown of the land bank held for development by location is as follows:

Locations	Total GFA (sqm)	Attributable GFA (sqm)	Percentage of Total GFA
Chongqing	7,906,000	6,577,000	72.7
Sichuan			
— Chengdu	1,458,000	789,000	13.4
— Pengshan	1,000,000	600,000	9.2
— Dazhou	413,000	413,000	3.8
Yunnan			
— Kunming	94,000	66,000	0.9
<b>Total</b>	<b>10,871,000</b>	<b>8,445,000</b>	<b>100.0</b>

Around 73% of the land bank is located in Chongqing whilst 27% is in Chengdu, key cities in Sichuan, and Kunming. In terms of usage, about 73% of the land bank is for residential, hotel and serviced apartment as well as townhouse and villa use and the remaining 27% for offices, commercial and other developments.

## Investment Properties

The Group's investment property portfolio as at 30 June 2010 amounted to approximately 83,604 sqm GFA (31 December 2009: 83,982 sqm), comprising approximately 33.8% in commercial properties, 3.6% in residential properties, 62.6% in car parks and auxiliary facilities.

During the period, the portfolio's fair value appreciated by approximately HK\$10.5 million to HK\$310.0 million, the majority of which was the revaluation gain recognized in relation to the commercial properties. Rental income from the investment properties amounted to approximately HK\$6.7 million for the period ended 30 June 2010 (six months ended 30 June 2009: HK\$6.4 million), representing an increase of 4.7%.

## Investment Properties Under Development

In the 11th Five-Year Plan, the Chongqing Municipal Government encouraged intensive development in the urban areas, and the northern part of Chongqing is the ideal site for the new city centre. Being the "North Window" of Chongqing, the Yubei District is strategically important in the whole development blueprint of Chongqing. The Group's core land bank in the Yubei District is situated right at the heart of the Yubei District of Chongqing, a district where the regional government administration offices, light rail and underground transport systems, major highway junctions and a new rail transportation hub are located. The Yubei district is only 20 minutes by car from the Chongqing Airport. The Group's core land bank in the Yubei District has been earmarked for development as separate but interlinked projects, consisting of hotels, commercial and residential complexes. Internationally renowned architects and designers have been enlisted to help develop these projects. In view of the prime location of these projects, the Group intends to keep the trophy commercial properties for rental purposes and is expected to build up the investment property portfolio in the coming four years. Once completed, this portfolio will form a solid base of recurrent rental income and cash flow for the Group.

There are four commercial land lots at the Group's core land bank in the Yubei District, namely, Lots No. 3, 4, 9 and 10. Construction on the first commercial land lot, No. 10, started in May 2009, and the pre-sales for the residential project (One Central @Midtown) on this land lot was launched in January 2010 with great success.

The Group has also formed a strategic partnership with New World China Land Limited ("NWCL"), a leading property developer and hotel operator in China, to jointly develop a five-star luxury hotel and serviced apartment project on this lot. The equity interest of this jointly-developed project is held as to 80% by the Group and 20% by NWCL. The hotel and serviced apartment project has an aggregate GFA of approximately 94,000 sqm and is scheduled to be completed by the year 2013.

## Manufacturing Business

Most countries around the world are seeing recovery in their economies but the foundation is not solid. The year 2010 is a challenging one for our manufacturing business as global demand has not fully returned. However, the Group is seeing gradual improvement in the Group's packaging and luggage businesses. The order bookings for the first six months of 2010 are encouraging. At 30 June 2010, orders on hand not yet delivered for the packaging and luggage business stood at HK\$117.2 million and HK\$113.6 million respectively.

Factories in the South China Delta region faced an increasing problem of worker shortage in the first half of the year while orders were picking up. Accelerated urbanization and industrialization in inland China have created more job opportunities there. A growing number of migrant workers who returned home for the New Year and Spring Festival failed to return to the coast. Competition to enlist workers has become intense. To expand production capacity to meet rising customers' orders, the Group launched recruiting activities in several provinces, outsourced part of the manufacturing processes, and rearranged shipment schedules with the consent of our customers. The inevitable rise in labour costs needed to attract and keep more workers will certainly reduce profit margins in the short term until the increased costs could be met by price increases of the Group's goods. This is partially compensated by the improved cost effectiveness of our operation due to prompt remedial measures adopted by the Group last year to counter the global financial crisis.

The revenue from the packaging business for the six months ended 30 June 2010 increased by 40% from the same period last year to HK\$182.9 million. The growth in revenue was largely driven by the European market. Customers began to replenish inventories which boosted demand for the Group's products. Geographically, Europe continued to be the largest market in the six-month period ended 30 June 2010. The revenues from the US and European market increased by 6% and 20% to HK\$27.7 million and HK\$89.4 million respectively from the second half of year 2009. As a result of increased efficiency and our improved ability to control costs, net profit for the period ended 30 June 2010 was HK\$15.3 million, representing an increase of 99% over the same period last year. This is a remarkable achievement in view of only a moderate market rebound.

Even though the operating environment for the luggage business remained tough in the first half year, sales started to pick up from the reduced level in the second half of 2009. The revenue grew by 3% to HK\$72.1 million. The growth was significantly driven by an 131% increase in sales to the domestic PRC market. It was further supplemented by an 142% increase in sales to the Asian markets. To increase competitiveness, the Group actively pursued improvement in designs and development for its products, working closely with its customers to roll out customized solutions, thereby upgrading the standards of its products. As part of the competitiveness program, a restructuring program was conducted to optimize operational control and improve production efficiency.

The profit margin has also substantially improved from that of the same period last year. The operating profit for the six-month period ended 30 June 2010 was HK\$1.1 million (six months ended 30 June 2009: a loss of HK\$2.9 million). Due to a shortage of skilled workers as a result of which, customers' orders could not be filled in time, the luggage business suffered a loss for the first quarter. As the outsourcing procedures were in place in the second quarter, the improved output enabled the Group to turn around and achieve profit for the period. The unfulfilled orders have been rescheduled to the second half year with the consent of the customers, while efforts are continued to recruit and train more workers.

## Other Businesses

The share of the loss from the 30% owned associated company, Technical International Holdings Limited, amounted to HK\$1.0 million (six months ended 30 June 2009: HK\$2.0 million). The business environment remains challenging but a recovery is on the horizon in the second half of the financial year. Consumer demands are expected to pick up. The Group is looking forward to improvement in the second half of the financial year due to traditional seasonal factors and improved business sentiments.

## Treasury Investment Business

The treasury investments segment recorded a profit for the period of HK\$11.1 million (six months ended 30 June 2009: a loss of HK\$0.5 million). This was mainly from an unrealized gain on listed investments amounting to HK\$8.2 million during the period.

In view of the miniscule interest returns on bank deposits, the Group instead invested in a portfolio of listed securities and unlisted investment funds.

## Prospects

### The PRC Property Development and Investment Business

Under the tightening measures, some property developers have begun to offer discounts to boost sales, which will eventually lead to price declines. It has yet to be seen whether a significant price correction in the property market in the western region will occur. We do not expect the government to lift the tightening measures in the second half of 2010. However, the fundamental demand for housing remains huge in Western China as it is mainly end-user driven and, based on the relatively lower ASPs, affordability is still high. The ongoing urbanization process and the massive infrastructure expansion will support the property sector in the long run. The setting up of the Liangjiang New Area is an important catalyst for the economic growth of Chongqing. With a low inventory and enjoying a net cash position, the Group has decided to maintain its construction schedule planned in early 2010.

