

# 前瞻視野 力臻卓越



金朝陽集團有限公司  
SOUNDWILL HOLDINGS LIMITED

2012 Interim Report  
中期報告

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

LAU Kam Kwok, Dickson

### *Independent Non-Executive Directors:*

CHAN Kai Nang

PAO Ping Wing

NG Chi Keung

## Company Secretary

LAM Chun Choi

## Auditors

BDO Limited

*Certified Public Accountants*

## Legal Advisors

Lo, Wong & Tsui

Conyers Dill & Pearman

## Website

[www.soundwill.com.hk](http://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

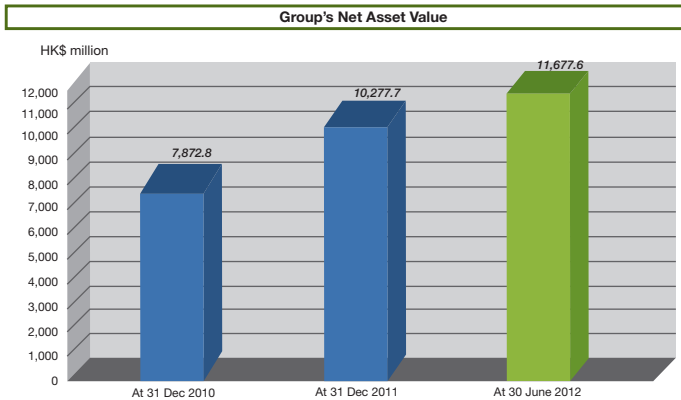
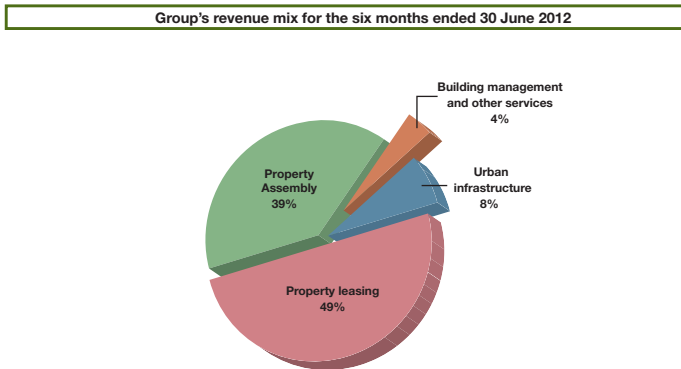
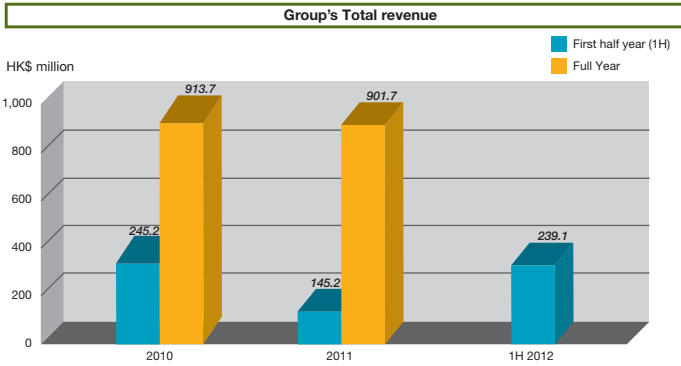
Wanchai

Hong Kong

## Financial Highlights

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>(Unaudited)</b> <i>HKD million</i>	2011 (Unaudited) <i>HKD million</i>
Turnover	<b>239.1</b>	145.2
Profit attributable to owners of the Company	<b>1,253.5</b>	1,004.5
Basic earnings per share (dollars)	<b>HK\$4.70</b>	HK\$4.03
	<b>At 30</b> <b>June 2012</b> <b>(Unaudited)</b> <i>HKD million</i>	At 31 December 2011 (Audited) <i>HKD million</i>
Total assets	<b>16,282.6</b>	14,701.1
Net assets	<b>11,677.6</b>	10,277.7
Total borrowings	<b>3,188.4</b>	3,509.4
Gearing ratio	<b>27%</b>	34%
Net asset value per share (dollars)	<b>HK\$42.30</b>	HK\$37.38

# Financial Highlights



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 2012. The consolidated statement of comprehensive income and condensed consolidated cash flow statement for the six months ended 30 June 2012 and the consolidated statement of financial position as at 30 June 2012 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 25 to 48 of this report.

## **Management Discussion and Analysis**

### **Overview**

Fueled by the growth of property market of Hong Kong, the Group’s performance was satisfactory during the period. Benefiting from the sustained growth of Hong Kong’s economy, improved employment and income prospects continued to drive consumer sentiment to new high. In addition, the growing consumption power of mainland visitors has further stimulated the local retail market and has enhanced the rental level of retail shops. Located at Russell Street in Causeway Bay, one of the most expensive streets in the world, our flagship property, Soundwill Plaza recorded new highs in terms of per square foot rental value. Sustained high occupancy rate, together with rental increment in lease renewals, the turnover from property rental is expected to achieve a steady growth. In the medium to long term, the rental property portfolio and the source of rental income are expected to be further enhanced upon the completion of other comprehensive property projects. Apart from renovating its properties, the Group will also optimize its tenant mix by introducing internationally renowned brands. With its distinctive position in the property market and extensive penetration in the prime areas, the Group will be in a good position to capture further opportunities made available from the growth in the consumer market.

With the sound fundamentals of the property market, the record low mortgage interest rate, the healthy liquidity of Hong Kong capital, and the limited supply in the market, the property market is expected to continue to prosper, despite the challenges facing the world economy and our local economy.

The Group has adhered to adopt a stringent sales strategy to capture optimal selling and to develop quality properties with strong appreciation potential in prime locations, in order to strive for the greatest value for the property buyers and the best return for its shareholders. During the period, Park Haven, a residential project developed by the Group, gained instant attention and was very well received by the market thanks to its excellent location and outstanding project planning. Over 40% of the units were pre-sold, total sales proceed exceeds approximately HK\$1,000,000,000. Such performance was distinctive and achieved the sales target of the Group.

