

# INTERIM REPORT 2011



C C LAND HOLDINGS LIMITED

中 渝 置 地 控 股 有 限 公 司

(Incorporated in Bermuda with Limited Liability)

Stock Code: 1224



	<i>Page(s)</i>
<b>Corporate Information</b>	<b>2</b>
<b>Management Discussion and Analysis</b>	<b>3</b>
<b>Disclosure of Interests</b>	<b>17</b>
<b>Corporate Governance and Other Information</b>	<b>20</b>
<b>Condensed Consolidated Income Statement</b>	<b>22</b>
<b>Condensed Consolidated Statement of Comprehensive Income</b>	<b>23</b>
<b>Condensed Consolidated Statement of Financial Position</b>	<b>24</b>
<b>Condensed Consolidated Statement of Changes in Equity</b>	<b>26</b>
<b>Condensed Consolidated Statement of Cash Flows</b>	<b>28</b>
<b>Notes to Condensed Consolidated Financial Statements</b>	<b>29</b>

## 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  
Mr. Wu Hong Cho  
Dr. Wong Kim Wing (*resigned with effect from 31 August 2011*)

### **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

## INDEPENDENT AUDITORS

Ernst & Young  
*Certified Public Accountants*

## REGISTERED OFFICE

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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 Securities Services (Bermuda) Limited  
6 Front Street  
Hamilton HM 11  
Bermuda

### **Hong Kong branch share registrar and transfer office**

Tricor Secretaries Limited  
26th Floor  
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## 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 2011.

## BUSINESS REVIEW

Year 2011 is a significant milestone for the Group. After four and a half years’ investment in the PRC property business, the Group is entering the harvest stage. For the six-month period ended 30 June 2011, the Group’s revenue reached a record high of HK\$1,360.4 million, an increase of 100% over the first half of last year. The primary factor behind the Group’s gratifying performance was the substantial increase in revenue generated from the property business during the first half of 2011 as more property units were delivered to buyers.

Property projects scheduled for delivery to buyers in the first half of 2011 were completed on schedule. These projects were i-City Phase II and Sky Villa Phase I-Tower 3, the revenues from which were recognized in the period. The property business reported a revenue of HK\$1,027.9 million, representing an increase of 144% compared with the revenue of HK\$420.5 million in the corresponding period of last year. The property business, now as the core business of the Group, accounted for 76% of the Group’s total revenue (six months ended 30 June 2010: 62%). The profit from the property business was HK\$22.4 million (six months ended 30 June 2010: HK\$33.8 million which included a gain of HK\$185.9 million on the disposal of a subsidiary and a jointly controlled entity). The booked gross profit margin of the property business has improved from 13% in the first half of 2010 to 32% as a result of the growth in the average selling price (“ASP”) of contract sales recognized in the period. If the effect of land cost on the fair values adjustment on the acquisition of the land banks in Yubei and Verakin New Park City were excluded, the booked gross profit margin would have been 48% in the first half of 2011 (six months ended 30 June 2010: 27%). During the period, a gain of HK\$36.2 million was recorded on the completion of the partial disposal of the Group’s interest in the Binjiang New Town Project in Meishan, Pengshan County, Sichuan.

The revenue from the Group’s manufacturing business as a whole reached approximately HK\$302.3 million (six months ended 30 June 2010: HK\$255.0 million). Market conditions have seen a marked improvement which persisted in the first six months of 2011. Sales from the manufacturing business have resumed positive growth as the economic growth in major economies continues to accelerate. Efforts were made last year to further lower production costs which enabled the manufacturing business to raise its market share in the period as a result of price competitiveness in the market. The manufacturing business recorded a profit of HK\$23.5 million (six months ended 30 June 2010: HK\$16.4 million).

The treasury investment business reported a gain of HK\$116.3 million (six months ended 30 June 2010: HK\$11.1 million). This was mainly due to a gain of HK\$50.6 million realized on the partial disposal of the investment from the available-for-sale investments. Included also in the period are dividend income and interest income from investment in notes receivable totalling HK\$30.2 million and unrealized gain on listed securities amounting to HK\$35.8 million (six months ended 30 June 2010: dividend income and interest income of HK\$3.2 million, and unrealized gain on listed securities of HK\$8.2 million).

Other incomes recorded a fair value gain on investment properties of HK\$13.9 million (30 June 2010: HK\$10.5 million) and gains of HK\$36.2 million on the partial disposal of the Binjiang New Town Project mentioned above (six months ended 30 June 2010: gains on disposal of two land lots of HK\$185.9 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\$151.6 million (six months ended 30 June 2010: HK\$73.2 million). The basic earnings per share for the period were HK5.92 cents (six months ended 30 June 2010: HK2.85 cents).

## 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 for the first half year of 2011 reaching 16.5% and 15.1% respectively, which are much higher than the nation’s average of 9.6% in the first half year. The GDP growth of Chongqing is ranked number one and number two in Western China and in the nation respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

Besides having the only inland free-trade zone in China, Chongqing has 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. 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. The Group believes it will benefit greatly from the setting up of the Liangjiang New Area since its core land bank with a Gross Floor Area ("GFA") of about 3.1 million square metres ("sqm") is situated at one of the most prime locations within this New Area.

Chengdu, capital of the Sichuan province, is a centre for science and technology as well as business and trade, acting as an important transportation and telecommunication hub for Western China. The city already has a mature information infrastructure and industrial system. These qualities have led to the arrival of foreign investors in various industries. Chengdu is rapidly urbanizing to promote the regional investment and consumption demand.

## Recognized Revenue

During the six months ended 30 June 2011, the Group's property sales revenue was HK\$1,020.6 million (RMB854.0 million) (six months ended 30 June 2010: HK\$410.0 million (RMB358.6 million)) against a total booked GFA of 128,500 sqm (six months ended 30 June 2010: 81,330 sqm). The revenue from property sales and booked GFA represented a growth of 149% and 58% respectively over the corresponding period of 2010. The two projects i-City Phase II and Sky Villa Phase I-Tower 3, which were completed at the end of 2010, started delivery in the first half of 2011. As the projects were entering into the second phase and with good response from the buyers, the ASP rose. For the first half of 2011, the ASP of recognized sales increased by 51% to RMB6,650 per sqm. Overall booked gross profit margin for the period increased by 19 percentage points to 32% from 13% in the corresponding period of 2010.

The recognized sales revenues by projects for the six months ended 30 June 2011 are as follows:

Locations	Projects	Usage	GFA (sqm)	Sales Revenue	ASP Net of	The Group's Interest
				Net of Business Tax (RMB'000)	Business Tax (RMB)	
Chongqing	i-City Phases I & II	Residential	80,820	446,800	5,530/sqm	100%
		Commercial	4,950	118,900	24,040/sqm	
		Car Park	2,580	6,400	81,180/unit	
	Others	Residential/ Commercial/ Car Park	15,920	53,000		
Chengdu	Sky Villa Phase I	Residential	17,600	216,000	12,270/sqm	51%
		Car Park	6,630	12,900	63,410/unit	
TOTAL			128,500	854,000		

In terms of location, Chongqing accounted for 73% of the recognized revenue and the remaining 27% came from Chengdu. In terms of usage, about 78% were for residential and the balance for non-residential purposes.

As at 30 June 2011, the unrecognized revenue was approximately RMB8,519 million, of which an estimated amount of RMB3,219 million will be recognized in the second half of 2011. The 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.

One Central Midtown in Chongqing with a GFA of 101,000 sqm was completed in July 2011. About 99% were sold as at 30 June 2011. Delivery started in August 2011 and the revenue will be recorded in the second half of 2011.

## Contract Sales

Although China's property market is facing the historically toughest tightening measures, Chongqing's market is relatively less affected. According to the China Index Academy, as at 30 June 2011, the ASP for commodity housing in the main districts of Chongqing was about RMB6,703 per sqm which is reasonably affordable when compared with those in other cities in China. Home purchase restrictions were widely introduced in various cities of China where property prices were considered to have risen too quickly. Chongqing, however, has not introduced any home purchase restriction as yet. Home purchase restriction in Chengdu has been introduced only in the main city area. The overall sales performance of the Group was not much affected.

# MANAGEMENT DISCUSSION AND ANALYSIS

With the superior qualities of the Group's projects, the sell-through rate was very high within the first week of launch, resulting in a low inventory level. The prices of the Group's projects continued to climb in the first half of 2011, while the rise was slowing down somewhat in recent weeks. The ASP reached RMB9,000 per sqm which was about 45% higher than that of RMB6,200 per sqm in the corresponding period of last year. The change in product mix with more high-end products and commercial projects also contributed to a higher ASP. For the six months up to 30 June 2011, the contract sales amounted to RMB3,243.8 million (six months ended 30 June 2010: RMB1,819.1 million), representing a growth of 78% over that of the corresponding period in 2010, and about 43% of the sales target for 2011 of RMB7.5 billion. The total contract sales area reached approximately 358,800 sqm of GFA (six months ended 30 June 2010: 292,200 sqm), representing an increase of 23% over that of the corresponding period.