The total area under construction as at 30 June 2010 was about 2 million sqm with a target of an additional 400,000 sqm new construction area to be commenced in the second half of 2010, making the total construction area as at the end of 2010 to be about 2.4 million sqm which is about 4.5 times of the target sales area for 2010. The Group is poised for exponential growth in the coming few years. Most of our projects are in the prime locations of their respective areas/districts. The designs are well received and the high standard of execution recognized by the end-users. As a result, the Group's products are sold at a premium to their counterparts in the vicinity. The Group remains confident about the long term development prospects of the PRC property market and believes transaction volumes will return to normal levels in line with economic growth. The Directors believe Western China is one of the fastest growing regions in China, and the property market in Chongqing and Sichuan will continue to flourish in the coming years, having really started on a serious note from 2006.



# MANAGEMENT DISCUSSION AND ANALYSIS

The Group expects that 12 projects will be available for sale in 2010, with a total saleable GFA of approximately 536,000 sqm (55% of which have been sold as at 30 June 2010). The Group remains confident in achieving its 2010 target contract sales of RMB3,400 million and 536,000 sqm of GFA. Details of the sales schedule are analyzed as follows:

Location	Project	Saleable Area (sqm)	The Group's Interest
Chongqing	i-City	60,000	100%
	Riverside One, Wanzhou	60,000	100%
	Verakin New Park City — Zones H, I & W	168,000	61%
	Verakin Le Charme	44,000	31%
	Mansions on the Peak	4,000	100%
	One Central @Midtown	75,000	100%
	No. 8 Peak Road	20,000	100%
	Le Ambassadeur	20,000	100%
Chengdu	Sky Villa	35,000	51%
	Land Leader	10,000	51%
	Dujiangyan Project	10,000	100%
Kunming	Silver Lining	30,000	70%
Total		536,000	

The target completion GFAs for the second half of 2010 and 2011 are approximately 131,000 sqm and 777,000 sqm respectively, with 97% and 36% target completion residential areas respectively having been pre-sold as at 30 June 2010.

Location	Project	Residential Area (sqm)	Commercial/ Car park/ Other Area (sqm)	Total Construction Area (sqm)	The Group's Interests
<b>Second half of 2010</b>					
Chongqing	Riverside One, Wanzhou Phase I	53,000	19,000	72,000	100%
Chengdu	Sky Villa Phase I	44,000	15,000	59,000	51%
Total		97,000	34,000	131,000	
<b>Year 2011</b>					
Chongqing	i-City Phase II	98,000	32,000	130,000	100%
	Mansions on the Peak	35,000	23,000	58,000	100%
	One Central @Midtown & Lot #10 Phase I	101,000	85,000	186,000	100%
	No. 8 Peak Road	39,000	12,000	51,000	100%
	Riverside One, Wanzhou Phase II	83,000	19,000	102,000	100%
	Verakin Le Charme	44,000	25,000	69,000	31%
Chengdu	Sky Villa Phase I	22,000	7,000	29,000	51%
	Dujiangyan Project	53,000	5,000	58,000	100%
Kunming	Silver Lining	53,000	41,000	94,000	70%
Total		528,000	249,000	777,000	

## Manufacturing Business

The global economy and trade conditions seem to have stabilized. Most of the economies where the Group exports to are showing signs of recovery. Europe may be an exception as its recovery has been sluggish. Although it is not certain that the economy is set for a strong, sustained recovery, the short-term outlook has brightened. The Group believes the economy will gradually pick up during the course of the year.

On the other hand, wage pressure is coming from labour shortage in coastal cities partly due to improving economic conditions and job prospects in inland provinces. With the government efforts to improve living conditions for workers and raise salaries, and to meet customers' demand, the Group has to raise its salary payout in line with market practices. A faster-than-expected labour cost increase will occur. While the increased labour costs have to be shared with its customers, the management will intensify its efforts to control costs and improve efficiency to mitigate the impact.

Looking ahead at the second half of 2010, the Group expects sales for the packaging products to further increase in line with improved market sentiments since late 2009, especially in Asia and North America.

Despite a slightly soft first half year for the luggage business, sales is expected to pick up in the second half of 2010 to provide growth for the full year. Order bookings have shown a steady upward trend. Significant improvement in the second half of 2010 in the US and European markets is not foreseeable as the recovery remains fragile. However, growth is driven by strong demands in the PRC following the government stimulus package to boost domestic economy. The Group's marketing strategy will focus more on expanding the domestic business in the PRC and in the growing Asian market. The Group believes the luggage business has turned the corner and will revert to profitability.

To enhance overall profitability, the Group will optimize its product mix, focusing on higher margin products. The Group will continue the cost rationalization program to lower raw material costs and enhance efficiency and productivity.

## Financial Review

### Investments

At 30 June 2010, the Group held a portfolio of listed and unlisted equity securities and notes receivable (issued by companies listed on the Stock Exchange) with a carrying value of HK\$1,126.6 million (31 December 2009: HK\$947.9 million). The amount of dividends, interest and other income from investments for the period was HK\$7.0 million (six months ended 30 June 2009: HK\$4.9 million).

### Liquidity and Financial Resources

As of 30 June 2010, the Group maintained a sound financial position. The aggregate cash and bank balances amounted to HK\$4,183.0 million (31 December 2009: HK\$3,784.6 million) which included HK\$1.0 million (31 December 2009: HK\$1.0 million) of deposit pledged to a bank. The increase in cash balance was the result of the proceeds from property sales. Total borrowings amounted to HK\$3,944.6 million (31 December 2009: HK\$2,742.5 million). The increase in the bank borrowings is mainly from RMB long-term loans. The average borrowing interest rate for the six months ended 30 June 2010 was 3.44% (six months ended 30 June 2009: 3.52%) per annum.

# MANAGEMENT DISCUSSION AND ANALYSIS

The structure of the Group's bank borrowings as at 30 June 2010 is summarized below:

Currency of Bank Loans	Total HK\$'M	Due within One Year HK\$'M	Due more than One Year but not exceeding Two Years HK\$'M	Due more than Two Years but not exceeding Five Years HK\$'M	Beyond Five Years HK\$'M
RMB	2,367.0	76.8	660.2	1,587.0	43.0
HK\$	1,556.9	1,556.9	—	—	—
US\$	20.7	20.7	—	—	—
	3,944.6	1,654.4	660.2	1,587.0	43.0

Secured debts accounted for approximately 60.0% of total borrowings as at 30 June 2010 (31 December 2009: 35.7%).

As at 30 June 2010, the Group is at a net cash position of HK\$238.4 million (31 December 2009: HK\$1,042.1 million). Details were as follows:

	30 June 2010 HK\$ million	31 December 2009 HK\$ million
Cash and bank balances and time deposits	4,183.0	3,784.6
Less: Total bank and other borrowings	(3,944.6)	(2,742.5)
Net cash position	238.4	1,042.1

The decrease in the net cash balance is because of the payment of land premium of about RMB1,443 million in the first half of 2010.

The owners' equity was HK\$11,794.0 million (31 December 2009: HK\$11,807.6 million).

## Contingent Liabilities/Financial Guarantees

At 30 June 2010, the Group had the following contingent liabilities/financial guarantees:

- Guarantees given to banks in connection with facilities granted to associates in the amount of HK\$9.0 million (31 December 2009: HK\$13.5 million).
- Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of HK\$1,578.6 million (31 December 2009: HK\$614.9 million).