As the Group's results attaining pleasant performance, Soundwill Asset Management Limited (a wholly-owned subsidiary of Soundwill Group) and ALPS Real Estate Limited established a joint venture company to form and invest in a real estate fund named as Eagle Fund I L.P.. It demonstrates not only the Group's effort to broaden its investor base and enhance its financing resources, but also the investors' recognition of the Group's business growth and prospects. To augment the long-term development strategy of the Group, the fund will focus on property investments and development, explore more financing resources, and expand its investment capital and scale of operation, to reinforce the Group's positions in both the property market and the international capital market, which would in turn allow the Group's business to attain a higher international level and better performance, while re-affirming its outstanding prior achievements.

### **Property Assembly Business**

Since the relaxation of compulsory auction sale threshold for buildings aged over 50 years to 80% by the government, the progress of the Group's property assembly business has been directly accelerated. Coupled with increasing investors' confidence in the demand for luxury properties, the Group is currently proactively expanding its core business of old building acquisition, focusing on the prime areas on the Hong Kong Island. The Group has completed its disposal of the Hing Wan Street project in Wan Chai at the beginning of the period at a consideration of HK\$94,000,000. The disposal not only mirrored the high appreciation potential of land parcels on the Hong Kong Island, but also contributed a remarkable amount of profit to the Group. With the Group's effort, the project was approved for the re-development into a 25-storey hotel with 4 podium levels. Around 78 rooms will be provided in this hotel project. Based on the plot ratio of 15, the maximum permissible gross floor area of the project is 16,000 square feet approximately. In the future, the Group will commit itself

to assembly projects so as to ensure adequate land bank for its future growth, and will select sites with strong appreciation potential for vigorous and in-depth planning and research, with the possibility of reserving projects for self-development.

### **Property Leasing**

Driven by the influx of mainland visitors, the retail consumption market in Hong Kong has recorded strong increases in the recent years. Both the number of transactions and the prices of street-level shops and commercial buildings located in prime areas have hit successive new highs. The Group has consistently adhered to the business strategy of balancing proceeds from properties sale and leasing turnover. Quality properties are reserved in Group's investment property portfolio to secure stable turnover. For the six months ended 30 June 2012, the total leasing turnover of the Group increased by 2% as compared with the same period last year to HK\$117,997,000, accounting for 49% of the turnover for the period. Located at Russell Street in Causeway Bay, one of the most expensive streets in the world, the Group's flagship property, Soundwill Plaza has always been a favorite of local consumers and visitors. Its occupancy rate maintained at over 99% and the rent of the two new tenants on ground level broke the record, as such, rental will significantly increase during second half of the year. In order to enhance the public image and investment return of Soundwill Plaza, the Group is now optimizing its tenant mix.

Besides, the footholds of the Group's acquisition projects continued to generate leasing turnover of approximately HK\$12,132,000. During the period, it is expected that the Group's properties will maintain high occupancy rates and will enjoy increasing rents, further fortifying the turnover source from property leasing of the Group.

The foundation work for 1-29 Tang Lung Street, was completed and currently undergoing superstructure work. The site area is approximately 12,500 square feet with marketable area of approximately 202,400 square feet. It will be developed into a commercial complex that integrates retail, food, beverage and office, with expected completion in the second half of 2013. It is expected to become another new epicenter for recreation and shopping in Hong Kong. Located in the prime shopping area of Causeway Bay, this development is in the same strain of Soundwill Plaza, the Group's flagship property and is in close proximity to Time Square and Hysan Place. It will provide another notable source of leasing income for the Group.



The Group will pursue the best development plan according to the properties' locations, areas and other conditions based on the principle of maximizing the commercial value in order to enhance the competitiveness of its property portfolio. Apart from renovating its properties, the Group will also optimize its tenant mix by catering to customer preferences and market trends, and introducing internationally renowned brands.

### **Property Development**

By strengthening its premium branding, providing better products and services, and accelerating asset turnover, the Group will continue to reinforce its business of property development for sale, in order to further enhance its profitability and growth potential. The Group's position in the Hong Kong property market is hence expected to be substantiated. We will utilize all the land resources and explore the best development plan to cope with the changes in market environment, thus expecting to realize optimal return to the shareholders.

In respect of property sales, the pre-sale of our key luxury residential project, Park Haven, was launched in April 2012. Located at 38 Haven Street, the deluxe area at Lee Garden, Causeway Bay, the property encompasses the astounding view of Victoria Harbour, and the greens spanning from the Hong Kong Stadium to Jardine's Lookout. It is adjacent to the MTR Causeway Bay Station and the core shopping area, and shares the same locality with numerous flagship stores of international elite brands and private clubs, providing an exceptional luxury residence. It provides approximately 190 residential units with a total saleable gross area of approximately 131,000 square feet, and each standard unit ranging from 510 to 1,154 square feet, designed in 1 to 3 rooms layout. There are also 4 special units to cater for the needs of different buyers. It is expected to be completed in the first quarter of 2014.

Park Haven stands at the top of the class from its location to the unit design and quality, and has gained market attention since its launch and was well received by the market. 76 units of the project have been pre-sold, with the average selling price hitting approximately HK\$22,000 per square feet. Total sales proceeds of these units were exceeded approximately HK\$1,000,000,000. The performance was distinctive and achieved the sales target of the Group.

In addition, WarrenWoods, the Group's signature luxury residential project in Tai Hang located at 13-27 Warren Street, will complete its construction on schedule. The project provides a total of 164 residential units in multi-design. Since its launch, 162 units have been pre-sold, total sales proceeds approximately HK\$1,212,000,000 and bringing a lucrative profit to the Group. The top floor houses two most sought-after special units, to be crafted as the premier skyline penthouses, will capture attention in the district. Besides, the property is equipped with uniquely designed club facilities and leisure area to meet the residents' demand for quality life. Apart from indoor and outdoor swimming pools and other recreational facilities, the project also comes with a chic luxurious club, which features mobile layout to fit for the residents' needs in holding different activities. Residents can also relax in the special podium garden and the open leisure area at their convenience. Furthermore, the property management company will from time to time arrange different types of activities and services to fully look after the needs of the residents.

