

2011 高瞻遠矚 Interim Report 中期報告 傲視未來



金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED

於百慕達註冊成立之有限公司
Incorporated in Bermuda with limited liability
證券代號 Stock Code: 0878



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Corporate Information

Directors

Executive Directors:

FOO Kam Chu, Grace, *Chairman*

CHAN Wai Ling

KONG Siu Man, Kenny

TSE Wai Hang

Independent Non-Executive Directors:

CHAN Kai Nang

PAO Ping Wing

NG Chi Keung

Company Secretary

TSE Wai Hang

Auditors

BDO Limited

Certified Public Accountants

Legal Advisors

Lo, Wong & Tsui

Conyers Dill & Pearman

Website

www.soundwill.com.hk

Head Office and Principal

Place of Business

21/F, Soundwill Plaza

38 Russell Street

Causeway Bay

Hong Kong

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Banks

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

DBS Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

Principal Share Registrar and

Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

Hong Kong Branch Share

Registrar and Transfer Office

Tricor Standard Limited

26/F Tesbury Centre

28 Queen's Road East

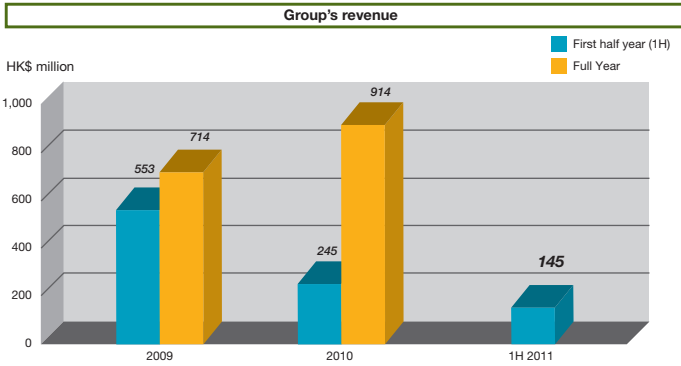
Wanchai

Hong Kong

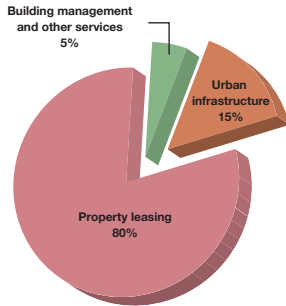
Financial Highlights

	Six months ended 30 June	
	2011	2010
Turnover	HK\$145 million	HK\$245 million
Profit attributable to owner of the company	HK\$1,005 million	HK\$630 million (Restated)
Basic earnings per share	HK\$4.03	HK\$2.62 (Restated)
	At 30 June 2011	At 31 December 2010
Total assets	HK\$13.3 billion	HK\$11.7 billion
Net assets	HK\$9.2 billion	HK\$7.9 billion (Restated)
Total borrowings	HK\$3.3 billion	HK\$3.1 billion
Gearing ratio	36%	39% (Restated)
Net asset value per share	HK\$33.32	HK\$32.60 (Restated)

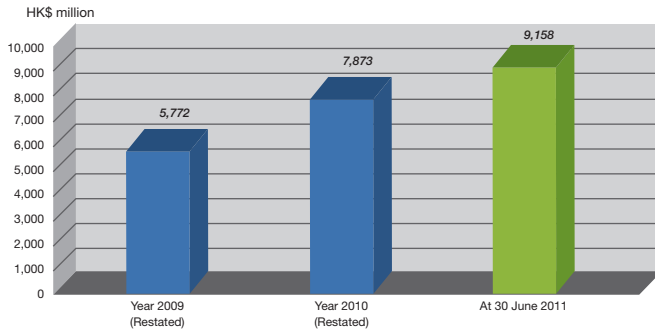
Financial Highlights



Group's revenue mix in six months ended 30 June 2011



Group's Net Asset Value



The Board of directors (the “Directors”) submit herewith the Interim Report and Consolidated Financial Statements of Soundwill Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30 June 2011. The consolidated statement of comprehensive income and condensed consolidated cash flow statement for the six months ended 30 June 2011 and the consolidated statement of financial position as at 30 June 2011 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 22 to 46 of this report.

Management Discussion and Analysis

Overview

Ever since its establishment in 1978, the Group has been involved in the development of diversified real estate related business including operation of premium buildings, acquisition and merging of properties, resale, leasing and property management. All properties of the Group are situated in prime locations with excellent accessibility. While facilitating the two core businesses of the Group, property acquisition and property leasing, the Group also continues to participate as a real estate developer in the redevelopment of old districts and contribute to the revitalisation of such areas.

With severe inflation in Mainland China causing hot money inflow into Hong Kong, visitors’ spending is significantly increasing which in turn stimulates the retail industry of Hong Kong. Rent level of retail shops raises constantly. On the other hand, with limited land supply in Hong Kong, retail shops in prime locations are rare, top-notch international brands strive to enter core shopping areas despite the high rentals. The Group’s flagship rental property, Soundwill Plaza situates in one of the most expensive locations in the world, Russell Street of Causeway Bay. Such location advantage leads to satisfying revenue growth of the Group.

As the Group records appealing results, international long term investors are interested in joining us. This does not only optimize the institutional investor aspect of the Group but also reflects investors’ recognition of our business prospects and asset values.

Besides, the Company has been included in the MSCI HK Small Cap Index as constitute stock since May this year. The Group’s investment prospect is further ascertained by the market and our position among the international capital market is further confirmed.

Property Assembling

Luxurious real estate market of Hong Kong was robust, stimulating investors' self use need towards luxurious properties and their confidence in the return. Coupled with the lowering of compulsory auction threshold sale to 80% by the government for applicable buildings in April last year, the Group's progress in ownership consolidation and redevelopment project have accelerated. As such, we place our emphasis on the core business of old property acquisition, focusing on the prime locations on Hong Kong Island.

At the beginning of the year, the Group successfully acquired the entire ownership of 14-20 Merlin Street, North Point. The site area is approximately 5,297 square feet and the gross floor area is approximately 79,455 square feet. In addition, the Group also acquired 83% ownership of 18-21 School Street, Tai Hang with site area of approximately 2,250 square feet and 87.5% ownership of 13-15 Mercury Street, North Point with site area of approximately 2,580 square feet. Acquisition of the remaining ownerships are undergoing negotiations.