## Pledge of Assets

At 30 June 2010, the Group has pledged the following assets:

- Leasehold properties as security for general banking facilities granted to the Group. HK\$5.7 million
- Fixed deposits as security for general banking facilities granted to the Group. HK\$1.0 million
- Properties under development, prepaid land lease payments and investment properties pledged to secure banking facilities granted to the Group. RMB6,412.4 million

## Exchange Risks

The sales and purchase transactions of the Group's manufacturing business are primarily conducted in US dollars, Hong Kong dollars and/or RMB. The Group does not carry out currency hedging for these transactions but includes potential exchange fluctuations as an element in product costing. On account of the relatively short time required for revenue recognition for this business, the foreign exchange exposure is considered minimal. For the Group's property business, sales transactions and all major cost items are denominated in RMB. Therefore the foreign exchange exposure for the property business is minimal.

## Events after the Reporting Period

- a. On 6 July 2010, the Company as borrower executed a facility agreement (the "Facility Agreement") with, among others, various companies in the Group as guarantors and various financial institutions as lenders for a 3-year term loan facility for an aggregate amount of HK\$2,750,000,000. Under the Facility Agreement, it is (among other matters) an event of default if Mr. Cheung Chung Kiu ("Mr. Cheung") (i) save for certain exceptions, does not or ceases to hold (directly or indirectly) 35% or more of the beneficial shareholding interest, carrying 35% or more of the voting rights, in the issued share capital of the Company; (ii) directly or indirectly, is not or ceases to be the single largest shareholder of the Company; or (iii) does not or ceases to have management control of the Company.
- b. On 24 August 2010, a jointly-controlled entity held as to 25% by the Company entered into a facility agreement as borrower with, among others, various financial institutions as lenders for a 3-year term loan facility in an aggregate amount of HK\$1,000,000,000. Under the facility agreement, it is (among other matters) an event of default if Mr. Cheung ceases to (i) save for a certain exception, own beneficially (directly or indirectly, through any other entity or entities wholly and beneficially owned by him or by virtue of his entitlement as beneficiary under any family trust arrangement(s)) at least 35% of the issued share capital of the Company; or (ii) exercise management control over the Company.

## Employees

At 30 June 2010, the Group had approximately 4,739 employees. The Group remunerates its staff based on their merit, qualification and competence. The Group has also established an incentive bonus scheme to reward employees based on their performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. For the period ended 30 June 2010, an amount of HK\$0.9 million (six months ended 30 June 2009: HK\$38.7 million) was charged off as equity-settled share option expense to the income statement. Other benefits include contributions to a provident fund scheme, mandatory provident fund, and medical insurance.

## Interim Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

# DISCLOSURE OF INTERESTS

## Directors' and Chief Executives' Interests and Short Positions

As at 30 June 2010, details of the interests and short positions of each of the directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### Interests in shares of the Company (long positions)

Name of directors	Interests in shares		Interests in underlying shares pursuant to share options	Aggregate interests	Approximate percentage <sup>4</sup>
	Personal interests	Corporate interests	granted by the Company <sup>3</sup>		
Mr. Cheung Chung Kiu		1,294,165,207 <sup>1&amp;2</sup>		1,294,165,207	50.55
Dr. Lam How Mun Peter	11,000		39,039,000	39,050,000	1.53
Mr. Tsang Wai Choi	3,314,000			3,314,000	0.13
Mr. Leung Chun Cheong	534,000		1,500,000	2,034,000	0.08
Mr. Leung Wai Fai			3,000,000	3,000,000	0.12
Ms. Poon Ho Yee Agnes	104,000		2,000,000	2,104,000	0.08
Dr. Wong Kim Wing	250,000		2,000,000	2,250,000	0.09
Mr. Wu Hong Cho			1,800,000	1,800,000	0.07

Notes:

- 254,239,636 of such shares were held through Regulator Holdings Limited ("Regulator"), an indirect wholly-owned subsidiary of Yugang International Limited ("Yugang", which was owned by Chongqing Industrial Limited ("Chongqing"), Timmex Investment Limited ("Timmex") and Mr. Cheung Chung Kiu ("Mr. Cheung") in aggregate as to 44.06%). Mr. Cheung was deemed to be interested in the same number of shares held by Regulator by virtue of his indirect shareholding interests in Chongqing. As Mr. Cheung had 100% beneficial interest in Timmex, he was also deemed to be interested in the same number of shares held by Timmex through Regulator.  
  
1,039,925,571 of such shares were held through Thrivetrade Limited ("Thrivetrade"), a company wholly-owned by Mr. Cheung. Accordingly, he was also deemed to be interested in the same number of shares in which Thrivetrade was interested.
- Mr. Cheung, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited had 35%, 30%, 5% and 30% equity interest in Chongqing respectively. Peking Palace Limited and Miraculous Services Limited were beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family. Prize Winner Limited was beneficially owned by Mr. Cheung and his associates. Mr. Cheung had 100% beneficially interest in Timmex.
- Details of the directors' interests in the shares of the Company pursuant to share options granted by the Company are set out in the section headed "Share Options" below.
- Approximate percentage refers to the aggregate interests of a director expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Options

The Company adopted a share option scheme (the "Scheme") on 29 April 2005, details of which were disclosed in the Company's circular dated 13 April 2005.

Details of share options granted under the Scheme and their movements during the period from 1 January 2010 to 30 June 2010 are set out below:

Name or category of participants	Number of share options					At 30 June 2010	Date of grant <sup>1</sup>	Exercise period	Exercise price <sup>2</sup> HK\$ per share	Closing price immediately before date of grant HK\$ per share
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period					
<b>Directors</b>										
Lam How Mun Peter	2,000,000	—	—	—	—	2,000,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	1,939,000	—	—	—	—	1,939,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	6,000,000	—	—	—	—	6,000,000	16-02-2007	01-01-2008 to 15-02-2017	4.81	4.67
	2,000,000	—	—	—	—	2,000,000	19-04-2007	01-01-2008 to 18-04-2017	5.26	5.40
	2,000,000	—	—	—	—	2,000,000	19-04-2007	01-01-2009 to 18-04-2017	5.26	5.40
	4,000,000	—	—	—	—	4,000,000	27-04-2007	01-01-2008 to 26-04-2017	5.37	5.40
	1,800,000	—	—	—	—	1,800,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	1,800,000	—	—	—	—	1,800,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	17,500,000	—	—	—	—	17,500,000	07-05-2009	07-05-2009 to 06-05-2019	3.27	3.47
	39,039,000	—	—	—	—	39,039,000				
Leung Chun Cheong	500,000	—	—	—	—	500,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	—	—	—	—	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	—	—	—	—	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	1,500,000	—	—	—	—	1,500,000				
Leung Wai Fai	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	—	—	—	—	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	—	—	—	—	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	3,000,000	—	—	—	—	3,000,000				
Poon Ho Yee Agnes	500,000	—	—	—	—	500,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	500,000	—	—	—	—	500,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	—	—	—	—	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	—	—	—	—	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	2,000,000	—	—	—	—	2,000,000				
Wong Kim Wing	1,000,000	—	—	—	—	1,000,000	10-07-2008	03-01-2009 to 28-10-2017	5.27	5.20
	1,000,000	—	—	—	—	1,000,000	10-07-2008	03-01-2010 to 28-10-2017	5.27	5.20
	2,000,000	—	—	—	—	2,000,000				
Wu Hong Cho	400,000	—	—	—	—	400,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	400,000	—	—	—	—	400,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	—	—	—	—	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	—	—	—	—	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	1,800,000	—	—	—	—	1,800,000				