The breakdown of the contract sales in the first half of 2011 is as follows:

Projects	Usage	Approximate Contract Sales Area (sqm)	Approximate Contract Sales Revenue (RMB'000)	Approximate Contract ASP Before Business Tax (RMB)
<b>Chongqing</b>				
L'Ambassadeur Phases I & II	Residential	103,600	834,900	8,100/sqm
Verakin New Park City — Zones I, J, K, P & W	Residential	113,800	916,000	8,000/sqm
	Commercial	3,300	56,900	17,300/sqm
i-City Phases I, II & III	Residential	12,500	97,200	7,800/sqm
	Commercial	2,300	61,000	26,000/sqm
	Office	14,400	155,400	10,800/sqm
	Car Park	2,600	6,700	85,500/unit
Riverside One, Wanzhou Phases I & II	Residential	400	2,000	4,500/sqm
	Commercial	1,200	12,400	10,100/sqm
	Car Park	10,600	24,200	78,600/unit
Phoenix County Phase I	Residential	26,800	308,400	11,500/sqm
Others	Residential/ Commercial/ Office/ Car park	8,400	73,100	
		299,900	2,548,200	
<b>Chengdu</b>				
Sky Villa Phases I & II	Residential	18,800	335,100	17,800/sqm
	Car Park	2,200	4,800	73,400/unit
Villa Royale Phases I & II	Residential	18,200	254,500	14,000/sqm
	Car Park	3,700	9,800	100,000/unit
Lagonda Gardens	Residential	15,400	83,900	5,400/sqm
	Commercial	300	5,400	17,100/sqm
		58,600	693,500	
<b>Kunming</b>				
Silver Lining	Residential	300	2,100	7,000/sqm
TOTAL		358,800	3,243,800	

# MANAGEMENT DISCUSSION AND ANALYSIS

Of the contract sales in the first half of 2011, about 78.5%, 21.4% and 0.1% came from Chongqing, Chengdu, and Kunming respectively. The ASPs for Chongqing and Chengdu were RMB8,500 per sqm, and RMB11,800 per sqm respectively. In terms of usage, about 88% were for residential and 12% for non-residential properties.

The contract sales in July 2011 were about RMB324.2 million with a GFA of 32,300 sqm, making up a total of RMB3,568.0 million and a GFA of 391,100 sqm for the first seven months of 2011, representing 48% of the 2011 target sales of RMB7.5 billion. As at the end of July 2011, the amount of subscription sales not yet converted into contract sales was about RMB691.7 million. Such conversion usually takes one to two months to complete.

## Property Projects Under Development

There were 19 projects in different stages of development during the period. The total area under construction as at 30 June 2011 was about 3.1 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 1.9 million sqm of which about 301,000 sqm was newly acquired in the first half of 2011. The three newly acquired land lots, Zones L, M & O, adjacent to the original site are planned to be developed as an extension of the existing project. These land lots will provide low density residential property with community facilities such as supermarkets, clinics, schools and a sports centre.

Construction work of Zone I, a low-rise residential property with a GFA of about 150,000 sqm, is in progress and is scheduled to be completed in the second half of 2011. Nearly all the residential units of Zone I were sold at an ASP of RMB5,500 per sqm.

Zone W is a high-rise apartment project providing 4,006 residential units and 64 commercial units with a total GFA of about 238,000 sqm. As at 30 June 2011, all the residential units were sold at an ASP of RMB6,100 per sqm. In May 2011, 58 commercial units were first launched for pre-sales and 80% were sold at an ASP of RMB17,300 per sqm as at 30 June 2011. Zone W is expected to be completed in 2012.

Zone J, a high-end residential town-house development, provides 444 residential units or a total GFA of about 76,000 sqm. The sale of Zone J progressed well during the period. As at 30 June 2011, about 66% were sold at an ASP of RMB11,100 per sqm which was 10% higher than that of previous year. Zone J is planned for completion in 2012.

Zone P, another high-rise apartment project with a few commercial units, with a total GFA of 99,000 sqm was first launched for pre-sales in May 2011. Zone K, a high-end residential town-house development, with a total GFA of about 42,000 sqm was also first launched for pre-sales in May 2011. Both Zones P and K are expected to be completed and delivered in 2013.

The foundation work for Zone N, a high-rise apartment development, with a GFA of about 232,000 sqm is currently in progress and construction work will commence in the second half of 2011.

**Mansions on the Peak (御府)** — a project with a total GFA of about 58,000 sqm comprising of 46 luxury villas with a world-class resort style clubhouse and shops. Construction works of the clubhouse have been completed and the construction of the villas is in progress. The pre-sales of these villas will be launched in the second half of 2011. The project is expected to be completed in the first half of 2012.

**No. 8 Peak Road (山頂道8號)** — a development providing a total GFA of about 50,000 sqm made up of 8 low-rise condominium blocks and a few retail units. The project is currently under construction and is scheduled for delivery in the second half of 2011. As at 30 June 2011, over 91% of the condominium units were sold at an ASP of RMB10,200 per sqm.

**L'Ambassadeur (山頂道國賓城)** — a four-phased development project of high-rise apartments with a total GFA of about 482,000 sqm. Construction works of the first and second phases with total GFAs of 134,000 sqm and 143,000 sqm respectively are underway during the period. As at 30 June 2011, over 96% of Phase I residential area of about 93,000 sqm were sold at an ASP of RMB7,700 per sqm. The first batch of the second phase of 550 residential units or 66,500 sqm was launched for pre-sale in the first half of 2011. An accumulated total of 434 units or 53,200 sqm (about 80%) of the first batch launched for Phase II were sold as at 30 June 2011. The first and second phases of the project are expected to be completed in 2012. Construction of Phase III of the project with a total GFA of 101,000 sqm was started in the first half of 2011.

**One Central Midtown (都會首站), 9 Central Midtown (都會9號) & Lot #10** — a landmark development in the Group's Yubei main land bank that provides a planned total GFA of about 614,000 sqm, comprising of an up-market shopping mall, a 5-star hotel with an associated serviced apartment block, 2 Grade-A office towers, a SOHO building, and 4 high-rise residential towers with retail podiums. Phase I comprises of 4 residential towers (One Central Midtown), a SOHO building (9 Central Midtown), retail spaces and car parking spaces with a total GFA of about 185,000 sqm. Construction works of Phase I have largely been completed and the 4 residential towers and SOHO building were scheduled for delivery in the second half of 2011. One Central Midtown has a total of 1,446 residential units with an aggregate GFA of 101,000 sqm. About 99% of the residential units were sold as at 30 June 2011. The ASP for the 4 towers is about RMB7,500 per sqm. For 9 Central Midtown, capitalizing on its superior geographical location and project quality, all 600 units with a GFA of 31,000 sqm spanning 25 storeys were sold at an ASP of RMB11,000 per sqm on the first day of launch. Construction works of Phases II and III comprising of an up-market shopping mall, a 5-star hotel, 2 Grade-A office towers commenced in June 2011.

**i-City (愛都會)** — a three-phased development project near the new Yubei train terminal, providing a total GFA of about 300,000 sqm of mixed residential and commercial property. Phase I with a GFA of 60,000 sqm was completed and delivered in 2010. Phase II with a total GFA of about 127,000 sqm was completed in December 2010 and delivery to the buyers started from March 2011. As at 30 June 2011, about 86% of Phase II residential units were sold at an ASP of RMB5,800 per sqm which was 50% higher than that of Phase I. Phase III with a total GFA of about 113,000 sqm consists of a residential tower and two office towers. Construction works of the third phase of the project are currently underway. The residential tower with a GFA of about 26,000 sqm continued to be well received by the Chongqing market and over 66% of the residential area were sold as at 30 June 2011. In May 2011, one of the office towers of Phase III was launched for pre-sales and all launched office units were subscribed for during the first week of launch, generating a subscription sales of approximately RMB259 million at an ASP of RMB11,000 per sqm. The residential tower of the third phase of the project is expected to be completed in the second half of 2011 and the office towers are expected to be completed in the first half of 2012.

**Phoenix County (梧桐郡)** — a high-end residential town-house and high-rise apartment project near the new Yubei train terminal with a total GFA of about 400,000 sqm. The first phase provides a total GFA of about 79,000 sqm of residential and retail property. Construction works of Phase I are still underway. Pre-sales was first launched in January 2011. As at 30 June 2011, over 86% of the units launched, with a GFA of about 26,800 sqm, were sold at an ASP of RMB11,500 per sqm. The first phase of the project is scheduled for delivery in 2012. Construction works of Phase II with a construction area of about 88,000 sqm started in March 2011 and are scheduled for completion in 2012.

