

Interim Report 中期報告

2010

鑄造都市典範
誠心建設未來



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Corporate Information

Directors

Executive Directors:

FOO Kam Chu, Grace, *Chairman*

CHAN Wai Ling

TSE Chun Kong, Thomas

KONG Siu Man, Kenny

Non-Executive Directors:

LIANG Yanfeng, *Non-Executive Vice
Chairman*

MENG Qinghui

Independent Non-Executive Directors:

CHAN Kai Nang

KWAN Kai Cheong

PAO Ping Wing

Company Secretary

TSE Wai Hang

Auditors

Grant Thornton

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 Fund Services (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

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 2010. The consolidated statement of comprehensive income and condensed consolidated cash flow statement for the six months ended 30 June 2010 and the consolidated statement of financial position as at 30 June 2010 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 20 to 46 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Benefiting from the overall improvement in both the global and Hong Kong economies, the consumer sentiment and living index of Hong Kong people continued to rise, and the local retail market was more robust with the increasing consumption power of Mainland China visitors. The rent level of retails climbed further, and the rent per square feet of the street level retails located at the prime areas of Causeway Bay recorded new highs, ranking the third in the world, reflecting the soar of the consumer market. For the real estate market, several developers launched a number of large-scale luxurious new developments and pre-sale projects recorded positive sales results, driving the premium of government land sales and the value of second hand properties further higher and reflecting the investors’ confidence in the future of the real estate market. Under the positive market sentiment, the financial position of the Group was satisfactory in general, which was mainly attributable to the gain on fair value adjustments on investment properties and the profit from property assembly segment.

Property Assembling

The government lowered the compulsory auction sale threshold of old buildings from 90% to 80% since 1 April 2010, such that developer who owns 80% of the properties, to which the new enactment is applicable, can apply for compulsory sale and shortens the acquisition time required for the Group’s projects and is beneficial to the long term growth of its redevelopment of old buildings operation. The Group has been committed to conducting property assembly for many years, and it is our active pursuit to alleviate the problem of urban aging in the old districts on the Hong Kong Island, and thereby improve the environment and quality of life in these neighborhoods.

The Group has successfully unified the ownership of Nos. 32-50 Haven Street in August 2010, which has a total site area of approximately 12,900 square feet and a gross floor area of approximately 102,900 square feet. In view of the promising prospect of the property market, the Group will devise the most suitable development plan with reference to the demand in property market and studies on land use, in order to further enhance the quality and returns of its development projects. In addition, the Group has completed the sale of Nos. 11-13A Lin Fa Kung Street West, Tai Hang during the first half of the year. The profit margin realized on sale of properties assembled by the Group remains at a satisfactory level.

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. Soundwill Plaza, the Group's flagship property, recorded satisfactory traffic and rental income, achieving an occupancy rate of 99% and a rental income of approximately HK\$97,703,000 (30 June 2009: approximately HK\$87,093,000) during the first half of the year. Approximately 16.4% of the leases was renewed upon expiry over the same period, generating a high renewal rate and a 12% increment in total rental income as compared to the same period last year.

The remaining properties for redevelopment were leased on short terms, contributing a total rental income of approximately HK\$12,258,000 (30 June 2009: approximately HK\$11,747,000), before optimal development plans for the projects are finalized. The Group will continue to carefully select and invest in premium locations to enhance the development plans for old district renewal projects.

Property Development

The Group's new luxurious residential project, Warrenwoods, at Nos. 13-27 Warren Street in Tai Hang, will provide 164 lofty residential units in diversified styles upon completion. The gross floor area of the project is approximately 89,300 square feet. 162 units were pre-sold in March 2010. The project is currently under construction and is scheduled for occupancy before mid 2012. The total proceeds generated by the sale of those 162 units are approximately HK\$1.2 billion, which will be booked when the sales are completed after issue of occupation permit.

Riding on the continued prosperity of the real estate market during the first half of the year, the Group will expand its property business and is planning to redevelop its site at Tang Lung Street at the heart of Causeway Bay into a composite development property. The project is scheduled to complete in 2013, and is expected to become a new trendy shopping centre in the district and bring substantial returns to the Group. Besides, all development projects were conducted progressively as planned, and the Group strives to capture any suitable opportunities to support the stable growth of the operation.