# DISCLOSURE OF INTERESTS

## Share Options (Continued)

Name or category of participants	Number of share options					At 30 June 2010	Date of grant <sup>1</sup>	Exercise period	Exercise price <sup>2</sup> HK\$ per share	Closing price immediately before date of grant HK\$ per share
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period					
<b>Employees</b>										
In aggregate	1,525,000	—	—	—	—	1,525,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	2,650,000	—	—	—	—	2,650,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	200,000	—	—	—	—	200,000	19-04-2007	01-01-2008 to 18-04-2017	5.26	5.40
	500,000	—	—	—	—	500,000	19-04-2007	01-01-2009 to 18-04-2017	5.26	5.40
	2,150,000	—	—	—	—	2,150,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	2,150,000	—	—	—	—	2,150,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	200,000	—	—	—	—	200,000	10-07-2008	30-01-2009 to 28-10-2017	5.27	5.20
	200,000	—	—	—	—	200,000	10-07-2008	30-01-2010 to 28-10-2017	5.27	5.20
	280,000	—	—	—	—	280,000	10-07-2008	18-02-2009 to 01-11-2017	5.27	5.20
	280,000	—	—	—	—	280,000	10-07-2008	18-02-2010 to 01-11-2017	5.27	5.20
	800,000	—	—	—	—	800,000	10-07-2008	28-03-2009 to 02-01-2018	5.27	5.20
	800,000	—	—	—	—	800,000	10-07-2008	28-03-2010 to 02-01-2018	5.27	5.20
	80,000	—	—	—	—	80,000	10-07-2008	01-04-2010 to 24-03-2018	5.27	5.20
	80,000	—	—	—	—	80,000	10-07-2008	01-04-2011 to 24-03-2018	5.27	5.20
	11,895,000	—	—	—	—	11,895,000				
<b>Others</b>										
In aggregate	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2008 to 10-12-2016	4.95	4.90
	1,000,000	—	—	—	—	1,000,000	11-12-2006	01-01-2009 to 10-12-2016	4.95	4.90
	500,000	—	—	—	—	500,000	10-07-2008	10-07-2008 to 07-08-2017	5.27	5.20
	500,000	—	—	—	—	500,000	10-07-2008	01-07-2009 to 07-08-2017	5.27	5.20
	3,000,000	—	—	—	—	3,000,000				
<b>Total</b>	64,234,000	—	—	—	—	64,234,000				

### Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

## Discloseable Interests and Short Positions of Shareholders Under SFO

As at 30 June 2010, details of the interests and short positions in the shares and underlying shares of the Company of every person other than directors of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity	Number of shares held	Approximate percentage <sup>5</sup>
<b>(a) Long Positions</b>			
Regulator	Beneficial owner	254,239,636 <sup>1</sup>	9.93
Yugang International (B.V.I.) Limited ("Yugang-BVI")	Interest of controlled corporation	254,239,636 <sup>1</sup>	9.93
Yugang	Interest of controlled corporation	254,239,636 <sup>1</sup>	9.93
Chongqing	Interest of controlled corporation	254,239,636 <sup>1</sup>	9.93
Palin Holdings Limited ("Palin")	Interest of controlled corporation	254,239,636 <sup>1</sup>	9.93
Thrivetrade	Beneficial owner	1,039,925,571 <sup>2</sup>	40.62
T. Rowe Price Associates, Inc. and its Affiliates	Investment manager	129,620,000	5.06
UBS AG	Beneficial owner & Interest of controlled corporation	140,652,394 <sup>3</sup>	5.49
<b>(b) Short Positions</b>			
UBS AG	Beneficial owner & Interest of controlled corporation	1,597,000 <sup>4</sup>	0.06

Notes:

- The interests held by Regulator, Yugang-BVI, Yugang, Chongqing and Palin respectively as shown above refer to interests in the same block of shares. Regulator is a direct wholly-owned subsidiary of Yugang-BVI which is in turn a direct wholly-owned subsidiary of Yugang. Yugang was owned by Chongqing, Timmex and Mr. Cheung in aggregate as to 44.06%. Chongqing, Timmex and Palin are controlled by Mr. Cheung. The said interests were also included in the interests in shares of the Company of Mr. Cheung as disclosed under the paragraph "Interests in shares of the Company (long positions)" of the section headed "Directors' and Chief Executives' Interests and Short Positions" above.
- These shares were also included in the interests in shares of the Company of Mr. Cheung as disclosed under the paragraph "Interests in shares of the Company (long positions)" of the section headed "Directors' and Chief Executives' Interests and Short Positions" above.
- Of the interests in 140,652,394 shares, UBS AG had interests in 136,390,394 shares as beneficial owner and in 4,262,000 shares through its controlled corporations.
- Of the short positions in 1,597,000 shares, UBS AG had short positions in 104,000 shares as beneficial owner and in 1,493,000 shares through its controlled corporations.
- Approximate percentage refers to the number of shares which a shareholder held or had short positions in expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company of any other person other than directors of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

## Code on Corporate Governance Practices

During the period under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for a slight deviation from Code Provision A.4.1 of the Code, which stipulates that non-executive directors should be appointed for a specific term subject to re-election. None of the existing non-executive directors of the Company are appointed for a specific term. Nevertheless, the length of tenure of non-executive directors is governed by the Company's Bye-laws which require every director to retire by rotation at the annual general meeting at least once every three years. A retiring director is eligible for re-election. This requirement is consistent with the stipulation of Code Provision A.4.1 of the Code. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are on terms no less exacting than the required standard set out in the Code.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own codes of conduct regarding securities transactions by directors. Specific enquiries have been made of all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2010, the Company has repurchased 12,676,000 shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$35,475,190. All of the repurchased shares were subsequently cancelled. The repurchases were effected by the directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of repurchases	Total number of shares repurchased	Highest price	Lowest price	Aggregate consideration
		paid per share HK\$	paid per share HK\$	
February 2010	4,176,000	2.83	2.77	11,681,210
April 2010	2,720,000	2.93	2.85	7,819,140
May 2010	5,780,000	2.84	2.59	15,974,840
	12,676,000			35,475,190

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

## Disclosure under Rules 13.18 and 13.21 of the Listing Rules

On 3 January 2008, an agreement (the "Facility Agreement") was entered into between the Company as borrower, various companies in the Group as guarantors, The Hongkong and Shanghai Banking Corporation Limited ("HSBC") as agent and various financial institutions as lenders, whereby a 3-year term loan facility of HK\$1,950,000,000 (the "Existing Facility") was provided to the Company. Under the Facility Agreement, a specific performance obligation was imposed on Mr. Cheung Chung Kiu ("Mr. Cheung") to control 35% or more of the beneficial shareholding interest in the issued capital of the Company carrying 35% or more of the voting rights and to have management control of the Company. Non-compliance with the aforesaid obligation by Mr. Cheung would constitute an event of default under the Facility Agreement upon the occurrence of which the lenders shall have the right to cancel their commitments under the Existing Facility, to declare all or any part of the loan made under the Existing Facility immediately due and payable, and/or to declare all or any part of the loan made under the Existing Facility payable on demand. As at 30 June 2010, the outstanding loan balance was HK\$1,560,000,000.