Moreover, the site located at 11-13 Sharp Street and 1-1A Yiu Wah Street in Causeway Bay has also commenced its construction. The total site area is approximately 3,200 square feet, and based on the plot ratio of 15, the maximum permissible gross floor area is 48,000 square feet. The Group plans to develop the site into a commercial complex project that integrates retail and office. It is expected to become the first choice of flagships of international renowned brands with its street-level facing Times Square.

The Group will adhere to the market-responsive principle to timely launch the property units for sale in order to expedite the capital flow. It will also continue to seek quality land parcels and opportunities for new project development, so as to capture the maximum overall and long-term benefits by increasing its income potential.

## **Property Management**

The property management and maintenance subsidiaries under the Group provide management and maintenance services to different types of properties, including large commercial buildings and small to medium residential properties. Capitalizing on their extensive experience and dedication, they adopt a customer-oriented approach in providing the owners and tenants with quality services. During the period, the property management team has promoted energy-saving and carbon reduction by adopting energy-saving measures, managing indoor environmental quality and reducing waste generation. Turnover of this segment amounted to approximately HK\$9,342,000 for the period under review, representing an increase of 39% as compared to the same period last year. This was mainly due to the reinstatement work for tenancy handover.

During the period, the Group has pioneered to introduce “The Concierge” French-style hotel management service to the property management of Park Haven, the luxury residential project launched its presale in the year. The service provides a full range of attentive French-style management services, such as concierge service, catering service, minor household repair services, laundry arrangement, as well as recommendation for household and car cleaning services. Through the provision of caring and comprehensive personal services, we aim to the enjoyment of a high quality lifestyle by the residents.

## **Quality Assurance**

During the period, the Group has set up task force for newly built residential properties handover. Striving for the perfection of all completed units, the handover team will conduct multiple detailed quality inspection for the units before the property handover, in order to ensure the highest quality of the units upon handover to the owners. The handover team will also provide comprehensive and attentive services during the handover process, such as assisting the new owners with the property handover procedures to ensure property acceptance with ease. The handover team not only ensures the higher quality of newly completed units, but also enhances the collection of feedbacks from the owners. Furthermore the Group also provides two-year maintenance warranty that covers all non-artificial damage in the first two years after occupation to increase the confidence of the residents.

## **Business in Mainland China**

### ***Urban Infrastructure Development***

Soundwill Infrastructure Limited provides the underground telecommunication pipelines construction business in a number of PRC cities such as Nanchang, Xi'an, Jingdezhen and Yuxi, and cooperates with the local governments in development projects and lays cable networks for information data transmission for its clients and other telecommunication and commercial purposes. Our client base mainly includes telecom operators such as China Mobile, China Telecom and China Unicom. Soundwill Infrastructure Limited has recorded a turnover of approximately HK\$17,763,000 during the period, accounting for 8% of the Group's turnover for the period.

### ***Real Estate Development***

Over the year, the Group has consistently upheld the philosophy of high quality in its projects in the mainland and achieved encouraging results. Currently, the Group is developing several real estate projects across different cities in Guangdong Province and Fujian Province in the PRC. Whilst the international economy keeps changing, growth in the PRC economy will continue albeit a slowdown under government policies to stimulate domestic demand, favoring the long-term development of the real estate market in the mainland.

## **Corporate Citizen**

The Group believes that the creation of a harmonious community starts from different facets. Apart from positively answering to charity fund-raising activities and encouraging our staff to take part in different charity activities, we are also committed to improving the environment of old communities. Apart from constantly enhancing the building designs, construction materials and property management, the Group also considers the positive influence and help to the community made by the project on the whole, and is devoted to implementing improvement works to enhance the community environment. These efforts have also upgraded the environment and benefited the living of the residents within the community.

Besides, the Group has taken part in the fundraising activity, Walk for the Environment 2012 for the second consecutive year and also the Bronze Sponsor to the charity walk. Themed with arousing environmental protection and culture conservation, this hiking competition started from the Ma On Shan Country Park and passed by many environmental conservation points. Our over 30 employees and 2 executive directors have formed teams to sweat their brows and test their bodies, and more importantly, to raise fund for conservation works to promote the awareness for environmental protection and love for nature.

Committed to contributing to the society, the Group has specially established the “Soundwill Volunteer Team” last year to encourage our employees and their family help the needy in our community. The Group also regularly sponsors and participates in the Family Story Telling program organized by Hong Kong Outlying Islands Women’s Association, under which the Group’s volunteer team teaches positive attitudes to children at school through story-telling, and spread the spirit of community care.

Also, the Group has always exerted itself in raising environmental awareness in the office. Besides using environment-friendly and energy-saving lighting systems, the Group’s commercial buildings also organizes activities such as paper reuse, paper recycle and sorting, in an effort to build an energy-saving working environment.

Thanks to the united exertion of the management and employees, the Group was commended by 3 social welfare organizations and was named a Caring Company by The Hong Kong Council of Social Service. The Group and its members and property projects have received a number of commendations, reflecting the recognition of our dedication and efforts in fulfilling its social responsibilities and committing itself in serving the community as a corporate.

### **Communication with Shareholders and Investors/Investors Relationship**

The Group believes that effective communication with shareholders is crucial in enhancing investor relationship and promoting investors’ understanding of the Company’s business performance and strategies. Through regular, comprehensive, and interactive communication, we strive to reinforce our communication with investors via different means, including interviews, telephone conferences, overseas roadshows and arrangements for investors to visit the Group’s projects. These are aimed at building mutual trust and fruitful partnership with our shareholders and

investors. The Group has held the 2012 annual general meeting in May, and arranged briefings and media interviews on the results announcement. It has also proactively stayed in touch with the media through press releases, notices, announcements and other promotional materials. The Group is also of the view that the transparent and timely disclosure of information on the Group helps shareholders and investors making the most informed investment decisions.

The Group is devoted to enhancing corporate governance on business growth and strives to attain a balance between corporate governance and performance. The board of directors believes that sound corporate governance is vital to the success of the Company and the enhancement of shareholders' value.