**Riverside One, Wanzhou (濱江壹號)** — a project located in the Jiangnan New District in Wanzhou and will be developed into an integrated complex, consisting of high-end residential town-house, high-rise apartment property and retail outlets with a total GFA of about 404,000 sqm. Phase I with a GFA of 68,000 sqm was completed and delivered in 2010. Construction of Phase II of low-rise residential property with a total GFA of about 102,000 sqm is in progress as at 30 June 2011. All residential units of Phase II were sold as at 30 June 2011 with an ASP of RMB4,700 per sqm which was 40% higher than that of Phase I. Car park spaces and commercial units of Phase II were launched for pre-sales in April and May 2011 respectively. Approximately 50% of the commercial units have been subscribed for as at 30 June 2011 at an ASP of RMB9,900 per sqm which was 42% higher than that of Phase I. Part of Phase II is scheduled for completion in the second half of 2011 with the remaining part to be completed in the first half of 2012. Phase III of the project, a high-rise development, commenced construction in May 2011 and is expected to be completed in 2013.

**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 68,000 sqm for residential and commercial development. As at 30 June 2011, all 492 residential units with a GFA of 44,000 sqm were sold at an ASP of RMB4,200 per sqm. The project provides 42 commercial units with 16,600 sqm and 175 car park spaces with 7,400 sqm. As at 30 June 2011, about 2,800 sqm of commercial areas or 14 commercial units were sold at an ASP of RMB31,500 per sqm. In view of the prime location of the project, certain portion of the commercial areas will be kept for long term investment purpose. The project will be completed and delivered in the second half of 2011.

**Academic Heights (春華秋實)** — a three-phased high-end residential town-house and high-rise apartment project situated in the Xiyong University City with a total GFA of about 423,000 sqm. Xiyong University City is a satellite city of the municipality noted for its advanced urban design, and is designated to be an education, research and high technology district. Construction of the first phase with a GFA of about 138,000 sqm commenced in June 2011 and pre-sales is scheduled to be launched in early 2012.

**Jiangbei Project (江北項目)** — a 25% equity interest joint venture project having a total GFA of about 1,362,000 sqm located along the north bank of the inner city section of the Jialing River, Jiangbei District, Chongqing. This project is one of the largest riverside developments in the city, having a river frontage of about 750 metres. A cosmopolitan city complex will be built that will provide high-end residential premises, a Grade-A office tower, service apartments, and large-scale business and retail property. A 320-metre tall multifunctional tower will be built which will be a landmark for the district. The project will be built in three phases with the first phase planned for construction commencement in the first half of 2012.

## Chengdu Projects

**Sky Villa (四海逸家)** — a high-end residential project located in the Jinjiang District with a total GFA of about 572,000 sqm. The first phase comprises of 682 residential units or about 90,000 sqm GFA occupying 3 towers. Towers 1 and 2 of Phase I were completed and delivered in 2010. Delivery of Tower 3, the last tower of Phase I, took place in March 2011. Phase II comprises of 5 towers with a total of 1,079 residential units or a total GFA of 146,000 sqm. Construction of the second phase is still underway and is expected to be completed in 2012. About half of the Phase II residential units were sold as at 30 June 2011. The ASP for the period has increased to RMB17,800 per sqm which is about 13% higher than the previous year's average of RMB15,800 per sqm. Construction works of Phase III with a total GFA of about 215,000 sqm are currently in progress and are scheduled for completion in 2013.

**Villa Royale (城南逸家)** — a luxury villa and town-house project with a total GFA of about 312,000 sqm in the Shuangliu County, Chengdu. The project is just 8 minutes by car 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 GFA of about 70,000 sqm, of which about 10,000 sqm are designated for show units and clubhouse facilities, and the second phase of a total GFA of about 61,000 sqm are under construction. The first and second phases of the project are scheduled for completion and delivery in 2012 and 2013 respectively. As at 30 June 2011, 76% of Phase I was sold at an ASP of RMB13,300 per sqm. Pre-sales of Phase II was first launched in April 2011. Construction works of Phase III of the project commenced in April 2011.

**La Concorde (牧山逸家)** — a high-end villa project with a total GFA of about 249,000 sqm in the Huayuan Town, Xinjin County, Chengdu, a suburban district approximately 15 kilometres southwest of Chengdu. The project is close to the Shuangliu International Airport and the site has been approved by the local government for low-density residential property development. Construction works of the display units and clubhouse have commenced in May 2011. Foundation works of Phase I with a construction area of about 68,000 sqm are currently in progress. Construction is scheduled to commence in the second half of 2011.

**Lagonda Gardens (都江堰逸家)** — a low-rise residential project with a total GFA of about 58,000 sqm in the Dujiangyan District — a famous tourist location. It will provide 456 residential units and 78 commercial units and car parks. Around 56% of residential units were sold as at 30 June 2011. Commercial units were launched for pre-sales in May 2011. The project is expected to be completed in the second half of 2011.

**Villa Splendido (禮里山莊)** — a high-end villa and a 5-star hotel project with a total GFA of about 230,000 sqm in the Dujiangyan District. Foundation works of the first 2 phases of villa developments with a total GFA of about 158,000 sqm are currently in progress. Superstructure construction will commence in the second half of 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 works of Phase I with a GFA of about 180,000 sqm commenced in January 2011 and pre-sales is scheduled to be launched in the second half of 2011. Phase I is expected to be completed in 2013.

**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 works are still underway. As at 30 June 2011, around 80% of the residential and service apartment units have been sold. The development is estimated to be completed in the second half of 2011.

**Guiyang Project (中渝•第一城)** — a pilot project in Guiyang with a planned total GFA of about 1,070,000 sqm, comprising of town-houses, low-rise and high-rise residential towers, Grade-A office towers and commercial property. The project is situated in the Jinyang New District which is a new urban district located 12 kilometres northwest of the old city centre of Guiyang. As a new city district of Guiyang, it focuses on government, finance, real estate, high-tech, aerospace and commercial services. The master plan of the project has been submitted and is undergoing final approval by the local authority. The first phase of the project has a total GFA of about 144,000 sqm. Construction works of Phase I are planned to begin in the second half of 2011.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at the report date, 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 — 2013	400,000	100%
— i-City	2011 — 2012	113,000	100%
— Mansions on the Peak	2012	58,000	100%
— One Central Midtown, 9 Central Midtown & Lot #10	2011 — 2014	614,000	100%
— No. 8 Peak Road	2011	50,000	100%
— L'Ambassadeur	2012 — 2013	482,000	100%
— Lot #17-1	2013 or after	250,000	100%
— Lot #9	2013 or after	346,000	100%
— Lot #19	2013 or after	260,000	100%
— Lot #4	2013 or after	528,000	100%
— Lot #3-1	2013 or after	260,000	100%
— Others	2013 or after	109,000	100%
Chongqing, Jiangbei District	2013 or after	1,362,000	25%
Chongqing, Nan'an District			
— Verakin New Park City	2011 — 2017	1,604,000	51%
Chongqing, Wanzhou District			
— Riverside One, Wanzhou	2011 — 2013	336,000	100%
Chongqing, Shapingba District			
— Academic Heights	2013 or after	423,000	100%
Chongqing, Fuling District, Nanmenshan			
— Verakin Le Charme	2011	68,000	26%
Chongqing, Bishan County, Ludao New District	2013 or after	659,000	51%
Chengdu, Dujiangyan District, Xujia Town			
— Lagonda Gardens	2011	58,000	100%
Chengdu, Dujiangyan District, Yutang Town			
— Villa Splendido	2013 — 2014	230,000	60%
Chengdu, Jinjiang District			
— Sky Villa	2012 — 2015	482,000	51%
Chengdu, Shuangliu County			
— Villa Royale	2012 — 2015	312,000	51%
Chengdu, Xinjin County			
— La Concorde	2013 or after	249,000	51%
Chengdu, Qingyang District	2013 or after	274,000	51%
Sichuan, Dazhou, Tongchuan District	2013 or after	413,000	100%
Guiyang, Jinyang New District	2013 or after	1,070,000	85%
Kunming — Silver Lining	2011	94,000	70%
<b>TOTAL</b>		<b>11,104,000</b>	

## Land Bank

During the first half of 2011, the Group extended its territory into Guiyang. As at the report date, the Group's land bank stood at 11.1 million sqm GFA (attributable GFA amounted to about 8.0 million sqm) held for development in prime districts and cities in Chongqing, Chengdu, Sichuan, Guiyang and Kunming. The average land cost is around RMB1,950 per sqm. The land bank portfolio is sufficient for development over the next 5 to 6 years. The main land bank located at the Yubei District, Liangjiang New Area, Chongqing, accounting for 38% in terms of the size of the Group's attributable land bank, is of the highest value due to its excellent location, and to the maturity of its neighborhood. A large portion of the Group's trophy investments properties will be developed on this core land bank.