### Disclosure under Rules 13.18 and 13.21 of the Listing Rules *(Continued)*

Subsequent to the reporting period, two facility agreements have been executed as follows:

- (i) on 6 July 2010, the Company as borrower executed a facility agreement (the "New Facility Agreement") with, among others, various companies in the Group as guarantors and various financial institutions as lenders for a 3-year term loan facility in an aggregate amount of HK\$2,750,000,000 (the "New Facility"). The purposes of the New Facility were to refinance the Existing Facility and finance the general corporate requirements of the Group. Under the New Facility Agreement, it is (among other matters) an event of default if Mr. Cheung (i) save for certain exceptions, does not or ceases to hold (directly or indirectly) 35% or more of the beneficial shareholding interest, carrying 35% or more of the voting rights, in the issued share capital of the Company; (ii) directly or indirectly, is not or ceases to be the single largest shareholder of the Company; or (iii) does not or ceases to have management control of the Company. Upon occurrence of an event of default, commitments of the lenders or any part thereof under the New Facility Agreement may be cancelled, and/or all or any part of the loan together with accrued interest and all other amounts accrued or outstanding under the New Facility may become immediately due and payable, and/or all or any part of the loan under the New Facility may become payable on demand.
- (ii) on 24 August 2010, a jointly-controlled entity held as to 25% by the Company entered into a facility agreement as borrower with, among others, various financial institutions as lenders for a 3-year term loan facility in an aggregate amount of HK\$1,000,000,000. Under the facility agreement, it is (among other matters) an event of default if Mr. Cheung ceases to (i) save for a certain exception, own beneficially (directly or indirectly, through any other entity or entities wholly and beneficially owned by him or by virtue of his entitlement as beneficiary under any family trust arrangement(s)) at least 35% of the issued share capital of the Company; or (ii) exercise management control over the Company. On and at any time after the occurrence of an event of default which is continuing, commitments of the lenders under the facility agreement may immediately be cancelled, and/or all or any part of the loans together with accrued interest and all other amounts accrued or outstanding under certain finance documents defined in the facility agreement may become immediately due and payable or payable on demand, and/or certain security documents defined in the facility agreement or any of them may become immediately enforceable.

### Update on Directors' Information

**Mr. Wu Hong Cho** ceased to be Non-executive Director of NewOcean Energy Holdings Limited (the shares of which are listed on the Stock Exchange) with effect from 14 June 2010.

**Mr. Lam Kin Fung Jeffrey** was appointed Independent Non-executive Director of China Overseas Grand Oceans Group Ltd. (the shares of which are listed on the Stock Exchange) on 18 May 2010.

**Dr. Wong Lung Tak Patrick** was appointed Independent Non-executive Director of Guangzhou Pharmaceutical Company Limited and Sino Oil and Gas Holdings Limited (the shares of both companies are listed on the Stock Exchange) on 28 June 2010 and 16 August 2010 respectively. He was also awarded the Bronze Bauhinia Star by the Government of the HKSAR on 1 July 2010.

## Audit Committee

The Audit Committee has discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010.

## Appreciation

On behalf of the Board, I would like to express our sincere gratitude and appreciation to our shareholders, strategic partners and bankers for their continued support. We also wish to thank the Group's management and staff for their loyalty, dedication and contribution towards the Group's success and prosperity.

By order of the Board

**Lam How Mun Peter**

*Deputy Chairman & Managing Director*

Hong Kong, 31 August 2010

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
REVENUE	3, 4	<b>678,682</b>	372,976
Cost of sales		<b>(564,326)</b>	(305,879)
Gross profit		<b>114,356</b>	67,097
Other income and gains	4	<b>216,266</b>	50,845
Selling and distribution costs		<b>(66,108)</b>	(27,584)
Administrative expenses		<b>(139,774)</b>	(115,593)
Other expenses		<b>(15,668)</b>	(48,720)
Finance costs		<b>(12,993)</b>	(14,591)
Share of profits and losses of:			
Jointly-controlled entities		<b>(1,505)</b>	(8,178)
Associates		<b>(1,013)</b>	(1,979)
PROFIT/(LOSS) BEFORE TAX	5	<b>93,561</b>	(98,703)
Income tax expense	6	<b>(33,484)</b>	(25,930)
PROFIT/(LOSS) FOR THE PERIOD		<b>60,077</b>	(124,633)
Attributable to:			
Owners of the parent		<b>73,227</b>	(110,672)
Non-controlling interests		<b>(13,150)</b>	(13,961)
		<b>60,077</b>	(124,633)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<b>HK2.85 cents</b>	HK(5.16) cents

Details of dividends are disclosed in note 7 to the financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<b>60,077</b>	(124,633)
Available-for-sale investments:		
Changes in fair value	<b>(87,489)</b>	120,085
Deferred tax	<b>21,872</b>	(29,686)
	<b>(65,617)</b>	90,399
Exchange fluctuation reserve:		
Translation of foreign operations	<b>108,437</b>	3,717
Release upon disposal of a subsidiary and a jointly-controlled entity	<b>(6,554)</b>	—
	<b>101,883</b>	3,717
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>36,266</b>	94,116
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<b>96,343</b>	(30,517)
Attributable to:		
Owners of the parent	<b>97,886</b>	(16,795)
Non-controlling interests	<b>(1,543)</b>	(13,722)
	<b>96,343</b>	(30,517)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	269,420	269,971
Investment properties		310,000	297,094
Prepaid land lease payments		1,877,092	2,258,873
Interests in jointly-controlled entities		1,040,988	726,268
Interests in associates		730	1,743
Convertible note receivable — loan portion		36,006	35,650
Held-to-maturity investments		116,567	—
Available-for-sale investments		834,669	900,599
Properties under development	9	6,820,755	5,920,718
Interests in land use rights for property development	9	892,233	986,864
<b>Total non-current assets</b>		<b>12,198,460</b>	11,397,780
<b>CURRENT ASSETS</b>			
Properties under development	9	5,759,488	4,486,862
Completed properties held for sale		278,221	233,011
Prepaid land lease payments		42,685	49,839
Inventories		73,851	51,410
Trade and bills receivables	10	95,306	72,902
Prepayments, deposits and other receivables		307,203	338,575
Equity investments at fair value through profit or loss		139,333	11,632
Tax recoverable		32,945	8,325
Deposits with brokerage companies		1,120	6,420
Pledged deposits		1,000	1,000
Restricted bank balances		1,129,490	533,237
Time deposits with original maturity over three months		43,449	993,913
Cash and cash equivalents		3,009,044	2,256,445
<b>Total current assets</b>		<b>10,913,135</b>	9,043,571
Non-current asset classified as held for sale		—	102,539
<b>Total current assets</b>		<b>10,913,135</b>	9,146,110
<b>CURRENT LIABILITIES</b>			
Trade payables	11	703,029	919,911
Other payables and accruals		3,119,183	1,660,390
Call option liability		61,636	68,297
Due to a related party		—	20,000
Loans from non-controlling shareholders of subsidiaries		653,634	608,144
Interest-bearing bank and other borrowings	12	1,654,369	576,057
Tax payable		89,307	59,802
Consideration payable on acquisition of subsidiaries		1,100	1,100
<b>Total current liabilities</b>		<b>6,282,258</b>	3,913,701

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
NET CURRENT ASSETS		<b>4,630,877</b>	5,232,409
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>16,829,337</b>	16,630,189
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	<b>2,290,260</b>	2,166,437
Deferred tax liabilities		<b>1,891,278</b>	1,908,095
Total non-current liabilities		<b>4,181,538</b>	4,074,532
Net assets		<b>12,647,799</b>	12,555,657
EQUITY			
<b>Equity attributable to owners of the parent</b>			
Issued capital	13	<b>255,996</b>	257,263
Reserves		<b>11,537,986</b>	11,550,372
		<b>11,793,982</b>	11,807,635
<b>Non-controlling interests</b>		<b>853,817</b>	748,022
Total equity		<b>12,647,799</b>	12,555,657