The Group has been actively carrying out various acquisition and merging projects. The progress of such projects is satisfying and the Group will select certain sites with high potentials for self development.

Property Leasing

The market sentiments of the property and retail industries remained positive in the first half of the year, intensifying the demand for premium retail outlets. Total rent reached HK\$116,057,000, representing a 6% increase compared to that of last year and accounting for 80% income of the period. Soundwill Plaza, the Group's flagship property, recorded satisfying traffic and rental income, maintaining an occupancy rate of 99% during the first half of the year. Rental income was approximately HK\$95,410,000. Approximately 25% of the leases were renewed upon expiry over the same period, maintaining a high level of renewal rate. The other properties of the Group pending redevelopment were leased on short terms during the period, contributing a total rental income of approximately HK\$11,475,000. Besides, the income generated from signage rental was approximately HK\$9,172,000 for the first half of 2011. Based on the location, size, area and other conditions of each property, the Group will adhere to the principle of maximizing business value, and prepare the optimal development plan and at the same time continue to carefully select and invest in premium locations to enhance the development plans for old district renewal projects.

Property Development

In order to further expand the Group's profit and development to strengthen the Group's position in the real estate market, we will actively seek out sites with high potentials for our own development. Taking our new luxurious residential project, WarrenWoods, at Nos. 13-27 Warren Street in Tai Hang as an example, out of the 164 lofty residential units available, 162 units were sold. Currently only two specialty units are available, such result is truly appreciative. The project is approximately 138 meters in height and definitely will become a new icon of Tai Hang. The construction work of the project is currently being proceeded at top gear and the project is scheduled for occupancy in mid 2012, promising an appealing profit for the coming year.

In addition, the Group intends to develop the residential project at 32-50 Haven Street, Causeway Bay into a boutique style luxury residence. Total site area of the project is approximately 12,900 square feet. According to the most updated plan, the gross floor area of the project is approximately 103,200 square feet. Foundation is being laid and the Group is considering to launch pre-sale in the second half of the year.

In terms of commercial projects, construction work of the Group's site at 1-29 Tang Lung Street, Causeway Bay has commenced. The total site area is approximately 12,500 square feet and the gross floor area is approximately 148,800 square feet. The Group will turn the project into a composite development property with retail and office premises. The project is expected to be completed in 2013. Located in the heart of Causeway Bay, the property is only a few minutes away from Soundwill Plaza and Times Square. Completion of this project will bring a high synergy effect and further boost the traffic of Causeway Bay and contribute a satisfying and stable rental income to the Group. In addition, the Group also plans to develop the project at 11-13 Sharp Street East and 1-1A Yiu Wa Street, Causeway Bay into a commercial development with a site area of approximately 3,200 square feet and gross floor area of approximately 48,000 square feet. The demolition work is expected to commence at the end of the year and the new building, when completed, is expected to become another new icon in the area.

The Group will continue to make good use of each land resource in the future, seek optimal development plan that cope with the market changes and unleash the maximum business value of the projects. We will also cautiously grasp opportunities that ensure steady development of the Group and bring maximum return to our shareholders.

Business in Mainland China

Real Estate Development in Mainland China

Under 30 years of reform, the economy of Mainland China has been developing at a stunning pace and living standards of the people are constantly raised, leading to an ongoing increase of demand in housing. As such, the Group leverages on the development opportunities in Mainland China and actively participates in real estate development of China, focusing on property development in second and third tier cities.

Among which, the Group's wholly-owned boutique style residence "Soundwill • LingDu" in Zhangtai county, Fujian Province was sold out since its pre-sale launched in November last year. Sales results are positive and the project is scheduled for occupancy this year the soonest. In addition, most units of Phase I "Long Feng Chun Xiao" residential project located in Doumen, Zhuhai were pre-sold. This project was jointly operated with joint venture partner and the pre-sale of Phase II has already been launched this year.

Revenue generated by the aforesaid residential projects will be credited to the Group's accounts and these projects will bring operational income contributions to the Group in the coming years and serve as a motivation for the Group's business development.

Urban Infrastructure Business

The Group's underground telecommunication pipelines construction business grew at a steady pace. Our main telecommunication customers include China Mobile, China Unicom, China Telecom and various telecommunication operators such as broadcasting corporations around the world. Our business expanded to major cities in China; the Group engaged in constructing telecommunication pipelines and laying cable networks for data transmission for its clients and other commercial purposes in cities including Nanchang, Jingdezhen, Yuxi, Baoji, Liuzhou, Weihai, Nanping, Shaoguan, Ezhou, Huanggang, Gui Gang, Xuchang and Xi'an. During the first half of the year, an income of HK\$22,389,000 is recorded, representing a decrease of 20% as compared to the corresponding period of last year and accounting for 15% of the Group's income during the period.

Property Management, E&M and Building Maintenance

The four property management and maintenance subsidiaries of the Group are engaged in the provision of property and amenities management and amenities management and maintenance services for a number of large-scale commercial buildings, small to medium sized residential properties, estates and shopping malls, with an objective to enhance the market value of the properties with high standard property management and maintenance service. Turnover from these four subsidiaries during the first half of the year amounted to a total of approximately HK\$6,727,000 (30 June 2010: approximately HK\$8,987,000), representing a decrease of 25% as compared to the same period of last year and accounting for 5% of the Group's income.

Corporate Citizenship

During the year, the Group proactively promoted environmental protection awareness in the office and adopted environmental friendly and energy saving lightings in its commercial buildings. A range of measures such as paper reuse and recycle as well as source separation of waste were put into practice to create an energy saving office environment. To perform the responsibilities of corporate citizen, the Group also actively participated in community activities, including sponsoring and encouraging its staff to participate in "Walk for the Environment" organized by The Conservancy Association and sponsored the concert of Hong Kong Youth Marching Band in Tung Chung. The Group also placed emphasis on cultural development of Hong Kong; as such, we jointly organized an exhibition with the Hong Kong Culture Heritage Studies and Promotion Association in June. "The Age of Chinese Tenements in Hong Kong" provided an opportunity for the public to experience the culture of the old days. The exhibition received extensive media coverage.