# MANAGEMENT DISCUSSION AND ANALYSIS

Under the credit tightening, developers have become more cautious in their cashflows management. Land prices have softened somewhat. Backed by its strong financial position, during the period, the Group took the opportunity to acquire the following parcels of land yielding an additional GFA of about 2.3 million sqm:

1. The Group acquired at a total consideration of about RMB235.7 million, through its 51% owned subsidiary holding the Verakin New Park City Project, 3 land plots adjacent to the Group's Verakin New Park City Project in Chongqing, with a GFA of about 301,000 sqm. These lots will be developed as an extension of the Verakin New Park City. The accommodation value for this acquisition is approximately RMB780 per sqm GFA.
2. The Group acquired an 85% interest in a land lot in the Jinyang New District, Guiyang, Guizhou Province through the listing-for-sale process. The total consideration for the land lot is RMB728 million. The newly acquired land lot has a permitted GFA of approximately 1,070,000 sqm with an accommodation value of RMB680 per sqm GFA. It is planned for the development of a mega residential and commercial project.
3. The Group acquired two adjacent land lots in Ludao New District, Bishan County, Chongqing, through its 51% owned subsidiary holding the Verakin New Park City Project, at a total consideration of RMB1 billion. The land lots acquired have a permitted GFA of approximately 659,000 sqm with an accommodation value of about RMB1,520 per sqm. The land lots are planned for the development of a residential project.
4. The Group acquired a land lot in Guanghua New City, Qingyang District, Chengdu through its 51% owned subsidiary holding the Sky Villa Project. The total consideration of the land lot is approximately RMB767 million. The newly acquired land lot has a permitted GFA of approximately 274,000 sqm with an accommodation value of RMB2,800 per sqm. The land lot is planned for the development of a high-rise residential and commercial project.

These acquisitions are quality land lots at extremely reasonable prices and will supplement the Group's earnings base and further add value to the Group. To ensure sustainable rapid growth, the Group will continue to exercise a focused and selective approach to replenish its land bank through various channels to build a solid foundation for future profitability.

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

Usage	Completed Properties held for Investment	Properties held for Own Use	Completed Properties held for Sale	Land held for Development		Total GFA (sqm)	Percentage of Total GFA
	GFA (sqm)	GFA (sqm)	GFA (sqm)	GFA (sqm)	GFA (sqm)		
				Total	Attributable		
Commercial	28,000	9,000	15,000	1,021,000	843,000	1,073,000	9.5
Residential	2,000		24,000	5,601,000	3,943,000	5,627,000	49.7
Office				877,000	785,000	877,000	7.7
Hotel & serviced apartment				528,000	410,000	528,000	4.7
Town-house & villa				1,464,000	930,000	1,464,000	12.9
Others (Car-park spaces and other auxiliary facilities)	53,000	11,000	80,000	1,613,000	1,087,000	1,757,000	15.5
<b>TOTAL</b>	<b>83,000</b>	<b>20,000</b>	<b>119,000</b>	<b>11,104,000</b>	<b>7,998,000</b>	<b>11,326,000</b>	<b>100.0</b>

In respect of the total 39,000 sqm completed residential and commercial properties held for sales, about 53% have been sold and are pending delivery.

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	7,923,000	5,742,000	71.4
Sichuan — Chengdu	1,604,000	867,000	14.5
— Dazhou	413,000	413,000	3.7
Guizhou — Guiyang	1,070,000	910,000	9.6
Yunnan — Kunming	94,000	66,000	0.8
<b>TOTAL</b>	<b>11,104,000</b>	<b>7,998,000</b>	<b>100.0</b>

Around 71% of the land held for development is located in Chongqing whilst 29% is in Chengdu, and other key cities in Sichuan, Guiyang and Kunming. In terms of usage, about 68% of the land held for development is for residential, hotel and serviced apartments as well as town-house and villa use and the remaining 32% for office, commercial and other developments.

## Investment Property

Investment property provides recurrent and growing rental income streams in the longer term. As of 30 June 2011, the Group's portfolio of investment properties was 83,049 sqm (six months ended 31 December 2010: 83,203 sqm) of which approximately 34.1% were commercial properties, 2.9% were residential properties and 63.0% were car parks and auxiliary facilities.

During the period, the portfolio's fair value appreciated by approximately HK\$13.9 million to HK\$359.3 million, the majority of which was the revaluation gain recognized in relation to the commercial properties. The rental income from the investment properties amounted to approximately HK\$6.4 million for the period ended 30 June 2011 (six months ended 30 June 2010: HK\$6.7 million).

## Investment Property Under Development

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. This land bank 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.

Four commercial land lots of the Group's core land bank are situated in the Yubei District, namely, Lot Nos. 3, 4, 9 and 10. Construction on the first commercial land lot, No. 10, started in May 2009, and the pre-sale of the residential project (One Central Midtown) and SOHO project (9 Central Midtown) on this land lot was launched in January 2010 and September 2010 respectively with great success. Delivery of One Central Midtown and 9 Central Midtown is expected to commence in the second half of 2011. Other phases of Lot #10 are currently under development and are expected to be completed by 2014.

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 5-star luxury hotel and serviced apartment project on this lot. The 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 96,000 sqm and is scheduled to be completed by the year of 2014.

## Manufacturing Business

In the six-month period ended 30 June 2011, the operating environment remains challenging. Rising costs especially raw material prices and wage hikes together with the severe inflation have exerted increasing pressure on margins. Furthermore, the Renminbi is likely to carry on appreciating in value. As a result, product costs increased but the competitive market climate restricted shifting of the entire costs to customers. In order to partially offset increase in costs, and help improve profit margins, the Group further strengthened its control of operating costs, and improved productivity and efficiency in its manufacturing process. Labour supply continued to be tight, especially along the coast. To mitigate these impacts, the Group had to rearrange shipment schedules to fulfill the needs of its customers.

Despite improvement in the global market, uncertainties still persist in key economies aggravated by the surging inflationary pressure and operating costs. The packaging business has recovered strongly from the severe global economic turmoil and was able to return to its sustainable growth path. The Group has seen excellent results in both the revenue and profit in the period under review when compared with the corresponding period of last year. Revenues increased by 14%, from HK\$182.9 million to HK\$209.1 million, of which Hong Kong sales and exports accounted for 33% and 67% respectively. Revenues were particularly strong in Europe and North and South America with increased orders from existing customers following the economic recovery. The notable growth came also from existing customers electing to stock up, in view of a recovery in the consumer market. Net profit contribution derived during the six months ended 30 June 2011 was HK\$22.8 million, representing an increase of 49% over the same period last year. In order to improve profit margins under the threat of increase in operating costs, the company adjusted its product mix, giving priority to higher margin products, and selling prices. This is a remarkable achievement in view of the global market conditions.

The luggage business continued to perform well. Revenue soared by 29% to HK\$93.2 million compared to HK\$72.1 million in the corresponding period of last year. The growth was partially the results of strong domestic demand for luggage products in the PRC in view of the rising travel and tourism following the general increase in disposable income of the Chinese citizens. Geographically, Europe continued to be the key export market for the luggage business, representing 35% of the turnover during the period under review, compared with 27% in the corresponding period of last year. The increase is mainly attributable to the rebound of demand following the economic recovery as well as restocking. In the US, sales for the first half of year 2011 reduced to HK\$2.1 million, a decrease of HK\$5.6 million from HK\$7.7 million in the same period last year. This decline is in line with our marketing strategy to eliminate the lower margin products. The Chinese market is a distinct opportunity for the luggage business. Sales lifted by 41% to HK\$31.4 million, accounting for 34% of the luggage sales. To cater for the dramatic increase of orders domestically, the Group has reserved a significant part of its production capacity to meet the demand.

The luggage business once again achieved a profit for the first half of 2011 amounting to HK\$1.2 million before intercompany interest charge, compared to HK\$1.1 million achieved in the prior half year period. The profit achieved was the net result of i) a change in product mix, ii) the effects of efficiency gains including productivity improvements and a favourable product combination, and iii) increase in raw material prices and worker wages resulting in lower margins during the period.

## Other Business

The share of the loss from the 30% owned associated company, Technical International Holdings Limited, amounted to HK\$0.9 million (six months ended 30 June 2010: HK\$1.0 million). The business environment for the company's products remains challenging. The company had taken steps to reduce operating costs, whilst leveraging on new products to improve its performance in the future months.

## Treasury Investment Business

The treasury investments segment recorded a profit for the period of HK\$116.3 million (six months ended 30 June 2010: HK\$11.1 million). This was mainly from totalling HK\$30.2 million interests and dividend income earned during the period, a gain of HK\$50.6 million realized on the partial disposal of the investment from the available-for-sale investments, and unrealized gain on listed securities amounting to HK\$35.8 million.

The Group believes investments in a portfolio of listed securities and unlisted investment funds will maximize the return to shareholders from the strong cash position held.

## PROSPECTS

### PRC Property Development and Investment Business

Chongqing and Chengdu are markets driven mainly by end-user demand, and thus are less affected by the government's tightening policy. With the continued strong economic growth in Western China and the prime locations and superior qualities of its projects, the Group remains confident to meet the target contract sales of RMB7.5 billion for 2011. Up to end of July 2011, the Group has achieved 48% of its target contract sales at an ASP of RMB9,000 per sqm. As more commercial projects and high-end residential projects are to be launched in the second half of the year, the Group believes the ASP for the second half of 2011 will be even better than the first.