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month ended 30 June 2010

	Attributable to owners of the parent									
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Surplus account (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2010	257,263	9,522,583*	90,554*	984,046*	151,640*	622,445*	179,104*	11,807,635	748,022	12,555,657
Profit for the period	—	—	—	—	—	73,227	—	73,227	(13,150)	60,077
Other comprehensive income for the period, net of tax	—	—	—	90,276	(65,617)	—	—	24,659	11,607	36,266
Total comprehensive income for the period	—	—	—	90,276	(65,617)	73,227	—	97,886	(1,543)	96,343
Final 2009 dividend declared	—	—	—	—	—	(76,799)	—	(76,799)	—	(76,799)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	29,440	29,440
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(2,927)	(2,927)
Capital contributions by a non-controlling shareholder	—	—	—	—	—	—	—	—	85,389	85,389
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(2,114)	(2,114)
Dividend paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(2,450)	(2,450)
Equity-settled share option arrangements	—	—	—	—	—	—	907	907	—	907
Repurchases of shares	(1,267)	(34,380)	—	—	—	—	—	(35,647)	—	(35,647)
At 30 June 2010	255,996	9,488,203*	90,554*	1,074,322*	86,023*	618,873*	180,011*	11,793,982	853,817	12,647,799

\* These reserve accounts comprise the consolidated reserves of HK\$11,537,986,000 (31 December 2009: HK\$11,550,372,000) in the condensed consolidated statement of financial position.

	Attributable to owners of the parent									
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Surplus account (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2009	214,463	7,087,594	90,554	968,798	55,377	723,696	135,128	9,275,610	612,034	9,887,644
Loss for the period	—	—	—	—	—	(110,672)	—	(110,672)	(13,961)	(124,633)
Other comprehensive income for the period, net of tax	—	—	—	3,478	90,399	—	—	93,877	239	94,116
Total comprehensive loss for the period	—	—	—	3,478	90,399	(110,672)	—	(16,795)	(13,722)	(30,517)
Final 2008 dividend declared	—	—	—	—	—	(42,893)	—	(42,893)	—	(42,893)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(6,550)	(6,550)
Dividend paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(2,450)	(2,450)
Equity-settled share option arrangements	—	—	—	—	—	—	39,335	39,335	—	39,335
At 30 June 2009	214,463	7,087,594	90,554	972,276	145,776	570,131	174,463	9,255,257	589,312	9,844,569

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<b>(1,395,938)</b>	105,817
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<b>935,665</b>	(189,954)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	<b>1,203,770</b>	(167,064)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>743,497</b>	(251,201)
Cash and cash equivalent at beginning of period	<b>2,256,445</b>	1,665,469
Effect of foreign exchange rate changes, net	<b>9,102</b>	253
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>3,009,044</b>	1,414,521
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>2,769,984</b>	1,115,282
Non-pledged time deposits with original maturity of less than three months when acquired	<b>239,060</b>	299,239
	<b>3,009,044</b>	1,414,521

## 1. Basis of Preparation

The Company is incorporated in Bermuda as an exempted company with limited liability and whose shares are publicly traded on the Stock Exchange. The principal activities of the Company and its subsidiaries (collectively the "Group") are described in note 3 to the unaudited interim condensed consolidated financial statements.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 31 August 2010.

## 2. Principal Accounting Policies

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 of the Listing Rules.

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

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2009 and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs, and Interpretations) issued by the HKICPA, except that the Group has in the current period applied, for the first time, the following new and revised HKFRSs:

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

Apart from the above, the Group has also adopted *Improvements to HKFRSs 2009\** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

\* *Improvements to HKFRSs 2009* contain amendments to HKFRS 2, HKFRS 5, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

## 2. Principal Accounting Policies *(Continued)*

The adoption of these new interpretations and amendments has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements, except for the following revised standards which the Group applies from 1 January 2010 prospectively:

### (a) HKFRS 3 (Revised) *Business Combinations*

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 January 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

### (b) HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> <sup>2</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>3</sup>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i> <sup>1</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>3</sup>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

In addition, *Improvements to HKFRSs* were issued in May 2010 by the HKICPA which contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, other amendments are effective for annual periods beginning on or after 1 January 2011 although there is separate transitional provision for each standard or interpretation.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 9 which may result in a change in accounting policy, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.



## 3. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

Sale of packaging products segment	—	Manufacture and trading of watch boxes, gift boxes, spectacles cases, bags and pouches, and display units
Sale of travel bags segment	—	Manufacture and trading of soft luggage, travel bags, backpacks and briefcases
Treasury investment segment	—	Investments in securities and convertible notes, and provision of financial services
Property development and investment segment	—	Development and investment of properties located in Mainland China

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that finance costs and head office and corporate income and expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 3. Operating Segment Information *(Continued)*

Information regarding these reportable segments is presented below.

### Reportable segment information

**For the six months ended 30 June 2010 — unaudited**

	Sale of packaging products HK\$'000	Sale of travel bags HK\$'000	Treasury investment HK\$'000	Property development and investment HK\$'000	Total HK\$'000
Segment revenue :					
Sales to external customers	<b>182,947</b>	<b>72,072</b>	<b>3,212</b>	<b>420,451</b>	<b>678,682</b>
Segment results	<b>16,538</b>	<b>1,248</b>	<b>11,199</b>	<b>77,742</b>	<b>106,727</b>
Corporate and unallocated income					<b>17,134</b>
Corporate and unallocated expenses					<b>(17,307)</b>
Finance costs					<b>(12,993)</b>
Profit before tax					<b>93,561</b>

**For the six months ended 30 June 2009 — unaudited**

	Sale of packaging products HK\$'000	Sale of travel bags HK\$'000	Treasury investment HK\$'000	Property development and investment HK\$'000	Total HK\$'000
Segment revenue :					
Sales to external customers	130,580	70,068	1,255	171,073	372,976
Segment results	6,787	(2,576)	(8,147)	(41,289)	(45,225)
Corporate and unallocated income					16,948
Corporate and unallocated expenses					(55,835)
Finance costs					(14,591)
Loss before tax					(98,703)

## 4. Revenue, Other Income and Gains

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Revenue</b>		
Sale of goods	255,019	200,648
Sale of properties	409,976	161,059
Gross rental income	6,733	6,393
Dividend income from listed investments	3,045	2,971
Dividend income from unlisted investments	935	841
Interest income from a convertible note receivable	1,109	1,064
Interest income from held-to-maturity investments	1,865	—
	<b>678,682</b>	<b>372,976</b>
<b>Other income and gains</b>		
Bank interest income	5,372	3,488
Other interest income	—	698
Exchange gains, net	1,669	—
Excess over the cost of an acquisition of a subsidiary	1,648	—
Fair value gains on equity investments at fair value through profit or loss, net	8,213	—
Gain on disposal of interests in land use rights	—	34,400
Gain on disposal of a jointly-controlled entity	164,802	—
Gain on disposal of a subsidiary	21,118	—
Gain on disposal of items of property, plant and equipment	—	90
Write-back of impairment of trade receivables	—	291
Fair value gains on investment properties	10,499	9,496
Others	2,945	2,382
	<b>216,266</b>	<b>50,845</b>

## 5. Profit/(Loss) Before Tax

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

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Cost of inventories sold	<b>206,505</b>	167,338
Cost of properties sold	<b>355,858</b>	136,297
Depreciation	<b>11,015</b>	10,049
Less: Amount capitalised	<b>(187)</b>	(165)
	<b>10,828</b>	9,884
Interest on bank and other borrowings wholly repayable within five years	<b>60,856</b>	46,184
Less: Interest capitalised	<b>(47,863)</b>	(31,593)
	<b>12,993</b>	14,591
Employee benefits expense (including directors' remuneration):		
Wages and salaries	<b>115,185</b>	83,639
Equity-settled share option expense	<b>907</b>	38,738
Pension scheme contribution	<b>1,414</b>	2,537
Less: Amount capitalised	<b>(11,511)</b>	(5,689)
	<b>105,995</b>	119,225
Amortisation of prepaid land lease payments	<b>21,217</b>	29,044