Financial Review

For the six months ended 30 June 2011, the Group has recorded a turnover of HK\$145,173,000 (30 June 2010: HK\$245,154,000), representing a decrease of 41% as compared with the same period last year. The six months turnover mainly contributed from property leasing business, urban infrastructure and building management services business, the performance of which are quite steady.

Net profit attributable to the owners of the Company was HK\$1,004,466,000 (30 June 2010: HK\$629,549,000 (Restated)), representing an increase of HK\$374,917,000 or 60% over the same period of last year. Mainly generated as a results of fair value adjustment of our investment properties portfolio.

If the gain on fair value adjustment on investment properties were to be excluded, the Group's net profit attributable to the owners of the Company would be HK\$28,940,000 as compared with the same period of last year of HK\$64,550,000, representing a decrease of 55%.

The total interest expenses for the six months ended 30 June 2011 amounted to HK\$19,719,000 (30 June 2010: HK\$11,048,000) representing an increase of HK\$8,671,000, mainly due to increase in financing obtained for the acquisition of our investment properties and slight increase in average borrowing rate.

The Company's basic earnings per share was HK\$4.03 as compared with the same period of last year of HK\$2.62 (Restated).

Prospects

Looking back to the period starting from last year to now, different sectors of the Hong Kong community agree and support the acceleration of the pace of old district renewal. We therefore actively take up the role of balancing the housing demand in the urban areas and renewal in old districts. Aiming at building a better Hong Kong for its people, sharing the better living environment with the public and coordinate with and compensate the owners and tenants, we put our corporate citizenship to work. Meanwhile, the Group believes that the property market stabilizing measures implemented by the Government will benefit the long term development of the real estate market.

The Group will continue to leverage on its extensive experiences of over 30 years and vision, strive to expand its urban renewal business, take up urban redevelopment projects, seek new investment opportunities and maximize returns for our shareholders.

INTERIM DIVIDEND

The Directors do not recommend interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2011, the Group cash and cash equivalents amounted to HK\$223,253,000 (31 December 2010: HK\$217,779,000). The Group's total borrowings as at 30 June 2011 were HK\$3,285,840,000 (31 December 2010: HK\$3,092,288,000).

During the period under review, the Group also received further payments from buyers of our new luxurious residential project, WarrenWoods of approximately HK\$68,141,000 in the first half of 2011. The total accumulated amount received up to 30 June 2011 is HK\$409,272,000.

The Group's gearing ratio, expressed as a percentage of total borrowings over total equity, was 36% as at 30 June 2011 (31 December 2010: 39% (Restated)). As at 30 June 2011, the Group's net assets amounted to HK\$9,158,400,000 (31 December 2010: HK\$7,872,806,000 (Restated)), representing an increase of HK\$1,285,594,000. Such increase is mainly due to increase in property held for sale and property under development. With the total number of ordinary shares in issue of 274,894,135 as at 30 June 2011 (31 December 2010: 241,464,135 shares), the net asset value per share was HK\$33.32 (31 December 2010: HK\$32.60 (Restated)).

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong Dollar and Renminbi in relation to its PRC operations. Given that the continuous appreciation of Renminbi would have positive impact on the Group's assets in the PRC and income generated from the PRC, the Group had not implemented any hedging measures during the period under review.

During the period under review, the Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposures.

Acquisition and development of properties are financed partly by internal resources and partly by bank borrowings. Repayment of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong Dollars and bear interest at floating rates.

In April and June 2011, the Company, by way of top-up placings, allotted 9,000,000 shares and 10,000,000 shares respectively to institutional investors and individual investors, all of whom are third parties independent of the Company and its connected persons. Following the top-up placings, the total issued share capital of the Company is enlarged to 260,914,135 shares.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2011.

EVENT AFTER BALANCE SHEET DATE

The Group entered into a sale and purchase agreement dated 1 August 2011 with an independent third party to dispose of its properties held for sale located at No. 14-20 Merlin Street, North Point, at a consideration of HK\$459,280,000. The transaction will be completed on or before 2 April 2012. Pursuant to the terms of the agreement the Group has exercised its option to advance completion to 15 September 2011.

EMPLOYEES

There was no material change regarding the number and remuneration of the employees of the Group since the publication of the Company's 2010 annual report.

PLEDGE OF ASSETS

As at 30 June 2011, investment properties, bank deposit, properties held for sales and properties under development of the Group with a total carrying value of approximately HK\$11,334,595,000 in total (31 December 2010: approximately HK\$9,904,539,000) were pledged to secure banking facilities for the Group.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) Directors' interests in the Company

As at 30 June 2011, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required to be (i) notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in shares:

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Foo Kam Chu, Grace	Interest of controlled corporation	186,490,028 (Note)	67.84
	Beneficial owner	96,602	0.04

Note: These 186,490,028 shares represented the aggregate of (i) 185,672,028 shares held by Ko Bee Limited and (ii) 818,000 shares held by Full Match Limited, all the aforesaid companies are ultimately owned and controlled by Madam Foo Kam Chu, Grace.