For the second half of 2011 and 2012 respectively, 90% and 69% of the target delivery residential areas have been pre-sold as at 31 July 2011. As the two office towers of i-City Phase III and the town-house portion of Riverside One, Wanzhou Phase II will be completed at the end of 2011 or early 2012, the delivery for these two projects will be in the first half of 2012. Delivery schedule for the second half of 2011 and year 2012 is as follows:

Locations	Projects	Residential Area (sqm)	Commercial/ Car park/ Other Area (sqm)	Total Construction Area (sqm)	The Group's Interests
<b>Second Half of 2011</b>					
Chongqing	One Central Midtown & Lot #10 Phase I	101,000	84,000	185,000	100%
	No. 8 Peak Road	39,000	11,000	50,000	100%
	Riverside One, Wanzhou Phase II	16,000	—	16,000	100%
	Verakin Le Charme	44,000	24,000	68,000	26%
	Verakin New Park City — Zone I	113,000	37,000	150,000	51%
	i-City Phase III	26,000	—	26,000	100%
Chengdu	Lagonda Gardens	52,000	6,000	58,000	100%
Kunming	Silver Lining	53,000	41,000	94,000	70%
<b>TOTAL</b>		<b>444,000</b>	<b>203,000</b>	<b>647,000</b>	
<b>Year 2012</b>					
Chongqing	Mansions on the Peak	34,000	24,000	58,000	100%
	i-City Phase III	—	87,000	87,000	100%
	Riverside One, Wanzhou Phase II	56,000	30,000	86,000	100%
	Phoenix County Phase I	62,000	17,000	79,000	100%
	Phoenix County Phase II	56,000	32,000	88,000	100%
	L'Ambassadeur Phase I	93,000	41,000	134,000	100%
	L'Ambassadeur Phase II	103,000	40,000	143,000	100%
	Verakin New Park City — Zone W	194,000	44,000	238,000	51%
Verakin New Park City — Zone J	72,000	4,000	76,000	51%	
Chengdu	Sky Villa Phase II	102,000	44,000	146,000	51%
	Villa Royale Phase I	42,000	28,000	70,000	51%
<b>TOTAL</b>		<b>814,000</b>	<b>391,000</b>	<b>1,205,000</b>	

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group expects that the GFA of newly commenced construction in 2011 will reach a total of 2.1 million sqm, representing a 44% increase from 1.4 million sqm of 2010. As at 30 June 2011, the Group has a total of 19 projects under development. Based on the existing development schedule, the Group expects the total area for construction start-up in second half of 2011 to be around 1.2 million sqm. Together with the area under construction as at 30 June 2011, the total area under development at the end of 2011 is expected to be over 4.3 million sqm — about 39% of the Group's total land bank. Being in a net cash position, the Group is financially strong and, to ensure its long-term development, will continue its efforts to acquire land banks with great upside potential by means of merger or acquisition of target property development companies, and through normal channels from the government. Besides adding presence to its current cities in Chongqing, Chengdu, Guiyang and Kunming, the Group will also look at suitable land lots at other key Western China city such as Xian for diversification and to increase its output in the coming years to achieve an average growth rate of at least 20% per annum.

## Manufacturing Business

China's economy remains at a high growth rate driven by urbanization and industrialization in spite of rising inflation and the negative impact from Renminbi appreciation. US economic growth had been slower than expected in the period, but it is believed momentum will build up in the second half of the year. The appreciation of the Euro against the RMB makes Chinese goods more competitive. Europe will still remain a favourable market for both the packaging and luggage business. Although uncertainties would affect consumer sentiment to a certain extent in the major economies, the overall economy is expected to grow steadily in a healthier manner. The management is optimistic about the operation environment and believes that orders for the manufacturing business will remain at a high level in the foreseeable future. The manufacturing business will still face cost pressures. To combat rising cost pressures, the Group will further strive to tighten cost control over raw material purchases, continue to push for optimization of production processes, and promote the integration between workers to enhance efficiency.

Despite the fact that in most of the major markets, unemployment remains high and governments are cutting budgets, based on the current level of orders and forecast provided by our customers, the demand for packaging products is expected to be sustainable in the second half. The Group remains optimistic about the packaging business and is confident that operating profit will improve.

The luggage business will encounter a tougher market environment in the second half of this year. Export growth will likely continue to slow down in the coming months as the economy recovery, though generally being on its moderate upward trend, still remains sluggish. Customers are adopting a more prudent and conservative procurement approach. However, the PRC market remains to be the luggage business main growth driver. In the second half of 2011, the PRC market growth is expected to become more stable. Accordingly, the Group will strengthen its PRC sales effort through expanding its product mix for the domestic business, adjusting its marketing strategy and increasing production capacity in light of the growing demand. The Group will also try to recover part of its market share in the US. We are cautiously optimistic of achieving revenue growth in the second half. The luggage business will enlarge its outsourcing capacity to make up for orders which are lagging behind through sourcing good quality sub-contractors, and enhancing the product quality and efficiency of its operation. The Group will enrich its product mix to cater for products in the luxury segment.

## FINANCIAL REVIEW

### Investments

At 30 June 2011, 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\$1,258.6 million (31 December 2010: HK\$1,105.6 million). The amount of dividends, interest and other income from investments for the period was HK\$31.0 million (six months ended 30 June 2010: HK\$7.0 million).

### Liquidity and Financial Resources

As of 30 June 2011, the Group's aggregate cash and bank balances and time deposits amounted to HK\$6,590.0 million (31 December 2010: HK\$5,880.0 million) which included HK\$85.2 million (31 December 2010: HK\$153.8 million) of deposits pledged to banks. Total borrowings amounted to HK\$6,211.9 million (31 December 2010: HK\$4,288.8 million). About 56% of the total borrowings are in RMB and the remaining 44% are in Hong Kong Dollars and US Dollars. About 29% are repayable within one year and the remaining 71% are long term borrowings. The average borrowing interest rate for the period ended 30 June 2011 was 4.36% (six months ended 30 June 2010: 3.44%) per annum.

# MANAGEMENT DISCUSSION AND ANALYSIS

The structure of the Group's bank borrowings as at 30 June 2011 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	3,468.1	1,505.5	692.0	1,239.3	31.3
HK\$	2,720.7	259.6	536.3	1,924.8	—
US\$	23.1	23.1	—	—	—
	6,211.9	1,788.2	1,228.3	3,164.1	31.3

Secured debts accounted for approximately 56% of total borrowings as at 30 June 2011 (31 December 2010: 56%).

As at 30 June 2011, the Group is at a net cash position of HK\$378.1 million (31 December 2010: net cash position of HK\$1,591.2 million). Details are as follows:

	30 June 2011 HK\$ million	31 December 2010 HK\$ million
Cash and bank balances and time deposits	6,590.0	5,880.0
Less: Total bank and other borrowings	(6,211.9)	(4,288.8)
Net cash position	378.1	1,591.2

The decrease in the net cash balance was due to the payment of property development expenditures of about RMB2,713 million (including payment of land acquisition costs and construction costs of RMB1,232 million and RMB1,481 million respectively) and payment of PRC taxes of RMB549 million in the first half of 2011. These payments were mainly financed by internal resources generated from cash received from property sales and external bank borrowings.

The owners' equity was HK\$12,551.7 million (31 December 2010: HK\$12,265.7 million) and the net asset value per share is HK\$4.92.

## Contingent Liabilities/Financial Guarantees

At 30 June 2011, the Group had the following contingent liabilities/financial guarantees:

- Guarantees given to banks in connection with facilities granted to a jointly-controlled entity and associates in the amount of HK\$350.0 million (31 December 2010: HK\$350.0 million) and HK\$9.0 million (31 December 2010: HK\$9.0 million) respectively.
- Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of HK\$3,099.7 million (31 December 2010: HK\$2,288.6 million).

## Pledge of Assets

At 30 June 2011, the Group has pledged the following assets:

- Leasehold properties as security for general banking facilities granted to the Group. HK\$5.5 million
- Fixed deposits as security for general banking facilities granted to the Group. HK\$85.2 million
- Properties under development, prepaid land lease payments and investment properties pledged to secure banking facilities granted to the Group. RMB5,857.4 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.

## EMPLOYEES

At 30 June 2011, the Group had approximately 4,032 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 2011, an amount of HK\$0.1 million (six months ended 30 June 2010: HK\$0.9 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 2011 (six months ended 30 June 2010: Nil).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2011, 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"), are 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	50.68
Dr. Lam How Mun Peter	11,000	—	43,039,000	43,050,000	1.69
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 the 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 held through Thrivetrade.
- 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 2011.

Save as disclosed above, as at 30 June 2011, 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.