### **Financial Review**

For the six months ended 30 June 2012, the Group has recorded a turnover of HK\$239,102,000 (30 June 2011: HK\$145,173,000), representing an increase of 65% as compared with the same period last year. The increase in turnover was mainly attributable to the property assembly project in Hing Wan Street.

Net profit attributable to owners of the Company was HK\$1,253,457,000 (30 June 2011: HK\$1,004,466,000), representing an increase of HK\$248,991,000 or 25% over the same period of last year, mainly generated as a results of the dispose of assembly project in Hing Wan Street and 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 owners of the Company would be HK\$67,303,000 as compared with the same period of last year of HK\$28,940,000, representing an increase of 133%.

The total interest expenses for the six months ended 30 June 2012 amounted to HK\$25,074,000 (30 June 2011: HK\$19,719,000) representing an increase of HK\$5,355,000, mainly due to increase in average borrowing rate.

The Company's basic earnings per share was HK\$4.70 as compared with the same period of last year of HK\$4.03.

## **Prospects**

Looking ahead, Hong Kong as an important international financial center in the Asia region enjoying rapid economic growth will fully capitalize on the growth potential in the region, despite uncertainties brought by the European sovereignty debt crisis. As a result, the Hong Kong economy is expected to continue to grow, which will boost the demand for various types of properties in Hong Kong.

Equipped with a clear and definite business structure and a pool of experienced and professional talents, the Group has a solid foundation and strong capacity in smoothly implementing its existing development projects, and to effectively power its growth in the future.

Our outstanding property sales performance and substantial improvement in different businesses during the period have not stopped us in maintaining our surveillance of the market development and adoption of a prudent approach in the management of its property portfolio, pursuit for investment opportunities, and accurate seizure of the timing for property sale. It is expected that the Group will attain outstanding performance in this financial year.

The Group is dedicated to building quality property, providing all attentive service, proactively enhancing the brand name of all its properties. Apart from optimizing its tenant mix, it also continues to reinforce its business of property development for sale by strengthening its premium branding, providing better products and services and accelerating asset turnover. Looking ahead, the Group will strive for excellence in all operating aspects, and at the same time effort to enhance its management, planning, execution and corporate governance levels in order to sustain its objectives and attain better performance, which all contribute to its attempt to realize optimal return to the shareholders.

## **INTERIM DIVIDEND**

The Directors do not recommend interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

## FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2012, the Group cash and cash equivalents amounted to HK\$631,581,000 (31 December 2011: HK\$571,944,000). The Group has received pre-sale proceeds of approximately HK\$313,482,000 and HK\$113,603,000 from the buyers of two luxury residential projects, WarrenWoods and Park Haven in the first half of 2012 respectively. As of 30 June 2012, the accumulated amount received from these two projects were HK\$836,357,000. Part of the proceeds was applied for repayment of bank borrowing.

The Group's total borrowings as at 30 June 2012 were HK\$3,188,432,000 (31 December 2011: HK\$3,509,413,000). The Group's gearing ratio, (which was expressed as a percentage of total borrowings over total equity) was 27% as at 30 June 2012 (31 December 2011: 34%).

As at 30 June 2012, the Group's net assets amounted to HK\$11,677,569,000 (31 December 2011: HK\$10,277,734,000), representing an increase of HK\$1,399,835,000. With the total number of ordinary shares in issue of 276,054,135 as at 30 June 2012 (31 December 2011: 274,944,135 shares), the net asset value per share was HK\$42.30 (31 December 2011: HK\$37.38).

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 there would have positive impact on the Group's assets in the PRC which generated income from as well as expense incurred in 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.



## **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 2012.

### **EVENTS AFTER REPORTING DATE**

The Group entered into a provisional sale and purchase agreement dated 28 May 2012 with an independent third party to dispose of a subsidiary which is registered owner of assets classified as held for sale located at shop B, ground floor and cockloft, Kam On Court, 18-20 Shepherd Street, Hong Kong at a consideration of HK\$35,000,000. During the period, the Group received deposit of HK\$7,000,000. The transaction has been completed on 30 July 2012.

The Group entered into another provisional sale and purchase agreement dated 20 June 2012 with an independent third party to dispose of a subsidiary which is registered owner of assets classified as held for sale located at 13-15 Mercury Street, Hong Kong, at a consideration of HK\$180,000,000. During the period, the Group received deposit of HK\$8,000,000. The transaction will be completed on 19 September 2012.

### **EMPLOYEES**

There was no material change regarding the number of the employees of the Group since the publication of the Company's 2011 annual report.

### **PLEDGE OF ASSETS**

As at 30 June 2012, certain investment properties, property, plant and equipment, properties under development and assets classified as held for sale of the Group with a total carrying value of approximately HK\$13,006,536,000 (31 December 2011: approximately HK\$12,383,841,000) 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 2012, 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	187,776,028 (Note)	68.02
	Beneficial owner	96,602	0.03
Kong Siu Man, Kenny	Beneficial owner	102,000	0.04

Note: These 187,776,028 shares represented the aggregate of (i) 185,672,028 shares held by Ko Bee Limited and (ii) 2,104,000 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
		550,000	6/12/2012 to 5/12/2015	1.00	8.71
Chan Wai Ling	Beneficial owner	2,000,000	12/11/2011 to 21/7/2012	1.00	8.15
		2,000,000	6/12/2012 to 5/12/2015	1.00	8.71
Kong Siu Man, Kenny	Beneficial owner	300,000	6/12/2012 to 5/12/2015	1.00	8.71
Lau Kam Kwok, Dickson	Beneficial owner	120,000	6/12/2012 to 5/12/2015	1.00	8.71

**(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 2012, 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

As at the reporting date, details of outstanding options granted to several Directors and various employees of the Group are as follows:

### 2002 Share Option Scheme and 2011 Share Option Scheme

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 2012
						As at 1 January 2012	Granted during the 6 months period ended 30 June 2012	Exercised during the 6 months period ended 30 June 2012	
<b>Directors</b>									
Foo Kam Chu, Grace	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	600,000	–	–	600,000
	6/12/2011 <sup>#</sup>	8.60	8.71	N/A	6/12/2012 to 5/12/2015	550,000	–	–	550,000
Chan Wai Ling	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	2,000,000	–	–	2,000,000
	6/12/2011 <sup>#</sup>	8.60	8.71	N/A	6/12/2012 to 5/12/2015	2,000,000	–	–	2,000,000
Kong Siu Man, Kenny	9/11/2009	4.84	4.94	12.16	9/11/2010 to 21/7/2012	120,000	–	(120,000)	–
	12/11/2010	8.18	8.15	11.53	12/11/2011 to 21/7/2012	250,000	–	(250,000)	–
	6/12/2011 <sup>#</sup>	8.60	8.71	N/A	6/12/2012 to 5/12/2015	300,000	–	–	300,000
Lau Kam Kwok, Dickson	12/11/2010	8.18	8.15	12.16	12/11/2011 to 21/7/2012	30,000	–	(30,000)	–
	6/12/2011 <sup>#</sup>	8.60	8.71	N/A	6/12/2012 to 5/12/2015	120,000	–	–	120,000
<b>Other employees</b>									
	19/7/2007	6.17	6.17	10.68	18/1/2008 to 21/7/2012	80,000	–	(80,000)	–
	9/11/2009	4.84	4.94	10.68	9/11/2010 to 21/7/2012	200,000	–	(200,000)	–
	12/11/2010	8.18	8.15	12.11	12/11/2011 to 21/7/2012	2,530,000	–	(530,000)	2,000,000

## 2002 Share Option Scheme and 2011 Share Option Scheme (Continued)

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 2012
						As at 1 January 2012	Granted during the 6 months period ended 30 June 2012	Exercised during the 6 months period ended 30 June 2012	
Other employees	6/12/2011 <sup>#</sup>	8.60	8.71	N/A	6/12/2012 to 5/12/2015	2,590,000	–	–	2,590,000
						11,370,000	–	(1,210,000) <sup>^</sup>	10,160,000

<sup>#</sup> 5,560,000 share options were granted under 2011 Share Option Scheme on 6 December 2011 (the "Grant Date"), and the vesting schedule of the share options granted are as follows:

- (a) 50% can be exercised at any time after first anniversary of the Grant Date;
- (b) 25% can be exercised at any time after second anniversary of the Grant Date; and
- (c) 25% can be exercised at any time after third anniversary of the Grant Date.

<sup>^</sup> 100,000 shares corresponding to share options exercised were not allotted during the reporting period.

Note: No share option was cancelled or lapsed during the reporting period.

The 2002 Share Option Scheme was terminated and the 2011 Share Option Scheme was adopted respectively pursuant to ordinary resolutions passed at the annual general meeting held on 19 May 2011. Upon termination of the 2002 Share Option Scheme, no further share options have been granted thereunder. Share options granted prior to such termination continue to be valid and exercisable in accordance with the rules of the 2002 Share Option Scheme.

## DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2012, 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 2012, 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	Approximate	
		Number of Shares	Percentage of Shareholding
Ko Bee Limited	Beneficial owner	185,672,028	67.26

Save as disclosed above, as at 30 June 2012, 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) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK\$5,522,000 (31 December 2011: HK\$4,322,000).

- (b) Since the Group commenced legal proceedings HCA 1902/2009 against a joint venture partner in 2009, with whom the Group has a joint venture agreement for the development and construction of village houses in the New Territories, the exchange of pleadings are still ongoing and the trial date is yet to be fixed by court. The Group plans to submit the re-amended statement of claim in due course.

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.

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

During the six months ended 30 June 2012, 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 the disclosure requirement under Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes in information of the Directors are as follow:

- (a) Mr. Lau Kam Kwok, Dickson has been appointed as an authorized representative on 17 February 2012.
- (b) Madam Foo Kam Chu, Grace has been appointed as chairman, and Mr. Chan Kai Nang and Mr. Pao Ping Wing have been appointed as members, of the nomination committee on 30 March 2012.

## **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 2012.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2012 except that:

**(1) Code Provision A.1.8**

Code Provision A.1.8 provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors.

As at 30 June 2012, the Group has not yet identified any insurer which would provide insurance service to the Group on satisfactory commercial terms. As such, the Group has not yet arranged appropriate insurance cover in respect of legal action against the directors.

**(2) 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.

**(3) 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).

The Company has made specific enquiry and 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, 22 August 2012

# Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Turnover</b>		<b>239,102</b>	145,173
Cost of sales		<b>(56,502)</b>	(17,681)
<b>Gross profit</b>		<b>182,600</b>	127,492
Other income	4	<b>8,328</b>	753
Administrative expenses		<b>(78,507)</b>	(60,352)
Other operating expenses		<b>(333)</b>	(573)
Loss on disposal/deregistration of subsidiaries		<b>(10)</b>	—
Net gain on fair value adjustments on investment properties		<b>1,186,154</b>	975,526
Gain on disposal of an investment property		<b>3,311</b>	461
<b>Profit from operations</b>	5	<b>1,301,543</b>	1,043,307
Finance costs	6	<b>(25,074)</b>	(19,719)
Share of losses of a jointly-controlled entity		<b>(369)</b>	(656)
<b>Profit before income tax</b>		<b>1,276,100</b>	1,022,932
Income tax expense	7	<b>(25,810)</b>	(19,831)
<b>Profit for the period</b>		<b>1,250,290</b>	1,003,101

# Consolidated Statement of Comprehensive Income (Continued)

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
		<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive income</b>			
	Exchange gain on translation of financial statements of foreign operations	<b>10,855</b>	8,174
	Surplus on revaluation of leasehold building	<b>8,066</b>	4,904
	Deferred tax liabilities arising from asset revaluation reserve of leasehold building	<b>(1,331)</b>	(809)
<b>Other comprehensive income for the period</b>		<b>17,590</b>	12,269
<b>Total comprehensive income for the period</b>		<b>1,267,880</b>	1,015,370
<b>Profit for the period attributable to:</b>			
	— Owners of the Company	<b>1,253,457</b>	1,004,466
	— Non-controlling interests	<b>(3,167)</b>	(1,365)
		<b>1,250,290</b>	1,003,101
<b>Total comprehensive income attributable to:</b>			
	— Owners of the Company	<b>1,270,927</b>	1,016,524
	— Non-controlling interests	<b>(3,047)</b>	(1,154)
		<b>1,267,880</b>	1,015,370
<b>Earnings per share for profit attributable to owners of the Company</b>			
	— Basic	<b>8 HK\$4.70</b>	HK\$4.03
	— Diluted	<b>8 HK\$4.68</b>	HK\$4.00