## 6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China.

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current charge for the period		
Hong Kong	2,402	1,275
Mainland China	59,760	22,641
	<b>62,162</b>	23,916
Under/(over)provision in prior periods		
Hong Kong	13	(7,625)
Mainland China	(7,286)	—
	<b>(7,273)</b>	(7,625)
Land appreciation tax charge for the period	<b>(5,440)</b>	42,452
Deferred tax	<b>(15,965)</b>	(32,813)
Total tax charge for the period	<b>33,484</b>	25,930

## 7. Dividend

During the six months ended 30 June 2010, a final dividend of HK\$0.03 per share for 2009, amounting to HK\$76,799,000 (six months ended 30 June 2009: HK\$0.02 per share for 2008, amounting to HK\$42,893,000) was declared and paid to the shareholders. The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

## 8. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of The Parent

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average of ordinary shares of 2,566,680,726 (six months ended 30 June 2009: 2,144,633,258) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2010 and 2009 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

## 9. Additions to Property, Plant and Equipment/Properties under Development/Interests in Land Use Rights for Property Development

During the six months ended 30 June 2010, the Group incurred HK\$9,149,000 (six months ended 30 June 2009: HK\$6,800,000) on the acquisition of items of property, plant and equipment.

During the six months ended 30 June 2010, the Group incurred HK\$1,052,464,000 (six months ended 30 June 2009: HK\$240,507,000) on the additions of properties under development.

During the six months ended 30 June 2010, the Group incurred HK\$1,110,079,000 (six months ended 30 June 2009: HK\$27,441,000) on the additions of interests in land use rights for property development.

## 10. Trade and Bills Receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days, extending up to 105 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the due date and net of provisions, is as follows:

	30 June 2010			31 December 2009		
	Neither past due nor impaired (Unaudited) HK\$'000	Past due but not impaired (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Neither past due nor impaired (Audited) HK\$'000	Past due but not impaired (Audited) HK\$'000	Total (Audited) HK\$'000
Less than 1 month	81,695	9,033	90,728	59,367	9,425	68,792
1 to 2 months	—	2,057	2,057	—	1,315	1,315
2 to 3 months	—	711	711	—	1,717	1,717
Over 3 months	—	1,810	1,810	—	1,078	1,078
	<b>81,695</b>	<b>13,611</b>	<b>95,306</b>	59,367	13,535	72,902

## 11. Trade Payables

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 1 month	<b>334,584</b>	120,790
1 to 2 months	<b>51,436</b>	28,727
2 to 3 months	<b>14,084</b>	61,727
Over 3 months	<b>302,925</b>	708,667
	<b>703,029</b>	919,911

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

## 12. Interest-bearing Bank and Other Borrowings

	30 June 2010 (Unaudited)			31 December 2009 (Audited)		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
<b>Current</b>						
Discounted bills with recourse	Bank's funding rate + (1.375% to 1.5%)	2010	20,683	Bank's funding rate + (1.375% to 1.5%)	2010	14,411
Bank loans — secured	RMB base lending rate	2010	76,800	RMB base lending rate/ RMB base lending rate x (1 + 10%)	2010	372,524
Bank loans — unsecured	HIBOR + 1.4%	2011	1,556,886	HIBOR + 1.4%	2010	189,122
			<u>1,654,369</u>			<u>576,057</u>
<b>Non-current</b>						
Bank loans — secured	RMB base lending rate/ RMB base lending rate x (1 + 5% to 25%)	2011-2018	2,290,260	RMB base lending rate/ RMB base lending rate x (1 + 5% to 25%)	2011 — 2012	606,488
Bank loans — unsecured			—	HIBOR + 1.4%	2011	1,559,949
			<u>2,290,260</u>			<u>2,166,437</u>
			<u>3,944,629</u>			<u>2,742,494</u>
Analysed into:						
Bank and other borrowings repayable:						
Within one year or on demand			1,654,369			576,057
In the second year			660,255			1,842,750
In the third to fifth years, inclusive			1,587,020			323,687
Beyond five years			42,985			—
			<u>3,944,629</u>			<u>2,742,494</u>



## 13. Share Capital

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Authorised: 5,000,000,000 (31 December 2009: 5,000,000,000) ordinary shares of HK\$0.10 each	<b>500,000</b>	500,000
Issued and fully paid: 2,559,957,258 (31 December 2009: 2,572,633,258) ordinary shares of HK\$0.10 each	<b>255,996</b>	257,263

The Company repurchased a total of 12,676,000 shares at an average price of HK\$2.80 per share in the open market of the Stock Exchange, all of which were subsequently cancelled by the Company.

## 14. Business Combination

### For the six months ended 30 June 2010

On 10 February 2010, the Group entered into a sale and purchase agreement to acquire a 51% equity interests together with the shareholder's loan of Chongqing Verakin Wenlong Real Estate Company Limited ("Wenlong"), a company established in the PRC and principally engaged in property development, for a cash consideration of RMB\$43,407,000 (equivalent to HK\$49,355,000). The acquisition was completed on 23 February 2010.

The fair values of the identifiable assets and liabilities of Wenlong as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<b>Fair value recognised on acquisition (Unaudited) HK\$'000</b>	<b>Previous carrying amount (Unaudited) HK\$'000</b>
Property, plant and equipment	<b>447</b>	<b>447</b>
Properties under development	<b>109,154</b>	<b>95,662</b>
Prepayments, deposits and other receivables	<b>677</b>	<b>677</b>
Cash and bank balances	<b>26,359</b>	<b>26,359</b>
Other payables	<b>(34,557)</b>	<b>(34,557)</b>
Loan from a non-controlling shareholder of subsidiary	<b>(18,264)</b>	<b>(18,264)</b>
Deferred tax liabilities	<b>(3,373)</b>	<b>—</b>
Non-controlling interests	<b>(29,440)</b>	<b>(24,482)</b>
	<b>51,003</b>	<b>45,842</b>
Excess over the cost of a business combination recognised in the consolidated income statement	<b>(1,648)</b>	
Satisfied by cash	<b>49,355</b>	

**14. Business Combination** *(Continued)*

**For the six months ended 30 June 2010** *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Wenlong is as follows:

	HK\$'000
Cash consideration	(49,355)
Cash and bank balances acquired	26,359
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(22,996)

The result of the subsidiary acquired during the period had no significant impact on the Group's consolidated revenue or profit for the period.

**Year ended 31 December 2009**

In November and December 2009, the Group reached a number of agreements with the joint venture partner of Chengdu Guojia Cheer Gain Property Company Limited ("Guojia Cheer Gain"), a then 50% jointly-controlled entity of the Group, for the contribution of additional capital, the change of profit sharing ratio and the change of board of directors of Guojia Cheer Gain (collectively the "Guojia Cheer Gain Reorganisation"). Upon completion of the Guojia Cheer Gain Reorganisation in December 2009, Guojia Cheer Gain became a 51%-owned subsidiary of the Group. Guojia Cheer Gain and its subsidiaries (collectively the "Guojia Group") are principally engaged in property development in Mainland China.