# DISCLOSURE OF INTERESTS

## 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 2011 to 30 June 2011 are set out below:

Name or category of participants	Number of share options					At 30 June 2011	Date of grant <sup>1</sup>	Exercise period	Closing price immediately	
	At 1 January 2011	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period				Exercise price <sup>2</sup> HK\$ per share	before date of grant HK\$ per share
<b>Directors</b>										
Lam How Mun Peter	17,500,000	—	—	—	—	17,500,000	07-05-2009	07-05-2009 to 06-05-2019	3.27	3.47
	21,539,000	—	—	—	—	21,539,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	4,000,000	—	—	—	—	4,000,000	03-09-2010	01-01-2011 to 02-09-2020	3.31	3.19
	43,039,000	—	—	—	—	43,039,000				
Leung Chun Cheong	1,500,000	—	—	—	—	1,500,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
Leung Wai Fai	3,000,000	—	—	—	—	3,000,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
Poon Ho Yee Agnes	2,000,000	—	—	—	—	2,000,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
Wong Kim Wing	2,000,000	—	—	—	—	2,000,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
Wu Hong Cho	1,800,000	—	—	—	—	1,800,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	53,339,000	—	—	—	—	53,339,000				
<b>Employees</b>										
In aggregate	11,895,000	—	—	—	—	11,895,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
	900,000	—	—	—	—	900,000	03-09-2010	01-01-2011 to 02-09-2020	3.31	3.19
	12,795,000	—	—	—	—	12,795,000				
<b>Others</b>										
In aggregate	3,000,000	—	—	—	—	3,000,000	03-09-2010	03-09-2010 to 02-09-2020	3.31	3.19
<b>Total</b>	<b>69,134,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>69,134,000</b>				

Notes:

1. The vesting period (if any) 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 2011, 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 are as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held	Approximate percentage <sup>5</sup>
<b>(a) Long Positions</b>			
Regulator	Beneficial owner	254,239,636 <sup>1</sup>	9.96
Yugang International (B.V.I.) Limited (“Yugang-BVI”)	Interest of controlled corporation	254,239,636 <sup>1</sup>	9.96
Yugang	Interest of controlled corporation	254,239,636 <sup>1</sup>	9.96
Chongqing	Interest of controlled corporation	254,239,636 <sup>1</sup>	9.96
Palin Holdings Limited (“Palin”)	Interest of controlled corporation	254,239,636 <sup>1</sup>	9.96
Thrivetrade	Beneficial owner	1,039,925,571 <sup>2</sup>	40.73
T. Rowe Price Associates, Inc. and its Affiliates	Investment manager	129,620,000	5.08
UBS AG	Beneficial owner, interest of person having a security interest in shares and interest of controlled corporation	152,653,548 <sup>3</sup>	5.98
JPMorgan Chase & Co.	Beneficial owner and custodian corporation/approved lending agent	178,854,946 <sup>4</sup>	7.00
<b>(b) Short Positions</b>			
JPMorgan Chase & Co.	Beneficial owner	5,000,000	0.20

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 the aggregate as to 44.06%. Chongqing, Timmex and Palin were 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 its interests in 152,653,548 shares, UBS AG had interests in 151,118,359 shares as beneficial owner, in 1,350,189 shares as person having a security interest in shares and in 185,000 shares through its controlled corporation.
- Of its interests in 178,854,946 shares, JPMorgan Chase & Co. had interests in 5,125,000 shares as beneficial owner and in 173,729,946 shares as a custodian corporation/approved lending agent. 173,729,946 shares were in the lending pool.
- 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 2011.

Save as disclosed above, as at 30 June 2011, 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 in that 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 stipulation is consistent with the requirements of Code Provision A.4.1 of the Code. As such, notwithstanding the slight deviation, 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 2011.

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

During the six months ended 30 June 2011, the Company had repurchased a total of 6,444,000 shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at an aggregate consideration of HK\$17,772,460. 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 the repurchases	Total number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$
April 2011	600,000	2.68	2.60	1,583,140
May 2011	3,164,000	2.85	2.71	8,798,710
June 2011	2,680,000	2.80	2.71	7,390,610
Total	6,444,000			17,772,460

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2011.

## DISCLOSURE UNDER RULES 13.18 AND 13.21 OF THE LISTING RULES

- 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 (the “Facility”). 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. Upon occurrence of an event of default, commitments of the lenders or any part thereof under the 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 Facility may become immediately due and payable, and/or all or any part of the loan under the Facility may become payable on demand. As at 30 June 2011, the outstanding loan balance was HK\$2,750,000,000.

- On 24 August 2010, a jointly-controlled entity held as to 25% by the Company entered into a facility agreement (the “JV 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 (“Initial Facility”). On 22 December 2010, a supplement to the JV Facility Agreement was executed whereby the Initial Facility was enlarged to HK\$1,400,000,000 by an additional term loan facility in the aggregate principal amount of HK\$400,000,000 for a term of 36-month from the date of the JV Facility Agreement. Under the JV 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 JV 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 JV Facility Agreement may become immediately due and payable or payable on demand, and/or certain security documents defined in the JV Facility Agreement or any of them may become immediately enforceable. As at 30 June 2011, the outstanding loan balance was HK\$1,400,000,000.

### UPDATE ON DIRECTORS’ INFORMATION

**Mr. Lam Kin Fung Jeffrey** was appointed the Board Member of the Airport Authority Hong Kong on 1 June 2011. He was also awarded the Gold Bauhinia Star by the Government of the HKSAR on 1 July 2011.

**Dr. Wong Lung Tak Patrick** was appointed Independent Non-executive Director of Winox Holdings Limited (the shares of which are listed on the Stock Exchange) on 24 June 2011.

### 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 2011.

### 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, 26 August 2011

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>REVENUE</b>	4, 5	<b>1,360,386</b>	678,682
Cost of sales		<b>(939,839)</b>	(564,326)
Gross profit		<b>420,547</b>	114,356
Other income and gains	5	<b>186,775</b>	216,266
Selling and distribution costs		<b>(123,610)</b>	(66,108)
Administrative expenses		<b>(196,967)</b>	(139,774)
Other expenses		<b>(207)</b>	(15,668)
Finance costs		<b>(29,626)</b>	(12,993)
Share of profits and losses of:			
Jointly-controlled entities		<b>(13,158)</b>	(1,505)
Associates		<b>(867)</b>	(1,013)
<b>PROFIT BEFORE TAX</b>	6	<b>242,887</b>	93,561
Income tax expense	7	<b>(97,801)</b>	(33,484)
<b>PROFIT FOR THE PERIOD</b>		<b>145,086</b>	60,077
Attributable to:			
Owners of the parent		<b>151,550</b>	73,227
Non-controlling interests		<b>(6,464)</b>	(13,150)
		<b>145,086</b>	60,077
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic and diluted		<b>HK5.92 cents</b>	HK2.85 cents

Details of dividends are disclosed in note 8 to the financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>145,086</b>	60,077
Available-for-sale investments:		
Changes in fair value	<b>2,034</b>	(87,489)
Deferred tax	<b>(509)</b>	21,872
	<b>1,525</b>	(65,617)
Share of other comprehensive income of jointly-controlled entities	<b>21,332</b>	10,538
Exchange fluctuation reserve:		
Exchange differences on translation of foreign operations	<b>261,304</b>	97,899
Release upon disposal of a subsidiary and a jointly-controlled entity	—	(6,554)
	<b>261,304</b>	91,345
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>284,161</b>	36,266
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>429,247</b>	96,343
Attributable to:		
Owners of the parent	<b>404,123</b>	97,886
Non-controlling interests	<b>25,124</b>	(1,543)
	<b>429,247</b>	96,343

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	271,885	266,935
Investment properties		359,347	338,323
Prepaid land lease payments		1,766,407	1,899,345
Investments in jointly-controlled entities		1,101,414	1,082,627
Investments in associates		238	1,105
Held-to-maturity investments		115,178	114,969
Available-for-sale investments		760,086	822,491
Properties under development	10	7,848,103	7,164,334
Interests in land use rights for property development	10	1,025,622	—
<b>Total non-current assets</b>		<b>13,248,280</b>	<b>11,690,129</b>
<b>CURRENT ASSETS</b>			
Properties under development	10	9,909,061	7,608,781
Completed properties held for sale		394,728	1,006,981
Prepaid land lease payments		42,738	42,551
Inventories		74,482	82,170
Trade and bills receivables	11	123,113	113,101
Prepayments, deposits and other receivables		1,666,943	710,985
Convertible note receivable — loan portion		—	37,178
Equity investments at fair value through profit or loss		383,349	131,006
Tax recoverable		263,449	40,829
Deposits with brokerage companies		933	1,027
Pledged deposits		85,173	153,774
Restricted bank balances		2,161,413	1,165,456
Time deposits with original maturity over three months		32,467	—
Cash and cash equivalents		4,310,917	4,560,752
		<b>19,448,766</b>	<b>15,654,591</b>
Non-current asset and assets of a disposal group classified as held for sale		37,156	65,803
<b>Total current assets</b>		<b>19,485,922</b>	<b>15,720,394</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	1,309,905	961,663
Other payables and accruals		8,817,986	6,076,986
Call option liability		—	75,766
Loans from non-controlling shareholders of subsidiaries		559,977	688,303
Interest-bearing bank and other borrowings	13	1,788,162	1,389,879
Tax payable		298,007	114,788
Consideration payable on acquisition of subsidiaries		1,100	1,100
		<b>12,775,137</b>	<b>9,308,485</b>
Liabilities directly associated with the assets classified as held for sale		—	7,067
<b>Total current liabilities</b>		<b>12,775,137</b>	<b>9,315,552</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>NET CURRENT ASSETS</b>		<b>6,710,785</b>	6,404,842
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>19,959,065</b>	18,094,971
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	13	<b>4,423,735</b>	2,898,889
Deferred tax liabilities		<b>1,943,352</b>	1,980,258
Total non-current liabilities		<b>6,367,087</b>	4,879,147
Net assets		<b>13,591,978</b>	13,215,824
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	14	<b>255,351</b>	255,996
Reserves		<b>12,296,366</b>	12,009,730
		<b>12,551,717</b>	12,265,726
<b>Non-controlling interests</b>		<b>1,040,261</b>	950,098
Total equity		<b>13,591,978</b>	13,215,824