# Consolidated Statement of Financial Position

		<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	9	<b>12,301,803</b>	11,038,428
Property, plant and equipment		<b>166,668</b>	160,118
Properties held for development		<b>46,734</b>	46,672
Interest in a jointly-controlled entity		<b>45,554</b>	45,260
Available-for-sale financial assets		<b>10</b>	10
Intangible assets		<b>6,199</b>	6,284
		<b>12,566,968</b>	11,296,772
<b>Current assets</b>			
Inventories		<b>41,418</b>	43,022
Properties held for sale		<b>—</b>	38,400
Properties under development		<b>2,611,074</b>	2,435,382
Trade and other receivables	10	<b>123,892</b>	122,328
Deposits paid for acquisition of properties		<b>25,818</b>	7,557
Bank deposit at escrow account		<b>186,324</b>	185,675
Cash and cash equivalents	11	<b>631,581</b>	571,944
		<b>3,620,107</b>	3,404,308
Assets classified as held for sale	12	<b>95,540</b>	—
		<b>3,715,647</b>	3,404,308

## Consolidated Statement of Financial Position (Continued)

		<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and other payables	13	<b>345,481</b>	312,427
Deposits received in advance		<b>983,455</b>	528,509
Borrowings	14	<b>3,188,432</b>	3,509,413
Provision for income tax		<b>23,890</b>	13,943
		<b>4,541,258</b>	4,364,292
<b>Net current liabilities</b>		<b>(825,611)</b>	(959,984)
<b>Total assets less current liabilities</b>		<b>11,741,357</b>	10,336,788
<b>Non-current liabilities</b>			
Deferred taxation	15	<b>63,788</b>	59,054
		<b>63,788</b>	59,054
<b>Net assets</b>		<b>11,677,569</b>	10,277,734
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	<b>27,605</b>	27,494
Reserves		<b>11,398,397</b>	10,151,273
		<b>11,426,002</b>	10,178,767
<b>Non-controlling interests</b>		<b>251,567</b>	98,967
<b>Total equity</b>		<b>11,677,569</b>	10,277,734

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 (unaudited)  
Equity attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Employee		Retained profits HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
			Assets revaluation reserve HK\$'000	share-based equity reserve HK\$'000							
<b>At 1 January 2012</b>	27,494	603,444	34,895	10,681	9,432,300	32,362	1,848	35,743	10,178,767	98,967	10,277,734
Final dividend paid for 2011	-	-	-	-	-	-	-	(35,887)	(35,887)	-	(35,887)
Equity-settled share-based payment	-	-	-	4,334	-	-	-	-	4,334	-	4,334
Exercise of share options	111	9,685	-	(1,935)	-	-	-	-	7,861	-	7,861
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	155,647	155,647
<b>Transaction with owners</b>	111	9,685	-	2,399	-	-	-	(35,887)	(23,692)	155,647	131,955
<b>Profit for the period</b>	-	-	-	-	1,253,457	-	-	-	1,253,457	(3,167)	1,250,290
<b>Other comprehensive income</b>											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	10,735	-	-	10,735	120	10,855
Surplus on revaluation of leasehold building, net of deferred tax (Note 15)	-	-	6,735	-	-	-	-	-	6,735	-	6,735
<b>Total comprehensive income for the period</b>	-	-	6,735	-	1,253,457	10,735	-	-	1,270,927	(3,047)	1,267,880
Under-provision of final dividend for 2011	-	-	-	-	(144)	-	-	144	-	-	-
<b>At 30 June 2012</b>	27,605	613,129	41,630	13,080	10,685,613	43,097	1,848	-	11,426,002	251,567	11,677,569

# Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2011 (unaudited)

Equity attributable to owners of the Company

	Share capital	Share premium	Assets revaluation reserve	Employee share-based equity reserve	Retained profits	Exchange reserve	Special reserve	Proposed final dividend	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2011</b>	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
Final dividend paid 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
<b>Transaction with owners</b>	3,343	308,346	-	(16,373)	-	-	-	(25,092)	270,224	-	270,224
<b>Profit for the period</b>	-	-	-	-	1,004,466	-	-	-	1,004,466	(1,365)	1,003,101
<b>Other comprehensive income</b>											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	7,963	-	-	7,963	211	8,174
Surplus on revaluation of leasehold building, net of deferred tax	-	-	4,095	-	-	-	-	-	4,095	-	4,095
<b>Total comprehensive income for the period</b>	-	-	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	-	-	-
<b>At 30 June 2011</b>	27,489	602,965	36,917	6,612	8,361,290	31,435	1,848	-	9,068,556	89,844	9,158,400

# Condensed Consolidated Cash Flow Statement

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
		<b>(Unaudited)</b>	(Unaudited)
<i>Note</i>		<b>HK\$'000</b>	<i>HK\$'000</i>
	Net cash inflow from operating activities	<b>486,674</b>	188,801
	Net cash outflow from investing activities	<b>(233,303)</b>	(642,267)
	Net cash (outflow)/inflow from financing activities	<b>(193,360)</b>	459,000
	Increase in cash and cash equivalents	<b>60,011</b>	5,534
	Cash and cash equivalents at beginning of period	<b>571,944</b>	217,779
	Translation difference	<b>(374)</b>	(60)
	Cash and cash equivalents at end of period	<b>631,581</b>	223,253

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# Notes to the Interim Financial Statements

*For the six months ended 30 June 2012*

## **1. Basis of Preparation**

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2012 (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 Accountant 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 2011 (the “2011 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 June 2012 are consistent with those used in the preparation of the 2011 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 2011 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which is relevant to and effective for the Group’s financial statements for the annual financial period beginning on or after 1 January 2012.