(ii) Long positions in underlying shares of equity derivatives of the Company – interests in share options of the Company (being granted and remained outstanding):

Name	Capacity	Number of Shares in the Option	Exercisable Period	Price of Grant (HK\$)	Subscription Price per share (HK\$)
Foo Kam Chu, Grace	Beneficial owner	600,000	12/11/2011 to 21/7/2012	1.00	8.15
Chan Wai Ling	Beneficial owner	2,000,000	12/11/2011 to 21/7/2012	1.00	8.15
Kong Siu Man, Kenny	Beneficial owner	120,000	9/11/2010 to 21/7/2012	1.00	4.94
		250,000	12/11/2011 to 21/7/2012	1.00	8.15
Tse Wai Hang	Beneficial owner	50,000	12/11/2011 to 21/7/2012	1.00	8.15

(b) Director's interests in Associated Corporation

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu, Grace	Ko Bee Limited	Beneficial owner	1 ordinary share	100
Foo Kam Chu, Grace	Full Match Limited	Beneficial owner	1 ordinary share	100

Save as disclosed above, as at 30 June 2011, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has a share option scheme adopted on 22 July 2002, details of which are as follows:

Name of grantee	Date of grant	Closing price immediately preceding the date of grant (HK\$)	Exercise price (HK\$)	Weighted average closing price of shares immediately before exercise date (HK\$)	Exercisable period	Number of Options			As at 30 June 2011
						As at 1 January 2011	Granted during the 6 months period ended 30 June 2011	(Exercised)/ (Lapsed)* during the 6 months period ended 30 June 2011	
Directors									
Foo Kam Chu, Grace	19/7/2007	6.17	6.17	13.02	18/1/2008 to 21/7/2012	600,000	–	(600,000)	–
	28/10/2008	1.50	1.76	13.02	27/4/2009 to 21/7/2012	600,000	–	(600,000)	–
	9/11/2009	4.84	4.94	13.02	9/11/2010 to 21/7/2012	600,000	–	(600,000)	–
	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	600,000	–	–	600,000
Chan Wai Ling	19/7/2007	6.17	6.17	13.02	18/1/2008 to 21/7/2012	2,000,000	–	(2,000,000)	–
	28/10/2008	1.50	1.76	13.02	27/4/2009 to 21/7/2012	2,000,000	–	(2,000,000)	–
	9/11/2009	4.84	4.94	13.02	9/11/2010 to 21/7/2012	2,000,000	–	(2,000,000)	–
	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	2,000,000	–	–	2,000,000
Kong Siu Man, Kenny	9/11/2009	4.84	4.94	N/A	9/11/2010 to 21/7/2012	120,000	–	–	120,000
	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	250,000	–	–	250,000
Tse Wai Hang	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	50,000	–	–	50,000
Liang Yanfeng	8/1/2007	2.60	2.52	13.20	20/5/2007 to 19/5/2012	90,000	–	(90,000)	–

Name of grantee	Date of grant	Closing price immediately preceding the date of grant (HK\$)	Exercise price (HK\$)	Weighted average closing price of shares immediately before exercise date (HK\$)	Exercisable period	Number of Options			As at 30 June 2011
						As at 1 January 2011	Granted during the 6 months period ended 30 June 2011	(Exercised)/ (Lapsed)* during the 6 months period ended 30 June 2011	
	19/7/2007	6.17	6.17	13.20	18/1/2008 to 21/7/2012	90,000	–	(90,000)	–
	28/10/2008	1.50	1.76	13.20	27/4/2009 to 21/7/2012	90,000	–	(90,000)	–
Meng Qinghui	4/7/2005	2.35	2.38	N/A	4/1/2006 to 3/1/2011	90,000	–	(90,000)*	–
	19/12/2006	2.69	2.52	N/A	20/5/2007 to 19/5/2012	90,000	–	(90,000)*	–
	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	90,000	–	(90,000)*	–
	28/10/2008	1.50	1.76	N/A	27/4/2009 to 21/7/2012	90,000	–	(90,000)*	–
Other employees	19/7/2007	6.17	6.17	13.06	18/1/2008 to 21/7/2012	2,270,000	–	(2,190,000)	80,000
	28/10/2008	1.50	1.76	13.09	27/4/2009 to 21/7/2012	2,030,000	–	(2,030,000)	–
	9/11/2009	4.84	4.94	13.03	9/11/2010 to 21/7/2012	2,340,000	–	(2,140,000)	200,000
	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	2,670,000	–	(110,000)*	2,560,000
						20,760,000	–	(14,900,000)	5,860,000

At the annual general meeting held on 19 May 2011, the shareholders of the Company approved the termination of the 2002 share option scheme (the “2002 Scheme”) and the adoption of a new share option scheme (the “New Scheme”) to give the directors the power to implement and administer the New Scheme with effect from the date of passing of the resolution on 19 May 2011. The New Scheme is designed to reward and provide incentives to and strengthen the Group’s business relationship with the prescribed classes of participants, including but not limited to eligible employees and directors of any member of the Group, who contribute to the development of the Group. The New Scheme will be valid for a period of 10 years ending 18 May 2021. No options has been granted during the period under the 2002 Scheme before its termination and the New Scheme.

DIRECTORS’ RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2011, were rights to subscribe for equity or debt securities of the Company granted to any Director or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the person other than a Director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long positions in shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	185,672,028	67.54

Save as disclosed above, as at 30 June 2011, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CONTINGENT LIABILITIES

- (a) In September 2009 the Group commenced legal proceedings HCA1902/2009 against a joint venture partner, with whom a subsidiary of the Company has a joint venture agreement for the development and construction of village houses on a number of pieces of land in New Territories, and a number of individuals seeking, inter alia, declaratory relief for its proprietary interests in a number of pieces of land in New Territories and injunctive relief against the said individuals, in response to the allegations and claims of Mr. Wong to oust the Group from the joint venture development on the alleged ground that the Group was in breach of the terms of the joint venture agreement. Thereafter, two further sets of legal proceedings were also instituted between the Group and the parties related (HCMP1760/2009 and HCA1931/2009).

There were contested interlocutory applications heard in 2010, and the High Court ordered six pieces of land and the houses erected thereon be vested with a Tso T'ong which is not a party to the legal proceedings. The Group appeal (CACV195/2010, CACV205/2010, CACV206/2010) against such decision. On 15 April 2011 the Court of Appeal dismissed the appeal and ruled that the Group could no longer claim extra security of 6 houses. However, the Group's claims against the relevant defendants are indeed, inter alia, that if the relevant joint venture agreement were duly performed, the sale proceeds of another 11 houses and would not include those 6 houses. Hence, though the Group lost the appeal, the Group's claims still remain almost intact, which under the said joint venture agreement and on the basis that it were duly performed, would relate to 11 houses only.

According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the lawsuit and hence no provision was made for this legal proceeding as at reporting date.