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the parent									Total equity (Unaudited) HK\$'000
	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	
At 1 January 2011	255,996	9,488,203	90,554	1,355,116	71,199	805,728	198,930	12,265,726	950,098	13,215,824
Profit for the period	—	—	—	—	—	151,550	—	151,550	(6,464)	145,086
Other comprehensive income for the period:										
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	1,525	—	—	1,525	—	1,525
Share of other comprehensive income of jointly-controlled entities	—	—	—	21,332	—	—	—	21,332	—	21,332
Exchange differences on translation of foreign operations	—	—	—	229,716	—	—	—	229,716	31,588	261,304
Total comprehensive income for the period	—	—	—	251,048	1,525	151,550	—	404,123	25,124	429,247
Final 2010 dividend approved	—	—	—	—	—	(102,248)	—	(102,248)	—	(102,248)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	46,444	46,444
Acquisition of non-controlling interests	—	—	—	—	—	(13,823)	—	(13,823)	(55,606)	(69,429)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(22,334)	(22,334)
Disposal of partial equity interest in a subsidiary	—	—	—	—	—	15,769	—	15,769	98,005	113,774
Dividend paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(1,470)	(1,470)
Equity-settled share option arrangements	—	—	—	—	—	—	30	30	—	30
Repurchase of shares	(645)	(17,215)	—	—	—	—	—	(17,860)	—	(17,860)
At 30 June 2011	255,351	9,470,988*	90,554*	1,606,164*	72,724*	856,976*	198,960*	12,551,717	1,040,261	13,591,978

\* These reserve accounts comprise the consolidated reserves of HK\$12,296,366,000 (31 December 2010: HK\$12,009,730,000) in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the parent									
	Issued capital	Share premium account	Surplus account	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Retained profits	Share option reserve	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(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:										
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	(65,617)	—	—	(65,617)	—	(65,617)
Share of other comprehensive income of jointly-controlled entities	—	—	—	10,538	—	—	—	10,538	—	10,538
Exchange differences on translation of foreign operations	—	—	—	86,292	—	—	—	86,292	11,607	97,899
Release upon disposal of a subsidiary and a jointly-controlled entity	—	—	—	(6,554)	—	—	—	(6,554)	—	(6,554)
Total comprehensive income for the period	—	—	—	90,276	(65,617)	73,227	—	97,886	(1,543)	96,343
Final 2009 dividend approved	—	—	—	—	—	(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
Repurchase 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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(1,374,982)</b>	(1,395,938)
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(133,508)</b>	935,665
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>1,166,857</b>	1,203,770
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(341,633)</b>	743,497
Cash and cash equivalent at beginning of period	<b>4,564,274</b>	2,256,445
Effect of foreign exchange rate changes, net	<b>86,255</b>	9,102
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,308,896</b>	3,009,044
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>4,310,917</b>	2,769,984
Non-pledged time deposits with original maturity of less than three months when acquired	—	239,060
Cash and cash equivalents as stated in the statement of financial position	<b>4,310,917</b>	3,009,044
Bank overdraft	<b>(2,021)</b>	—
Cash and cash equivalents as stated in the statement of cash flows	<b>4,308,896</b>	3,009,044

## 1. BASIS OF PREPARATION

C C Land Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activities of the Company and its subsidiaries (collectively the “Group”) are described in note 4 to the unaudited interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements are 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 disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The accounting policies and the basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 3 below.

These condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain equity investments, which have been measured at fair value. Non-current asset and a disposal group held for sale are stated at the lower of its carrying amount and fair value less cost to sell. These condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s 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>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the Group has also adopted *Improvements to HKFRSs 2010\** issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wordings.

\* *Improvements to HKFRSs 2010* contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27 and HK(IFRIC)-Int 13.

Other than as further explained below regarding the impact of HKAS 24 (Revised), amendments to HKFRS 3, HKAS 1, HKAS 27 and HKAS 34 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The principal effects of adopting these new and revised HKFRSs are as follows:

### (a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

While the adoption of the revised standard has resulted in changes in the accounting policy, the revised standard does not have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

### (b) *Improvements to HKFRSs 2010*

*Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Those amendments that have had a significant impact on the Group's policies are as follows:

- (i) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- (ii) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to condensed consolidated financial statements.
- (iii) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 are applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.
- (iv) Amendments to HKAS 34 *Interim Financial Reporting*: Amendments to HKAS 34 requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in condensed consolidated financial statements. The amendment does not result in additional disclosures to the Group.

## 3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>4</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>4</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>4</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>4</sup>
Amendments to HKAS 1 (Revised)	Amendments to HKAS 1 (Revised) <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i> <sup>3</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes: Deferred Tax — Recovery of Underlying Assets</i> <sup>2</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>4</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>4</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

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

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 these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 4. 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 notes receivables, 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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit 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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

Information regarding these reportable segments is presented below.

### Reportable segment information

For the six months ended 30 June 2011 — 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
<b>Segment revenue</b>					
Sales to external customers	209,161	93,188	30,155	1,027,882	1,360,386
<b>Segment results</b>	24,472	1,069	116,343	146,961	288,845
Corporate and unallocated income					1,720
Corporate and unallocated expenses					(18,052)
Finance costs					(29,626)
Profit before tax					242,887

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
<b>Segment revenue</b>					
Sales to external customers	182,947	72,072	3,212	420,451	678,682
<b>Segment results</b>	16,538	1,248	11,199	77,742	106,727
Corporate and unallocated income					17,134
Corporate and unallocated expenses					(17,307)
Finance costs					(12,993)
Profit before tax					93,561

## 5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Revenue</b>		
Sale of goods	302,349	255,019
Sale of properties	1,020,613	409,976
Gross rental income	6,380	6,733
Dividend income from listed investments	14,400	3,045
Dividend income from unlisted investments	889	935
Interest income from a convertible note receivable	1,072	1,109
Interest income from held-to-maturity investments	7,452	1,865
Interest income from available-for-sale investments	7,231	—
	<b>1,360,386</b>	<b>678,682</b>
<b>Other income and gains</b>		
Bank interest income	24,751	5,372
Other interest income	5,629	—
Exchange gains, net	18,188	1,669
Gain on bargain purchase of a subsidiary	—	1,648
Fair value gains on equity investments at fair value through profit or loss, net	35,826	8,213
Gain on disposal of available-for-sale investments	50,596	—
Gain on disposal of a jointly-controlled entity	—	164,802
Gain on disposal of a subsidiary:		
— gain on disposal of equity interest	17,443	21,118
— gain on retained equity interest	18,749	—
Gain on disposal of items of property, plant and equipment	439	—
Fair value gains on investment properties	13,877	10,499
Write-back of impairment of trade receivables	277	—
Others	1,000	2,945
	<b>186,775</b>	<b>216,266</b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Cost of inventories sold	245,678	206,505
Cost of properties sold	692,063	355,858
Depreciation	14,977	11,015
Less: Amount capitalised	(498)	(187)
	14,479	10,828
Amortisation of prepaid land lease payments	21,479	21,217
Interest on bank and other borrowings wholly repayable within five years	128,006	60,856
Less: Interest capitalised	(98,380)	(47,863)
	29,626	12,993
Employee benefit expense (including directors' remuneration):		
Wages and salaries	177,793	115,185
Equity-settled share option expense	30	907
Pension scheme contributions	3,131	2,453
Less: Amount capitalised	(26,503)	(11,511)
	154,451	107,034
Impairment/(write-back of impairment) of trade receivables	(277)	410

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current charge for the period		
Hong Kong	2,555	2,402
Mainland China	56,192	59,760
	<b>58,747</b>	62,162
Underprovision/(overprovision) in prior periods		
Hong Kong	—	13
Mainland China	52	(7,286)
	<b>52</b>	(7,273)
Land appreciation tax charge for the period	<b>121,995</b>	(5,440)
Deferred tax	<b>(82,993)</b>	(15,965)
Total tax charge for the period	<b>97,801</b>	33,484

## 8. DIVIDENDS

During the six months ended 30 June 2011, a final dividend of HK\$0.04 per share for 2010, amounting to HK\$102,248,000 (six months ended 30 June 2010: HK\$0.03 per share for 2009, amounting to HK\$76,799,000) 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 2011 (six months ended 30 June 2010: Nil).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,558,520,550 (six months ended 30 June 2010: 2,566,680,726) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2011 and 2010 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

## 10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT/PROPERTIES UNDER DEVELOPMENT/INTERESTS IN LAND USE RIGHTS FOR PROPERTY DEVELOPMENT

During the six months ended 30 June 2011, the Group incurred HK\$18,950,000 (six months ended 30 June 2010: HK\$9,149,000) on the acquisition of items of property, plant and equipment.