## 2. Principal accounting policies (Continued)

Amendment to HKFRS 7	Financial Instruments: Disclosures — Transfer of Financial Assets
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The adoption of this new and revised HKFRSs has had no material effect on this interim financial report.

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

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to HKFRS 1	Government Loans <sup>2</sup>
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transaction Disclosure <sup>4</sup>
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 19 (2011)	Employee Benefits <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>
Annual Improvements Project	Annual Improvements 2009-2011 Cycle <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

## 2. Principal accounting policies (Continued)

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the directors so far concluded that the application of these new and revised HKFRSs will have no material impact on the Group's 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	:	Underground telecommunication pipeline construction

### 3. Segment Information (Continued)

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 2012, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The turnover 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	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011		
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
		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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>Turnover</b>																							
External customers		94,000	–	–	–	117,997	116,067	9,342	6,727	17,763	22,389	–	–	–	–	239,102	145,173						
Inter-segments		–	–	189,299	40,204	19,236	10,422	1,355	1,083	–	–	12,948	7,795	–	–	222,838	59,504						
<b>Reportable segment turnover</b>		<b>94,000</b>	<b>–</b>	<b>189,299</b>	<b>40,204</b>	<b>137,233</b>	<b>126,479</b>	<b>10,697</b>	<b>7,810</b>	<b>17,763</b>	<b>22,389</b>	<b>12,948</b>	<b>7,795</b>	<b>–</b>	<b>–</b>	<b>461,940</b>	<b>204,677</b>						
<b>Reportable segment profit/(loss)</b>		<b>52,789</b>	<b>(2,153)</b>	<b>(28,541)</b>	<b>(16,774)</b>	<b>93,431</b>	<b>91,792</b>	<b>3,772</b>	<b>3,003</b>	<b>(2,568)</b>	<b>(141)</b>	<b>12,259</b>	<b>1,761</b>	<b>–</b>	<b>–</b>	<b>131,142</b>	<b>77,488</b>						
<b>Reportable segment assets</b>		<b>–</b>	<b>28</b>	<b>2,636,315</b>	<b>1,381,437</b>	<b>12,677,511</b>	<b>11,685,702</b>	<b>9,089</b>	<b>5,713</b>	<b>545,817</b>	<b>124,122</b>	<b>366,320</b>	<b>53,079</b>	<b>–</b>	<b>–</b>	<b>16,237,052</b>	<b>13,250,081</b>						

### 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:

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2011 (Unaudited) HK\$'000
Reportable segment profit	<b>131,142</b>	77,488
Net gain on fair value adjustments on investment properties	<b>1,186,154</b>	975,526
Gain on disposal of an investment property	<b>3,311</b>	461
Unallocated income and expenses	<b>(19,054)</b>	(10,168)
Loss on disposal/deregistration of subsidiaries	<b>(10)</b>	—
Finance costs	<b>(25,074)</b>	(19,719)
Share of losses of a jointly-controlled entity	<b>(369)</b>	(656)
Profit before income tax	<b>1,276,100</b>	1,022,932

### 4. Other Income

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2011 (Unaudited) HK\$'000
Bank interest income	<b>3,050</b>	202
Commission income	<b>1,208</b>	38
Reversal of provision for impairment loss of other receivables	<b>390</b>	—
Miscellaneous income	<b>3,680</b>	513
	<b>8,328</b>	753

## 5. Profit from Operations

Profit from operations is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2011 (Unaudited) HK\$'000
Amortisation of intangible assets*	<b>240</b>	263
Amortisation of properties held for development	<b>575</b>	803
Bad debts written off*	<b>68</b>	—
Cost of inventories recognised as expense	<b>11,877</b>	13,906
Cost of properties held for sales recognised as expense	<b>39,607</b>	—
Deposits for property acquisition written off*	<b>25</b>	310
Depreciation of property, plant and equipment	<b>2,598</b>	1,970
Property, plant and equipment written off	<b>213</b>	10
Employee benefit expenses (including directors' remuneration and defined contribution cost)		
— Share option expenses	<b>4,334</b>	4,776
— Other employee benefit expenses	<b>39,361</b>	30,731
	<b>43,695</b>	35,507
Operating lease charges in respect of premises	<b>1,882</b>	1,886

\* included in other operating expenses

## 6. Finance Costs

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest charges on:		
Bank loans		
— wholly repayable within five years	26,299	18,552
— not wholly repayable within five years	4,489	7,486
Other borrowings wholly repayable within five years	2,794	2,171
Total borrowing costs	33,582	28,209
Less: Interest capitalised in investment properties and properties under development	(8,508)	(8,490)
	25,074	19,719

## 7. Income Tax Expense

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong profits tax	22,396	14,966
PRC enterprise income tax	201	1,047
Deferred tax	3,213	3,818
	25,810	19,831

## **7. Income Tax Expense (Continued)**

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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 enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from enterprise income tax for the following three years ("tax holiday"). Remaining subsidiaries operating in the PRC are subject to 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 owners of the Company of HK\$1,253,457,000 (30 June 2011: HK\$1,004,466,000) and the weighted average of 266,516,507 shares (30 June 2011: 249,328,636 shares) in issue during the six months ended 30 June 2012.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to owners of the Company of HK\$1,253,457,000 (30 June 2011: HK\$1,004,466,000) and the weighted average of 267,762,110 shares (30 June 2011: 251,358,587 shares) in issue during the period after taken into account for the effect of all dilutive shares.