- (b) Legal proceedings, (by way of appeals) arising from the orders made by the Lands Tribunal (LDCS5000/2007) for compulsory sales of all units of the old buildings (now demolished) situated at 44 and 46 Haven Street are still under progress. A former owner challenges the reserve price for the auction sales. The Court of Appeal in May 2010 dismissed his appeal. The former owner further appealed to the Court of Final Appeal (FACV13/2010). On 13 May 2011 the Court of Final Appeal dismissed the appeal with the consent of the parties, and the parties also agreed to end and settled all legal proceedings between them.
- (c) The legal proceedings resulted from the successful application by the Group to the Lands Tribunal (LDCS6000/2007) for the auction sale of all units of the old buildings (now demolished) situated at 48 and 50 Haven Street now be limited to the costs. In November 2010, the Lands Tribunal made absolute and affirmed the former owners of the one of the units of the old building to pay 80% of the costs of the Group in the Lands Tribunal proceedings. The Court of Appeal allowed leave for the former owner to appeal against this cost order. The appeal is to be heard by the Court of Appeal on 25 November 2011 (CACV32/2011). If the costs order is reversed against the Group, the Group may have to bear certain costs of the Lands Tribunal as well as for the appeal, which may be in the region of HK\$1,800,000.

According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the appeal to the Court of Appeal, and resisting the appeal on costs and hence no provision was made for this legal proceeding as at reporting date.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

OTHER CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes in information of Directors of the Company subsequent to the date of the 2010 Annual Report are set out below:

Mr. Liang Yanfeng and Mr. Meng Qinghui resigned as non-executive directors of the Company both with effect from 26 April 2011.

AUDIT COMMITTEE

The Audit Committee comprising three independent non-executive directors has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2011 except that:

(1) Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman and chief executive officer are not separated and performed by two different individuals. Madam Foo Kam Chu, Grace is the founder and Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive directors, the management and various department heads.

(2) Code Provision A.4.1

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term.

The non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted a code of conduct regarding directors' securities dealing transactions on term no less than the required standard set out in the Model Code (Appendix 10 of the Listing Rules).

Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code during the period under review.

APPRECIATION

As a final note, I wish to take this opportunity to thank the Directors and staff for their contributions and good performance during the period.

By order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 23 August 2011

Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
Turnover		145,173	245,154
Cost of sales		(17,681)	(109,204)
Gross profit		127,492	135,950
Other income	4	753	1,251
Administrative expenses		(60,352)	(53,009)
Other operating expenses		(573)	(229)
Gain on disposal of a subsidiary		—	2,203
Gain on fair value adjustment on investment properties		975,526	564,999
Gain on disposal of an investment property		461	1,061
Gain on disposal of available-for-sale financial assets		—	15,331
Provision for impairment on properties held for development		—	(2,842)
Profit from operations	5	1,043,307	664,715
Finance costs	6	(19,719)	(11,048)
Share of results of a jointly-controlled entity		(656)	(223)
Profit before income tax		1,022,932	653,444
Income tax expense	7	(19,831)	(17,088)
Profit for the period		1,003,101	636,356

Consolidated Statement of Comprehensive Income (Continued)

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
			(Restated)
Other comprehensive income			
	Exchange gain/(loss) on translation of financial statements of foreign operations	8,174	(707)
	Surplus on revaluation of leasehold building	4,904	1,864
	Deferred tax liabilities arising from asset revaluation reserve of leasehold building	(809)	(308)
Other comprehensive income for the period		12,269	849
Total comprehensive income for the period		1,015,370	637,205
Profit for the period attributable to:			
	— Owners of the Company	1,004,466	629,549
	— Non-controlling interests	(1,365)	6,807
		1,003,101	636,356
Total comprehensive income attributable to:			
	— Owners of the Company	1,016,524	630,398
	— Non-controlling interests	(1,154)	6,807
		1,015,370	637,205
Earnings per share for profit attributable to the owners of the Company			
	— Basic	8 HK\$4.03	HK\$2.62
	— Diluted	8 HK\$4.00	HK\$2.57

Consolidated Statement of Financial Position

		30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000 (Restated)	1 January 2010 (Audited) HK\$'000 (Restated)
	<i>Notes</i>			
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	9	9,750,068	10,061,908	7,143,620
Property, plant and equipment		64,285	60,091	54,431
Properties held for development		47,078	47,278	52,845
Interests in a jointly-controlled entity		44,997	44,288	43,402
Available-for-sale financial assets		10	10	10
Intangible assets		6,489	6,631	6,772
Deposit for property development		—	—	10,511
		9,912,927	10,220,206	7,311,591
Current assets				
Inventories		38,127	37,374	37,449
Properties held for sale		449,000	—	89,102
Properties under development		2,269,134	775,675	489,207
Trade and other receivables	10	148,108	163,290	70,760
Available-for-sale financial assets		—	—	49,666
Deposits paid for acquisition of properties		27,545	52,495	7,462
Restricted bank deposit		226,994	237,766	—
Cash and cash equivalents	11	223,253	217,779	143,811
		3,382,161	1,484,379	887,457

Consolidated Statement of Financial Position (Continued)

		30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000 (Restated)	1 January 2010 (Audited) HK\$'000 (Restated)
	<i>Notes</i>			
Current liabilities				
Trade and other payables	12	234,442	233,511	234,315
Deposits received from disposal of properties		533,725	421,785	29,475
Borrowings	13	3,285,840	3,092,288	2,103,733
Provision for income tax		27,543	33,822	15,491
		4,081,550	3,781,406	2,383,014
Net current liabilities		(699,389)	(2,297,027)	(1,495,557)
Total assets less current liabilities		9,213,538	7,923,179	5,816,034
Non-current liabilities				
Deferred tax liabilities	14	55,138	50,373	43,798
		55,138	50,373	43,798
Net assets		9,158,400	7,872,806	5,772,236
EQUITY				
Equity attributable to owners of the Company				
Share capital	15	27,489	24,146	24,003
Reserves		9,041,067	7,757,662	5,691,645
		9,068,556	7,781,808	5,715,648
Non-controlling interests		89,844	90,998	56,588
Total equity		9,158,400	7,872,806	5,772,236