Business in Mainland China

Real Estate Development in Mainland China

As the PRC's GDP continued to record year-on-year growth with an enlarging capital base and steering up urban construction in many cities, the Group is optimistic about the prospect of property investment and development in the PRC, and will steadily expand its real estate business in Mainland China.

In particular, the Group cooperated with its joint venture partner jointly develop several projects in Doumen. A low density luxury residential project in garden style located at Qian Wu Town in Zhuhai, namely Shan Shui Heng Yuan, was recently completed, with 97% residential units and retail spaces already sold. Another development project, Long Feng Chun Xiao, started first stage of pre-sales in the first half of the year, offering multi-storey residential units with gross floor area ranging from 78 square meters to 86 square meters, and is scheduled to be ready for occupation in the first quarter of 2011.

Urban Infrastructure Development

The Group announced in the first half of the year that, Soundwill Infrastructure Limited, a wholly owned subsidiary, applied for the separate listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited by way of distribution and introduction. After and conditional upon obtaining the approvals, Soundwill Infrastructure will become the holding company of the Group's underground telecommunication pipelines construction business, and will be engaged in constructing telecommunication pipelines and laying cable networks for information data transmission for its clients and other commercial purposes in more than 10 cities in the PRC including Nanchang, Xian, Jingdezhen, Yuxi and Liuzhou.

Property Management, E&M and Building Maintenance

The four property management and maintenance subsidiaries under the Group are engaged in the provision of property 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 period under review amounted to HK\$8,987,000 (30 June 2009: approximately HK\$8,069,000) in total, representing an increase of 11% as compared to the same period last year. In order to improve the quality of property management service, the Group is going to organize a competition for “Outstanding Property Management Staff/Quality Service Award” as a recognition for the outstanding performance of its staff.

Corporate Citizen

During the period under review, the Group proactively promoted environmental protection awareness in the office and adopted environmentally-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 wastes 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, encouraged its staff to join flag selling events, and provided a commercial unit in Soundwill Plaza for Senior Citizen Home Safety Association to house its activity.

Financial Review

For the six months ended 30 June 2010, the Group has recorded a turnover of HK\$245,154,000 (30 June 2009: HK\$552,750,000), representing a decrease of 56% as compared with the same period last year. The decrease in turnover is due to a significant decrease in turnover from property assembling business which off-set the steady increase in property leasing business, urban infrastructure and building management services business.

Net profit attributable to the owners of the Company was HK\$538,675,000 (30 June 2009: HK\$696,225,000), representing a decrease of HK\$157,550,000 or 23% over the same period of last year.

If the gain on fair value adjustment on investment properties (net of deferred tax) were to be excluded, the Group's net profit attributable to the owners of the Company would be HK\$64,550,000 as compared with the same period of last year of HK\$204,737,000, representing a decrease of 68%.

The Company's basic earnings per share was HK\$2.24 as compared with the same period of last year of HK\$2.91.

Prospects

Looking back to the period starting from the second half of 2009 to now, prosperity in local real estate market and great appreciation of properties have been showed. Meanwhile, the government has recently imposed several regulatory measures on property transactions to suppress the property market, to which the developers including the Group were responsive and the standards of pre-sales of properties and construction projects were maintained. Upon the new guidelines taking effect, a number of new large-scale luxurious developments were launched and no negative impacts on sales were seen, indicating a continual positive momentum of the property industry in the near future. The Group will capture the investment opportunities and increase its land reserve, in order to enhance its investment portfolio and increase the headroom for property appreciation.

Looking forward, the market demand to residential projects remains strong, and different sectors of Hong Kong community also show recognition and support toward the urban redevelopment projects to revitalize the amenities in the old community. The Group will keep striving for expansion of its urban redevelopment business and seek new investment opportunities with its extensive experience and vision, to deliver the best returns to its shareholders.

On the other hand, the Group will continue to develop the real estate business in Mainland China, which is now focused on the Guangdong and Fujian provinces, with an objective to create greater revenue contribution to the Group in the future. With its urban infrastructure business gaining a foothold in many cities in Mainland China, the Group looks forward to further expanding its businesses amid steady performance.