The adjusted net profit attributable to owners of the Company for the period is HK\$1,253,457,000 which is the same as the unaudited consolidated profit attributable to 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:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Carrying amount at 1 January	<b>11,038,428</b>	10,061,908
Additions	<b>171,015</b>	902,467
Disposal	<b>(2,180)</b>	(2,660)
Transfer to properties held for sale	—	(495,660)
Transfer to property, plant and equipment	—	(98,000)
Transfer from/(to) properties under development	<b>5</b>	(1,370,000)
Transfer to assets classified as held for sale ( <i>Note 12</i> )	<b>(95,540)</b>	—
Net gain on fair value adjustments	<b>1,186,154</b>	2,032,888
Interest capitalised in investment properties under construction ( <i>Note 6</i> )	<b>3,921</b>	7,485
Carrying amount at 30 June/31 December	<b>12,301,803</b>	11,038,428

The investment properties of the Group were revalued at 30 June 2012 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:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Held on lease over 50 years	<b>12,140,588</b>	10,877,918
Held on lease from 10 to 50 years	<b>161,215</b>	160,510
	<b>12,301,803</b>	11,038,428

All of the Group's investment properties for earning rental 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\$81,695,000 (31 December 2011: approximately HK\$89,235,000). The credit terms of the Group ranging from 30 to 90 days. Based on the invoices dates, the ageing analysis of trade receivables was set out below:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
0 – 30 days	<b>51,329</b>	68,746
31 – 90 days	<b>3,627</b>	3,290
91 – 180 days	<b>9,678</b>	2,889
Over 180 days	<b>17,061</b>	14,310
Total trade receivables	<b>81,695</b>	89,235
Other receivables	<b>42,197</b>	33,093
	<b>123,892</b>	122,328

## 11. Cash and Cash Equivalents

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Bank and cash balances	<b>321,100</b>	252,719
Short-term bank deposits	<b>310,481</b>	319,225
	<b>631,581</b>	571,944

For the year ended 31 December 2011, the effective interest rate of short-term bank deposit was ranged from 1.3% to 2.3% per annum. The deposit had maturity period for 1 month to 3 months and was eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in cash and cash equivalents of the Group is HK\$136,040,000 (31 December 2011: HK\$119,907,000) of bank balances denominated in Renminbi placed with banks in the PRC.

## 12. Assets Classified as Held for Sale

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Assets classified as held for sale:		
Investment properties ( <i>Note 9</i> )	<b>95,540</b>	—

### 13. Trade and Other Payables

As at the reporting date, trade payables included in trade and other payables were approximately HK\$52,957,000 (31 December 2011: approximately HK\$65,209,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. Based on the invoices dates, the ageing analysis of trade payables was set out below:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
0 – 30 days	<b>26,308</b>	32,280
31 – 90 days	<b>12,953</b>	10,352
Over 90 days	<b>13,696</b>	22,577
Total trade payables	<b>52,957</b>	65,209
Other payables	<b>292,524</b>	247,218
	<b>345,481</b>	312,427

### 14. Borrowings

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Bank loans — secured	<b>3,188,432</b>	3,509,413
	<b>3,188,432</b>	3,509,413

## 14. Borrowings (Continued)

As at 30 June 2012, the maturity analysis of the Group's borrowings is stated as follows:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Secured bank loans repayable		
Within one year	<b>1,467,460</b>	1,813,562
After one year, but within two years	<b>172,804</b>	153,534
After two years, but within five years	<b>1,223,768</b>	1,189,517
After five years	<b>324,400</b>	352,800
Total	<b>3,188,432</b>	3,509,413

## 15. Deferred Taxation

The movement on the deferred taxation is as follows:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
At 1 January	<b>59,054</b>	50,373
Deferred taxation charged to:		
— Profit or loss ( <i>Note 7</i> )	<b>3,213</b>	8,134
— Asset revaluation reserve	<b>1,331</b>	409
Exchange realignment	<b>190</b>	138
At 30 June/31 December	<b>63,788</b>	59,054

## 15. Deferred Taxation (Continued)

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.

## 16. Share Capital

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Authorized: 5,000,000,000 ordinary shares of HK\$0.10 each	<b>500,000</b>	500,000

	<b>Number of Shares</b>	<b>Nominal value 30 June 2012 HK\$'000</b>	Nominal value 31 December 2011 HK\$'000
Issued and fully paid:			
At 1 January	<b>274,944,135</b>	<b>27,494</b>	24,146
Exercise of share options	<b>1,110,000</b>	<b>111</b>	1,448
Placement of Shares	—	—	1,900
At 30 June 2012/ 31 December	<b>276,054,135</b>	<b>27,605</b>	27,494

## 17. Related Party Transactions

- (a) A subsidiary of the Group entered into a tenancy agreement with a related company, in which an executive director of the Group has material equity interest, for leasing a residential property situated in Hong Kong for a period of one year commencing from 1 September 2011 and expiring on 31 August 2012 at a monthly rental of HK\$50,000. Total rental paid for the six months ended 30 June 2012 amounted to HK\$300,000 (30 June 2011: HK\$300,000).
  
- (b) Certain subsidiaries of the Group entered into tenancy agreements with a related company, in which the Chairman and an executive director of the Company have interests, for leasing office units of a building situated at Guangzhou, PRC for office purpose. The total rental and management charges paid for the period amounted to HK\$694,613 (30 June 2011: HK\$657,157).
  
- (c) On 27 February 2011, a related company in which the Chairman and an executive director of the Group 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 and extend the maturity date to 30 April 2014. On 15 September 2011, interest rate on Hong Kong dollars lending had been changed to prime lending rate plus 1% per annum. For RMB loan, interest rate is the RMB loan (for tenure of 1-3 years) interest rate specified by Bank of China plus 1.5% per annum. As at 30 June 2012, the unsecured revolving credit facility was not utilised (31 December 2011: Nil).

## 18. 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:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Within one year	<b>267,566</b>	237,495
In the second to fifth years inclusive	<b>401,076</b>	271,094
	<b>668,642</b>	508,589

## 19. Commitments

### (a) Operating lease commitments

As at 30 June 2012, the Group had total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Within one year	<b>2,785</b>	1,276
In the second to fifth years inclusive	<b>884</b>	407
	<b>3,669</b>	1,683



## 19. Commitments (Continued)

### (b) Capital commitments

	<b>30 June 2012 (Unaudited) HK\$'000</b>	31 December 2011 (Audited) HK\$'000
Contracted but not provided for:		
— Construction costs and services expenses of property development	<b>197,085</b>	289,870
— Acquisition of properties	<b>118,836</b>	20,554
— Capital contribution to subsidiaries of property development business	<b>142,035</b>	31,610
	<b>457,956</b>	342,034

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



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  
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股份代號 STOCK CODE 0878