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 (unaudited)
Equity attributable to owners of the Company

	Share capital	Share premium	Employee		Retained profits	Exchange reserve	Special reserve	Proposed final dividend	Total	Non-controlling interests	Total equity
			Assets revaluation reserve	share-based equity reserve							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (Restated)	24,146	294,619	32,822	23,600	7,357,145	23,472	1,848	24,156	7,781,808	90,998	7,872,806
Declared final dividend for 2010	-	-	-	-	-	-	-	(25,092)	(25,092)	-	(25,092)
Equity-settled share-based payment	-	-	-	4,776	-	-	-	-	4,776	-	4,776
Exercise of share options	1,443	81,765	-	(21,149)	-	-	-	-	62,059	-	62,059
Placement of shares	1,900	226,581	-	-	-	-	-	-	228,481	-	228,481
Transaction with owners	3,343	308,346	-	(16,373)	-	-	-	(25,092)	270,224	-	270,224
Profit for the period	-	-	-	-	1,004,466	-	-	-	1,004,466	(1,365)	1,003,101
Other comprehensive income											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	7,963	-	-	7,963	211	8,174
Surplus on revaluation of leasehold building	-	-	4,904	-	-	-	-	-	4,904	-	4,904
Deferred tax liabilities arising from asset revaluation reserve of leasehold building (Note 14)	-	-	(809)	-	-	-	-	-	(809)	-	(809)
Total comprehensive income for the period	-	-	4,095	-	1,004,466	7,963	-	-	1,016,524	(1,154)	1,015,370
Lapse of share options	-	-	-	(615)	615	-	-	-	-	-	-
Under-provision of final dividend for 2010	-	-	-	-	(936)	-	-	936	-	-	-
At 30 June 2011	27,489	602,965	36,917	6,612	8,361,290	31,435	1,848	-	9,068,556	89,844	9,158,400

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2010 (unaudited)
Equity attributable to owners of the Company

	Share capital	Share premium	Employee		Retained profits	Exchange reserve	Special reserve	Proposed final dividend	Total	Non-controlling interests	Total equity
			Assets revaluation reserve	share-based equity reserve							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Restated)				(Restated)		(Restated)
At 1 January 2010	24,003	287,498	28,874	16,788	5,321,550	11,064	1,848	24,023	5,715,648	56,588	5,772,236
Declared final dividend for 2009	-	-	-	-	-	-	-	(24,043)	(24,043)	-	(24,043)
Equity-settled share-based payment	-	-	-	4,325	-	-	-	-	4,325	-	4,325
Exercise of share options	40	834	-	(170)	-	-	-	-	704	-	704
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	7,900	7,900
Transaction with owners	40	834	-	4,155	-	-	-	(24,043)	(19,014)	7,900	(11,114)
Profit for the period	-	-	-	-	629,549	-	-	-	629,549	6,807	636,356
Other comprehensive income											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(707)	-	-	(707)	-	(707)
Surplus on revaluation of leasehold building	-	-	1,864	-	-	-	-	-	1,864	-	1,864
Deferred tax liabilities arising from asset revaluation reserve of leasehold building	-	-	(308)	-	-	-	-	-	(308)	-	(308)
Total comprehensive income for the period	-	-	1,556	-	629,549	(707)	-	-	630,398	6,807	637,205
Lapse of share options	-	-	-	(113)	113	-	-	-	-	-	-
Under-provision of final dividend for 2009	-	-	-	-	(20)	-	-	20	-	-	-
At 30 June 2010	24,043	288,332	30,430	20,830	5,951,192	10,357	1,848	-	6,327,032	71,295	6,398,327

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<i>Note</i>		
Net cash inflow/(outflow) from operating activities	188,801	(54,258)
Net cash outflow from investing activities	(642,267)	(405,048)
Net cash inflow from financing activities	459,000	510,924
Increase in cash and cash equivalents	5,534	51,618
Cash and cash equivalents at beginning of period	217,779	143,811
Translation difference	(60)	(281)
Cash and cash equivalents at end of period	223,253	195,148

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Notes to the Interim Financial Statements

For the six months ended 30 June 2011

1. Basis of Preparation

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2011 (the “Unaudited Condensed Interim Financial Information”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Unaudited Condensed Interim Financial Information is presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. Principal accounting policies

The Unaudited Condensed Interim Financial Information has been prepared under the historical cost convention, except for investment properties and leasehold building, which are stated at fair values, and the accounting policies of which are consistent with those of the Group’s annual audited financial statements for the year ended 31 December 2010 (the “2010 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 June 2011 are consistent with those used in the preparation of the 2010 Annual Financial Statements except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations) as disclosed below.

The Unaudited Condensed Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2010 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

2. Principal accounting policies (Continued)

In the current interim period, the Group has applied, for the first time, of the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on or after 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these new and revised HKFRSs has had no material effect on this interim financial report.

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments and interpretation which are not yet effective for current period. Those include the following which may be relevant to the Group.

Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets ²
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ³
HKFRS 13	Fair Value Measurements ³

Notes:

1. Effective for annual periods beginning on or after 1 July 2011
2. Effective for annual periods beginning on or after 1 January 2012
3. Effective for annual periods beginning on or after 1 January 2013

The Group has decided to early adopt the amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets, in respect of the recognition of deferred tax on investment properties carried at fair value.

2. Principal accounting policies (Continued)

Early adoption of amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendment to HKAS 12 introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Currently HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment is applied retrospectively.

As at 30 June 2011, the Group had investment properties amounting to HK\$9,750,068,000 (at 31 December 2010: HK\$10,061,908,000), representing their fair values in accordance with the Group's accounting policy. All of the Group's investment properties are situated in Hong Kong. In Hong Kong, land leases can typically be renewed without a payment of a market-based premium which is consistent with their reclassification as finance leases under the amendment to HKAS 17. Given this, it is difficult to assert with a high degree of confidence that the Group would consume substantially all of the economic benefits embodied in the investment properties over time. Consequently, as required by the amendment, the Group can re-measure the deferred tax relating to these investment properties based on the presumption that they are recovered entirely by sale as if this new policy had always been applied. There is no tax consequence in Hong Kong of a sale of the investment property as there is currently no capital gain tax in Hong Kong.