INTERIM DIVIDEND

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

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2010, the Group cash and cash equivalents amounted to HK\$195,148,000 (31 December 2009: HK\$143,811,000). The Group's total borrowings as at 30 June 2010 were HK\$2,630,096,000 (31 December 2009: HK\$2,103,733,000).

During the period under review, the Group also received initial and further down payment from our new luxurious residential project, Warrenwoods of approximately HK\$243,473,000.

The Group's gearing ratio, expressed as a percentage of total borrowings over total equity, was 48% as at 30 June 2010 (31 December 2009: 43%). As at 30 June 2010, the Group's net assets amounted to HK\$5,478,984,000 (31 December 2009: HK\$4,943,767,000), representing an increase of HK\$535,217,000. With the total number of ordinary shares in issue of 240,434,135 as at 30 June 2010 (31 December 2009: 240,034,135 shares), the net asset value per share was HK\$22.79 (31 December 2009: HK\$20.60).

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.

The total interest expenses for the six months ended 30 June 2010 amounted to HK\$11,048,000 (30 June 2009: HK\$13,388,000) representing a decrease of HK\$2,340,000, mainly due to more interest being capitalised for properties under construction and reduction in average borrowing rate.

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 2010.

DISPOSAL OF SIGNIFICANT INVESTMENT HELD

The Group disposed of its properties held for sale located at Nos. 11-13A Lin Fa Kung Street West at a consideration of HK\$98,250,000. The transaction was completed on 13 January 2010. The transaction brings along with a gain on disposal of approximately HK\$8,303,000.

EMPLOYEES

There was no material change regarding the number and remuneration of the employees of the Group since the publication of the Company's 2009 annual report.

PLEDGE OF ASSETS

As at 30 June 2010, investment properties and properties under development of the Group with a total carrying value of approximately HK\$7,920,969,000 in total (31 December 2009: approximately HK\$7,254,886,000) 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 2010, 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 X V 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 X V 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	170,940,028 <i>(Note)</i>	71.10
	Beneficial owner	96,602	0.04
Tse Chun Kong, Thomas	Interest of Spouse	6,000	0.00
	Beneficial owner	150,723	0.06

Note: The 170,940,028 shares are held by Ko Bee Limited, the entire issued share capital of which is held 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	Subscription
				Grant (HK\$)	Price per share (HK\$)
Foo Kam Chu, Grace	Beneficial owner	600,000	18/1/2008 to 21/7/2012	1.00	6.17
		600,000	27/4/2009 to 21/7/2012	1.00	1.76
		600,000	9/11/2010 to 21/7/2012	1.00	4.94
Chan Wai Ling	Beneficial owner	2,000,000	18/1/2008 to 21/7/2012	1.00	6.17
		2,000,000	27/4/2009 to 21/7/2012	1.00	1.76
		2,000,000	9/11/2010 to 21/7/2012	1.00	4.94
Tse Chun Kong, Thomas	Beneficial owner	90,000	4/1/2006 to 3/1/2011	1.00	2.38
		90,000	20/5/2007 to 19/5/2012	1.00	2.52
		90,000	18/1/2008 to 21/7/2012	1.00	6.17
		90,000	27/4/2009 to 21/7/2012	1.00	1.76
		90,000	9/11/2010 to 21/7/2012	1.00	4.94
Kong Siu Man, Kenny	Beneficial owner	120,000	9/11/2010 to 21/7/2012	1.00	4.94
Liang Yanfeng	Beneficial owner	90,000	20/5/2007 to 19/5/2012	1.00	2.52
		90,000	18/1/2008 to 21/7/2012	1.00	6.17
		90,000	27/4/2009 to 21/7/2012	1.00	1.76
Meng Qinghui	Beneficial owner	90,000	4/1/2006 to 3/1/2011	1.00	2.38
		90,000	20/5/2007 to 19/5/2012	1.00	2.52
		90,000	18/1/2008 to 21/7/2012	1.00	6.17
		90,000	27/4/2009 to 21/7/2012	1.00	1.76