During the six months ended 30 June 2011, the Group incurred HK\$2,296,104,000 (six months ended 30 June 2010: HK\$1,052,464,000) on the additions of properties under development.

During the six months ended 30 June 2011, the Group incurred HK\$1,025,622,000 (six months ended 30 June 2010: HK\$1,110,079,000) on the additions of interests in land use rights for property development.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 11. 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. No credit terms are granted to the customers of the Group's property development and investment business. 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 2011			31 December 2010		
	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	93,315	18,072	111,387	88,279	16,471	104,750
1 to 2 months	—	7,338	7,338	—	2,464	2,464
2 to 3 months	—	705	705	—	3,209	3,209
Over 3 months	—	3,683	3,683	—	2,678	2,678
	<b>93,315</b>	<b>29,798</b>	<b>123,113</b>	<b>88,279</b>	<b>24,822</b>	<b>113,101</b>

## 12. TRADE PAYABLES

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 1 month	590,306	584,882
1 to 2 months	111,081	40,549
2 to 3 months	70,919	27,495
Over 3 months	537,599	308,737
	<b>1,309,905</b>	<b>961,663</b>

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

## 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2011 (Unaudited)			31 December 2010 (Audited)		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
<b>Current</b>						
Bank overdraft	Higher of prime rate or bank's funding rate	On demand	2,021	Higher of prime rate or bank's funding rate	On demand	2,253
Discounted bills with recourse	Bank's funding rate + (1.375% to 1.5%)	2011	23,119	Bank's funding rate + (1.375% to 1.5%)	2011	32,994
Bank loans — secured	RMB base lending rate/ RMB base lending rate x (1 + 10% to 25%)	2011-2012	1,505,495	RMB base lending rate/ RMB base lending rate x (1 + 8% to 15%)	2011	1,182,236
Bank loans — unsecured	HIBOR + 1.9%	2011	257,527	HIBOR + 1.9%	2011	172,396
			<u>1,788,162</u>			<u>1,389,879</u>
<b>Non-current</b>						
Bank loans — secured	RMB base lending rate/ RMB base lending rate x (1 + 10% to 25%)	2012-2018	1,962,627	RMB base lending rate/ RMB base lending rate x (1 + 10%)	2012-2018	1,210,629
Bank loans — unsecured	HIBOR + 1.9%	2012-2013	2,461,108	HIBOR + 1.9%	2012-2013	1,688,260
			<u>4,423,735</u>			<u>2,898,889</u>
			<u>6,211,897</u>			<u>4,288,768</u>
Analysed into:						
Bank and other borrowings repayable:						
			1,788,162			1,389,879
			1,228,356			1,504,512
			3,164,115			1,363,822
			31,264			30,555
			<u>6,211,897</u>			<u>4,288,768</u>

## 14. SHARE CAPITAL

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Authorised:		
5,000,000,000 (31 December 2010: 5,000,000,000) ordinary shares of HK\$0.10 (31 December 2010: HK\$0.10) each	500,000	500,000
Issued and fully paid:		
2,553,513,258 (31 December 2010: 2,559,957,258) ordinary shares of HK\$0.10 (31 December 2010: HK\$0.10) each	255,351	255,996

The Company repurchased a total of 6,444,000 shares at an average price of HK\$2.76 per share in the open market on the Stock Exchange, all of which were subsequently cancelled by the Company.

## 15. BUSINESS COMBINATION

### For the six months ended 30 June 2011

#### (a) Acquisition of a subsidiary that is not a business

In February 2011, the Group entered into an acquisition agreement with Verakin Group Company Limited (the "Verakin Group", a non-controlling shareholder of the Group's subsidiary), to acquire a 51% equity interests in Chongqing Lian Xing Investment Company Limited ("Lian Xing") and the shareholder's loans owned by Lian Xing to the Verakin Group at a cash consideration of RMB106,915,000 (equivalent to HK\$126,940,000). The acquisition enables the Group to enhance its property portfolio and market coverage in Western China. Lian Xing is principally engaged in property development in Chongqing, the PRC. The acquisition was completed on 24 March 2011.

The above acquisition has been accounted by the Group as an acquisition of assets as the entity acquired by the Group does not constitute a business.

The net assets acquired by the Group in the above transaction are as follows:

	(Unaudited) HK\$'000
Net assets acquired:	
Properties under development	248,897
Cash and bank balances	5
Shareholder's loans	(154,119)
Non-controlling interests	(46,444)
	48,339
Satisfied by:	
Cash	126,940
Shareholder's loans	(78,601)
	48,339

An analysis of the cash flows in respect of the acquisition of Lian Xing is as follows:

	HK\$'000
Cash consideration	(126,940)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents in respect of acquisition of Lian Xing	(126,935)

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

## 15. BUSINESS COMBINATION *(Continued)*

### Year ended 31 December 2010

#### *(b) Acquisition of a subsidiary*

On 10 February 2010, the Group entered into a share transfer agreement with the Verakin Group, a non-controlling shareholder of the Group's subsidiary, to acquire a 51% equity interests in Chongqing Verakin Wenlong Real Estate Company Limited ("Verakin Wenlong") and a shareholder's loan owed by Verakin Wenlong to the Verakin Group for a cash consideration of RMB43,407,000 (equivalent to HK\$49,355,000). The acquisition enables the Group to enhance its property portfolio and market coverage in Western China where the property markets have strong and sustained growth. Verakin Wenlong is principally engaged in property development in Mainland China. The acquisition was completed on 23 February 2010.

The Group has elected to measure the non-controlling interest in Verakin Wenlong at the non-controlling interests' proportionate share of Verakin Wenlong's identifiable net assets.

The fair values of the identifiable assets and liabilities of Verakin Wenlong as at the date of acquisition were as follows:

	Fair value recognised on acquisition (Audited) HK\$'000
Property, plant and equipment	447
Properties under development	109,154
Prepayments, deposits and other receivables	677
Cash and bank balances	26,359
Other payables	(34,557)
Shareholder's loan	(38,625)
Deferred tax liabilities	(3,373)
Non-controlling interests	(29,440)
<b>Total identifiable net assets at fair value</b>	<b>30,642</b>
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	(1,648)
	<b>28,994</b>
Satisfied by:	
Cash	49,355
Shareholder's loan	(20,361)
	<b>28,994</b>

An analysis of the cash flows in respect of the acquisition of Verakin Wenlong is as follows:

	HK\$'000
Cash consideration	(49,355)
Cash and bank balances acquired	26,359
<b>Net outflow of cash and cash equivalents in respect of acquisition of Verakin Wenlong</b>	<b>(22,996)</b>

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

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 16. COMMITMENTS

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Contracted, but not provided for	<b>5,537,646</b>	2,772,716

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 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Contracted, but not provided for	<b>16,409</b>	51,238

## 17. CONTINGENT LIABILITIES

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to: Jointly-controlled entity	<b>350,000</b>	350,000
Associates	<b>9,000</b>	9,000

## 18. FINANCIAL GUARANTEES

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Guarantees in respect of mortgage facilities provided for certain customers	<b>3,099,684</b>	2,288,646

The Group has 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.

## 18. FINANCIAL GUARANTEES (Continued)

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group are 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 titles 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 statements for the guarantees.

## 19. SHARE-BASED PAYMENTS

The following share options were outstanding during the period:

Date of grant of share options *	Number of share options					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 2011	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2011			
07-05-2009	17,500,000	—	—	—	17,500,000	07-05-2009 to 06-05-2019	3.27	3.47
03-09-2010	46,734,000	—	—	—	46,734,000	03-09-2010 to 02-09-2020	3.31	3.19
03-09-2010	4,900,000	—	—	—	4,900,000	01-01-2011 to 02-09-2020	3.31	3.19
	69,134,000	—	—	—	69,134,000			

\* 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\$30,000 during the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$907,000).

## 20. 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:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Property, plant and equipment	5,513	5,592
Investment properties	130,302	123,070
Prepaid land lease payments	726,625	893,268
Properties under development	6,186,441	4,302,850
Time deposits	85,173	153,774

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 21. 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:

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short term employee benefits	9,780	9,168
Post-employment benefits	455	427
Equity-settled share option expense	—	36
Total compensation paid to key management personnel	10,235	9,631

- (b) At 30 June 2011, the Group executed guarantees amounting to HK\$9,000,000 (31 December 2010: HK\$9,000,000) to banks as securities for banking facilities granted to its associates.
- (c) At 30 June 2011, the Group executed guarantee amounting to HK\$350,000,000 (31 December 2010: HK\$350,000,000) to banks as securities for banking facility granted to its jointly-controlled entity.
- (d) Certain of the Group's buildings and prepaid land lease payments with an aggregate carrying amount of HK\$14,984,000 (31 December 2010: HK\$15,162,000) were provided to a family member of a director for the operation of a school free of charge.

## 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 26 August 2011.