2. Principal accounting policies (Continued)

The effect of the above changes on the Unaudited Condensed Interim Financial Information are summarised as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	
Unaudited condensed consolidated statement of comprehensive income for the six-month ended 30 June			
Decrease in income tax expense	160,791	90,874	
	30 June 2011 <i>HK\$'000</i>	31 December 2010 <i>HK\$'000</i>	1 January 2010 <i>HK\$'000</i>
Unaudited condensed consolidated statement of financial position			
Increase in equity — retained earnings	160,791	327,578	828,469
Decrease in deferred tax liabilities	(160,791)	(327,578)	(828,469)

As a result of the above retrospective restatement, an additional consolidated statement of financial position as at 1 January 2010 is presented in accordance with HKAS 1 Presentation of Financial Statements.

3. Segment Information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major business lines.

The Group has identified the following reportable segments:

- Property assembly business : Properties assembly and sales of properties
- Property development : Development of residential and commercial properties
- Property leasing : Property rental including signage rental and provision of office facilities and services
- Building management and other services : Provision of building management, property repairs and maintenance services
- Urban infrastructure : Urban infrastructure development

Each of these operating segments is managed separately as each of the business lines requires different resources as well as operating approaches.

During the six months ended 30 June 2011, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

3. Segment Information (Continued)

The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

Six months ended 30 June														
	Property assembly business		Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue														
External customers	–	98,250	–	–	116,057	109,961	6,727	8,987	22,389	27,956	–	–	145,173	245,154
Inter-segments	–	–	40,204	59,693	10,422	6,867	1,083	1,092	–	–	7,795	5,879	59,504	73,531
Reportable segment revenue	–	98,250	40,204	59,693	126,479	116,828	7,810	10,079	22,389	27,956	7,795	5,879	204,677	318,685
Reportable segment profit/(loss)	(2,153)	4,299	(16,774)	(14,189)	91,792	100,046	3,003	4,142	(141)	2,516	1,761	12,023	77,488	108,837
Reportable segment assets	28	65,991	1,381,437	1,097,885	11,685,702	8,253,907	5,713	6,339	124,122	106,574	53,079	10,020	13,250,081	9,540,716

3. Segment Information (Continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Reportable segment profits	77,488	108,837
Net gain on fair value adjustments on investment properties	975,526	564,999
Provision for impairment loss on properties held for development	—	(2,842)
Gain on disposal of an investment property	461	1,061
Unallocated income and expenses	(10,168)	(24,874)
Gain on disposal of subsidiaries	—	2,203
Gain on disposal of available-for-sale financial assets	—	15,331
Finance costs	(19,719)	(11,048)
Share of results of a jointly-controlled entity	(656)	(223)
Profit before income tax	1,022,932	653,444

4. Other Income

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest income	202	351
Miscellaneous income	551	900
	753	1,251

5. Profit from Operations

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
Depreciation	1,970	1,864
Staff cost (including directors' remuneration)	35,507	27,222
Amortisation of intangible assets	263	222
Amortisation of properties held for development	803	2,211
Cost of inventories recognised as expenses	13,906	14,545
Operating lease charges in respect of premises	1,886	1,643
Deposits for property acquisition written off	310	6
Fixed assets written off	10	—

6. Finance Costs

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest charges on:		
Bank loans		
– wholly repayable within five years	18,552	12,895
– not wholly repayable within five years	7,486	2,258
Other borrowings wholly repayable within five years	2,171	767
Total borrowing costs	28,209	15,920
Less: Interest capitalised in investment properties and properties under development	(8,490)	(4,872)
	19,719	11,048

7. Income Tax Expense

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
The charge comprises:		
Hong Kong profits tax	14,966	13,052
PRC profits tax	1,047	959
Deferred tax	3,818	3,077
	19,831	17,088

7. Income Tax Expense (Continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The Group's certain subsidiaries established and operating in the Mainland China (the "PRC") are exempted from PRC enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from PRC enterprise income tax for the following three years ("tax holiday") under the Income Tax Law of the PRC. Remaining subsidiaries operating in the PRC are subject to PRC enterprise income tax rate of 25%.

8. Earnings Per Share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to the owners of the Company of approximately HK\$1,004,466,000 (30 June 2010: approximately HK\$629,549,000 (Restated)) and the weighted average of 249,328,636 shares (30 June 2010: 240,236,345 shares) in issue during the six months ended 30 June 2011.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to the owners of the Company of HK\$1,004,466,000 (30 June 2010: HK\$629,549,000 (Restated)) and the weighted average of 251,358,587 shares (30 June 2010: 244,721,136 shares) in issue during the period after taken into account for the effect of all dilutive shares.

The adjusted net profit attributable to the owners of the Company for the period is HK\$1,004,466,000 which is the same as the unaudited consolidated profit attributable to the owners of the Company as there is no change in income or expenses that would result from the conversion of the dilutive potential ordinary shares.

9. Investment Properties

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follow:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Carrying amount at 1 January	10,061,908	7,143,620
Additions	530,606	1,382,646
Disposals	(2,660)	(1,450)
Net transfer to properties held for sale	(449,000)	(238,663)
Net transfer to properties under development	(1,370,000)	—
Net gain on fair value adjustments	975,526	1,769,570
Interest capitalised in investment properties under construction (<i>Note 6</i>)	3,688	6,185
Carrying amount at 30 June/31 December	9,750,068	10,061,908

The investment properties of the Group were revalued at 30 June 2011 by an independent professional valuer, B. I. Appraisals Limited. In determining the fair value, the valuers have used the value on an existing use basis which involves certain estimates, including comparable market transactions, appropriate capitalisation rates and reversionary income potential. Certain investment properties under construction were revalued on redevelopment basis by adopting the residual site method. The residual site method is determined by deducting from the gross development value the estimated total cost of the development including cost of construction, professional fee, finance cost, associated costs and an allowance for developer's risk and profit. The net gain on fair value adjustment has been credited to consolidated statement of comprehensive income for the period.