(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

Save as disclosed above, as at 30 June 2010, 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 X V 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 X V 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 2010
						As at 1 January 2010	Granted during the 6 months period ended 30 June 2010	Exercised/ *Lapsed/ during the 6 months period ended 30 June 2010	
Directors									
Foo Kam Chu, Grace	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	600,000	–	–	600,000
	28/10/2008	1.50	1.76	N/A	27/4/2009 to 21/7/2012	600,000	–	–	600,000
	09/11/2009	4.84	4.94	N/A	9/11/2010 to 21/7/2012	600,000	–	–	600,000
Chan Wai Ling	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	2,000,000	–	–	2,000,000
	28/10/2008	1.50	1.76	N/A	27/4/2009 to 21/7/2012	2,000,000	–	–	2,000,000
	9/11/2009	4.84	4.94	N/A	9/11/2010 to 21/7/2012	2,000,000	–	–	2,000,000
Tse Chun Kong, Thomas	4/7/2005	2.35	2.38	N/A	4/1/2006 to 3/1/2011	90,000	–	–	90,000
	21/11/2006	2.53	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
	9/11/2009	4.84	4.94	N/A	9/11/2010 to 21/7/2012	90,000	–	–	90,000
Kong Siu Man, Kenny	9/11/2009	4.84	4.94	N/A	9/11/2010 to 21/7/2012	120,000	–	–	120,000

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 2010
						As at 1 January 2010	Granted during the 6 months period ended 30 June 2010	Exercised/ *Lapsed/ during the 6 months period ended 30 June 2010	
Liang Yanfeng	8/1/2007	2.60	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
Meng Qinghui	6/7/2004	1.45	1.47	N/A	6/1/2005 to 5/1/2010	90,000	–	*90,000	–
	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	N/A	18/1/2008 to 21/7/2012	2,630,000	–	*30,000	2,600,000
	28/10/2008	1.50	1.76	5.14	27/4/2009 to 21/7/2012	2,480,000	–	400,000	2,080,000
	9/11/2009	4.84	4.94	N/A	9/11/2010 to 21/7/2012	2,540,000	–	–	2,540,000
						16,740,000	–	520,000	16,220,000

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2010, 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 X V 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 2010, the persons 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	170,940,028	71.10

Save as disclosed above, as at 30 June 2010, 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 interim financial statements of the Group amounted to HK\$5,415,000 (31 December 2009: HK\$5,903,000).
- (b) In September 2009, the Group commenced legal proceedings HCA1902/2009 against a joint venturer 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 August 2010. It may still take quite a time before the case is to be set down for full trial. According to the legal advice, it is beyond controversy that the Group did spend substantial expenses for construction and improvement of the subject land development, to the knowledge of the relevant individuals claiming to be the owners of the pieces of land. As such, it would be difficult to argue that the Group should have no proprietary interests in the subject land development. At this preliminary stage, the management is of the opinion that it is not necessary to make any provisions for impairment against the outstanding balance as at the reporting date.

- (c) A legal proceeding relating to a former owner challenging the reserve price for the auction sales of certain properties situated at 44 and 46 Haven Street is still under progress. On 24 March 2009, the Lands Tribunal made a judgement for the former owner to pay 90% of the costs of the Group for the Lands Tribunal proceeding. The former owner seeks to apply to the Lands Tribunal to review the cost order. The former owner also appealed to the Court of Appeal to set aside the cost order and is seeking to adjust upward the reserve price. The Court of Appeal handed down judgment on 28 May 2010 and dismissed the appeal. The former owner now seeks leave to appeal to the Court of Final Appeal, which is to be heard in November 2010. If the cost order is reversed against the Group and the former owner succeeds in the appeal, the Group may have to bear all costs incurred in the Lands Tribunal proceeding and top up the shortfall of the portion of the reserve price payable which amounted to HK\$1,200,000 and HK\$6,190,000 respectively.

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

- (d) Another legal proceeding is related to the review and appeal of the auction sales price of certain properties situated at 48 and 50 Haven Street from its former owners. The Lands Tribunal made a judgement dated 27 March 2009 and as amended on 28 April 2009 for compulsory auction sale of properties under Cap. 545 and also made an order for the former owners to pay 80% of the costs of the Group in the Lands Tribunal proceedings. The auction sale has since been conducted and completed. The former owners apply to the Lands Tribunal to review the cost order but are not challenging the order for compulsory auction sale, the reserve price and their share and entitlement to the proceeds of the sale. The review is fixed to be heard in November 2010. If the cost order is reversed against the Group, the Group would have to bear all costs incurred in the Lands Tribunal and the legal costs and expenses incurred is about HK\$700,000. The former owners have not substantiated their grounds for reversing the cost order. The Directors consider that it would not incur a material outflow of resources as a result of this legal proceeding.