The fair values of the identifiable assets and liabilities of the Guojia Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition (Audited) HK\$'000	Previous carrying amount (Audited) HK\$'000
Property, plant and equipment	292	292
Properties under development	1,724,700	1,692,899
Prepayments, deposits and other receivables	61,578	76,342
Tax recoverable	580	580
Restricted bank balances	266,238	266,238
Cash and bank balances	834,759	834,759
Trade payables	(291,345)	(291,345)
Other payables	(726,995)	(726,995)
Loan from a non-controlling shareholder of subsidiary	(544,664)	(544,664)
Interest-bearing bank borrowings	(215,791)	(215,791)
Deferred tax liabilities	(7,950)	—
Non-controlling interests	(222,330)	(217,878)
	879,072	874,437
Reclassification of interests in a jointly-controlled entity	(874,458)	
Excess over the cost of a deemed acquisition of subsidiaries recognised in the consolidated income statement	(4,614)	
	—	

## 14. Business Combination *(Continued)*

### Year ended 31 December 2009 *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the Guojia Group is as follows:

	HK\$'000
Cash and bank balances acquired	834,759
Net inflow of cash and cash equivalents in respect of the deemed acquisition of subsidiaries	834,759

The results of the subsidiaries acquired during prior year had no significant impact on the Group's consolidated revenue or loss for the year ended 31 December 2009.

## 15. Commitments

The Group had the following commitments in respect of property development expenditure at the end of the reporting period:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Contracted, but not provided for	<b>2,383,693</b>	3,644,721

The Group had the following share of commitments of jointly-controlled entities in respect of property development expenditure at the end of the reporting period:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Contracted, but not provided for	<b>227,689</b>	476,016

### 16. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to associates	<b>9,000</b>	13,500

### 17. Financial Guarantees

At the end of the reporting period, the Group had the following financial guarantees:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Guarantees in respect of mortgage facilities for certain customers	<b>1,578,643</b>	614,935

The Group have arranged bank financing for certain purchasers of their property units and provided guarantees to secure the obligations of such purchasers for repayments. Such guarantees terminate 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 loans 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 banks and the banks are entitled to take over the legal title and possession of the related properties. The guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the fair value of the guarantees is not significant and in the case of default on payments, the net realisable value of the related properties will exceed the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore no provision has been made in the financial statement for the guarantees.

## 18. Share-based Payments

The following share options were outstanding during the period:

Date of grant of share options*	Number of share options				At 30 June 2010	Exercise period of share options	Exercise price of share options HK\$ per share	Closing price of the Company's shares** HK\$ per share
	At 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period				
11-12-2006	6,425,000	—	—	—	6,425,000	01-01-2008 to 10-12-2016	4.95	4.90
11-12-2006	7,989,000	—	—	—	7,989,000	01-01-2009 to 10-12-2016	4.95	4.90
16-02-2007	6,000,000	—	—	—	6,000,000	01-01-2008 to 15-02-2017	4.81	4.67
19-04-2007	2,200,000	—	—	—	2,200,000	01-01-2008 to 18-04-2017	5.26	5.40
19-04-2007	2,500,000	—	—	—	2,500,000	01-01-2009 to 18-04-2017	5.26	5.40
27-04-2007	4,000,000	—	—	—	4,000,000	01-01-2008 to 26-04-2017	5.37	5.40
10-07-2008	6,450,000	—	—	—	6,450,000	10-07-2008 to 07-08-2017	5.27	5.20
10-07-2008	6,450,000	—	—	—	6,450,000	01-07-2009 to 07-08-2017	5.27	5.20
10-07-2008	1,000,000	—	—	—	1,000,000	03-01-2009 to 28-10-2017	5.27	5.20
10-07-2008	1,000,000	—	—	—	1,000,000	03-01-2010 to 28-10-2017	5.27	5.20
10-07-2008	200,000	—	—	—	200,000	30-01-2009 to 28-10-2017	5.27	5.20
10-07-2008	200,000	—	—	—	200,000	30-01-2010 to 28-10-2017	5.27	5.20
10-07-2008	280,000	—	—	—	280,000	18-02-2009 to 01-11-2017	5.27	5.20
10-07-2008	280,000	—	—	—	280,000	18-02-2010 to 01-11-2017	5.27	5.20
10-07-2008	800,000	—	—	—	800,000	28-03-2009 to 02-01-2018	5.27	5.20
10-07-2008	800,000	—	—	—	800,000	28-03-2010 to 02-01-2018	5.27	5.20
10-07-2008	80,000	—	—	—	80,000	01-04-2010 to 24-03-2018	5.27	5.20
10-07-2008	80,000	—	—	—	80,000	01-04-2011 to 24-03-2018	5.27	5.20
07-05-2009	17,500,000	—	—	—	17,500,000	07-05-2009 to 06-05-2019	3.27	3.47
	64,234,000	—	—	—	64,234,000			

\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

\*\* The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

The Group recognised a share option expense of HK\$907,000 during the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$39,335,000).

## 19. Pledge of Assets

At the end of the reporting period, the Group pledged certain of its assets as securities for banking facilities granted to the Group. The aggregate carrying values of the assets are listed below:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Property, plant and equipment	<b>5,671</b>	5,749
Investment properties	<b>112,353</b>	95,056
Prepaid land lease payments	<b>1,156,949</b>	496,096
Properties under development	<b>6,081,084</b>	3,476,569
Completed properties held for sale	<b>—</b>	45,766
Time deposits	<b>1,000</b>	1,000

## 20. Related Party Transactions

During the period, the Group entered into transactions with related parties as follows:

- (a) Compensation of key management personnel of the Group:

	<b>Six months ended 30 June</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Short term employee benefits	<b>8,868</b>	8,207
Post-employment benefits	<b>427</b>	394
Equity-settled share option expense	<b>36</b>	32,637
Total compensation paid to key management personnel	<b>9,331</b>	41,238

- (b) At 30 June 2010, the Group executed guarantees amounting to HK\$9,000,000 (31 December 2009: HK\$13,500,000) to banks as securities for banking facilities granted to its associates.
- (c) Certain of the Group's buildings and prepaid land lease payments with an aggregate carrying amount of HK\$15,256,000 (31 December 2009: HK\$15,579,000) were provided to a family member of a director for the operation of a school free of charge.

## 21. Events after the Reporting Period

- (a) On 6 July 2010, the Company as borrower executed a facility agreement (the "Facility Agreement") with, among others, various companies in the Group as guarantors and various financial institutions as lenders for a 3-year term loan facility in an aggregate amount of HK\$2,750,000,000. Under the Facility Agreement, it is (among other matters) an event of default if Mr. Cheung Chung Kiu ("Mr. Cheung") (i) save for certain exceptions, does not or ceases to hold (directly or indirectly) 35% or more of the beneficial shareholding interest, carrying 35% or more of the voting rights, in the issued share capital of the Company; (ii) directly or indirectly, is not or ceases to be the single largest shareholder of the Company; or (iii) does not or ceases to have management control of the Company.
- (b) On 24 August 2010, a jointly-controlled entity held as to 25% by the Company entered into a facility agreement as borrower with, among others, various financial institutions as lenders for a 3-year term loan facility in an aggregate amount of HK\$1,000,000,000. Under the facility agreement, it is (among other matters) an event of default if Mr. Cheung ceases to (i) save for a certain exception, own beneficially (directly or indirectly, through any other entity or entities wholly and beneficially owned by him or by virtue of his entitlement as beneficiary under any family trust arrangement(s)) at least 35% of the issued share capital of the Company; or (ii) exercise management control over the Company.

## 22. Approval of the Unaudited Interim Condensed Consolidated Financial Statements

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 31 August 2010.