9. Investment Properties (Continued)

The Group's interest in investment properties are situated in Hong Kong and their carrying amount are analysed as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Held on lease over 50 years	9,603,168	9,970,438
Held on lease from 10 to 50 years	146,900	91,470
	9,750,068	10,061,908

All of the Group's properties for earning rentals income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

10. Trade and Other Receivables

As at the reporting date, trade receivables included in trade and other receivables were approximately HK\$67,355,000 (31 December 2010: approximately HK\$97,653,000). The credit terms of the Group ranging from 30 to 90 days. Based on the invoices dates, the aging analysis of trade receivables was set out below:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
0 – 30 days	36,346	66,486
31 – 90 days	5,622	3,420
91 – 180 days	8,374	810
Over 180 days	17,013	26,937
Total trade receivables	67,355	97,653
Other receivables	80,753	65,637
	148,108	163,290

11. Cash and Cash Equivalents

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Bank and cash balances	147,643	136,210
Short-term bank deposits	75,610	81,569
	223,253	217,779

For the year ended 31 December 2010, the effective interest rate of short-term bank deposit was ranged from 0.12% to 1.35% per annum. The deposit had maturity period for 7 days to 3 months and was eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in bank and cash balances of the Group is HK\$150,467,000 (31 December 2010: HK\$171,181,000) of bank balances denominated in Renminbi placed with banks in the PRC.

12. Trade and Other Payables

As at the reporting date, trade payables included in trade and other payables were approximately HK\$65,725,000 (31 December 2010: approximately HK\$54,004,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. Based on the invoices dates, the aging analysis of trade payables was set out below:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
0 – 30 days	3,894	25,760
31 – 90 days	4,950	4,660
Over 90 days	56,881	23,584
Total trade payables	65,725	54,004
Other payables	168,717	179,507
	234,442	233,511

13. Borrowings

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Bank loans — secured	3,204,340	3,025,918
Other loans	81,500	66,370
	3,285,840	3,092,288

As at 30 June 2011, the maturity analysis of the Group's borrowings is stated as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Secured bank loans repayable		
Within one year	1,643,481	891,187
After one year, but within two years	741,109	1,332,461
After two years, but within five years	421,550	385,270
After five years	398,200	417,000
	3,204,340	3,025,918
Other unsecured loans repayable		
Within one year	81,500	66,370
Total	3,285,840	3,092,288

14. Deferred Tax Liabilities

The movement on the deferred tax liabilities is as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000 (Restated)
At 1 January	50,373	43,798
Deferred tax charged to:		
— Profit or loss (Note 7)	3,818	5,548
— Asset revaluation reserve	809	780
Exchange realignment	138	247
At 30 June/31 December	55,138	50,373

It should be noted that the Directors have no current intention of selling the Group's investment properties in Hong Kong and consider that any gain would be regarded as capital in nature and would not be subject to any tax in Hong Kong.

15. Share Capital

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Authorized: 5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000

	Number of Shares	Nominal value 30 June 2011 HK\$'000	Nominal value 31 December 2010 HK\$'000
Issued and fully paid:			
At 1 January	241,464,135	24,146	24,003
Exercise of share options	14,430,000	1,443	143
Placement of Shares	19,000,000	1,900	—
At 30 June 2011/ 31 December	274,894,135	27,489	24,146

16. Related Party Transactions

- (a) A wholly owned subsidiary of the Group entered into a tenancy agreement with a related company which is in association with the Chairman and an executive director of the Company for leasing a residential property situated in Hong Kong for a period of one year commencing from 1 May 2010 and expiring on 30 April 2011 at the monthly rental of HK\$80,000. Total rental paid for the six months ended 30 June 2011 amounted to HK\$320,000 (30 June 2010: HK\$480,000).
- (b) A wholly owned subsidiary of the Group entered into a tenancy agreement with a related company which is in association with an executive director of the Company for leasing a residential property situated in Hong Kong for a period of one year commencing from 1 September 2010 and expiring on 31 August 2011 at the monthly rental of HK\$50,000. Total rental paid for the six months ended 30 June 2011 amounted to HK\$300,000 (30 June 2010: HK\$270,000).
- (c) A wholly owned subsidiary of the Group entered into a tenancy agreement with the related company in which the Chairman and an executive director of the Company have interests, for leasing another property situated at Guangzhou, PRC for office purpose for one year commencing from 1 April 2010 and expiring on 31 March 2011. The tenancy agreement was renewed for a period from 1 April 2011 to 31 December 2011 at monthly rental and management charge at RMB70,816 and RMB21,245 respectively. The total rental and management charges paid for the period amounted to HK\$657,157 (30 June 2010: HK\$315,098).

16. Related Party Transactions (Continued)

- (d) On 27 February 2011, a related company in which the Chairman and an executive director of the Company have interests, has agreed to increase an unsecured revolving credit facility amount to HK\$150,000,000 from HK\$100,000,000 to a wholly owned subsidiary of the Group. As at 30 June 2011, approximately HK\$81,500,000 (31 December 2010: HK\$66,370,000) was utilised. The agreed interest rate is at prime lending rate for Hong Kong dollars minus 1% per annum while the final maturity date is on 30 April 2014.

17. Future Operating Lease Arrangements

The Group leases its investment properties under operating leases with average lease terms of 1 to 3 years. The future aggregate minimum lease receipt under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	174,632	178,074
In the second to fifth years inclusive	65,728	111,541
	240,360	289,615

18. Commitments

(a) Operating lease commitments

As at 30 June 2011, the Group had total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	763	1,297
In the second to fifth years inclusive	—	—
	763	1,297

(b) Capital commitments

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Contracted but not provided for:		
— Construction cost of property development	281,347	237,391
— Acquisition of properties	165,583	309,231
— Capital contribution to PRC subsidiaries of property development business	14,398	14,140
	461,328	560,762

All capital commitments are due for contribution in the coming twelve months.



金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED

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於百慕達註冊成立之有限公司
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