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

During the six months ended 30 June 2010, 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 2009 Annual Report are set out below:

Mr. Chan Kai Nang was appointed as an independent non-executive director of Asian Capital Holdings Limited, a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange (GEM Stock Code: 8295), since 4 June 2010.

Mr. Kwan Kai Cheong resigned as an independent non-executive director of Hutchison Telecommunications International Limited on 26 May 2010.

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 2010.

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 2010 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, 25 August 2010

Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
Turnover		245,154	552,750
Cost of sales		(109,204)	(303,320)
Gross profit		135,950	249,430
Other income	4	1,251	2,326
Administrative expenses		(53,009)	(35,412)
Other operating expenses		(229)	(299)
Gain/(Loss) on disposal of a subsidiary		2,203	(16)
Gain on fair value adjustment on investment properties	9	564,999	584,336
Gain on disposal of an investment property		1,061	—
Gain on disposal of a property held for development		—	18,004
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	664,715	818,369
Finance costs	6	(11,048)	(13,388)
Share of profits less losses of a jointly-controlled entity		(223)	(26)
Profit before income tax		653,444	804,955
Income tax expense	7	(107,962)	(108,789)
Profit for the period		545,482	696,166

Consolidated Statement of Comprehensive Income (Continued)

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000
Other comprehensive income			
	Exchange (loss)/gain on translation of financial statements of foreign operations	(707)	449
	Surplus on revaluation of leasehold building	1,864	2,622
	Deferred tax liabilities arising from asset revaluation reserve of leasehold building	(308)	(433)
Other comprehensive income for the period		849	2,638
Total comprehensive income for the period		546,331	698,804
Profit for the period attributable to:			
	— Owners of the Company	538,675	696,225
	— Non-controlling interests	6,807	(59)
		545,482	696,166
Total comprehensive income attributable to:			
	— Owners of the Company	539,524	698,863
	— Non-controlling interests	6,807	(59)
		546,331	698,804
Earnings per share for profit attributable to the owners of the Company			
	— Basic	8 HK\$2.24	HK\$2.91
	— Diluted	8 HK\$2.20	HK\$2.90

Consolidated Statement of Financial Position

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	8,021,068	7,143,620
Operating lease prepayment		15,675	—
Property, plant and equipment		58,234	54,431
Properties held for development		73,390	52,845
Interests in a jointly-controlled entity		43,619	43,402
Available-for-sale financial assets		10	10
Intangible assets		6,620	6,772
Deposit for property development		—	10,511
Deposit for acquisition of a subsidiary		28,626	—
		8,247,242	7,311,591
Current assets			
Inventories		36,854	37,449
Properties held for sale		56,565	89,102
Properties under development		567,698	489,207
Trade and other receivables	10	97,705	70,760
Available-for-sale financial assets		—	49,666
Deposits paid for acquisition of properties		54,929	7,462
Restricted bank deposit		243,995	—
Cash and cash equivalents	11	195,148	143,811
		1,252,894	887,457
Assets classified as held for sale	12	84,209	—
		1,337,103	887,457

Consolidated Statement of Financial Position (Continued)

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000 (Restated)
Current liabilities			
Trade and other payables	13	203,282	234,315
Deposits received from disposal of properties		277,073	29,475
Current portion of borrowings	14	542,789	399,464
Provision for income tax		28,301	15,491
		1,051,445	678,745
Net current assets		285,658	208,712
Total assets less current liabilities		8,532,900	7,520,303
Non-current liabilities			
Borrowings	14	2,087,307	1,704,269
Deferred tax liabilities	15	966,609	872,267
		3,053,916	2,576,536
Net assets		5,478,984	4,943,767
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	24,043	24,003
Reserves		5,383,646	4,863,176
		5,407,689	4,887,179
Non-controlling interests		71,295	56,588
Total equity		5,478,984	4,943,767

Consolidated Statement of Changes in Equity

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

	Share capital	Share premium	Assets revaluation reserve	Other equity reserve	Employee share-based equity reserve	Retained earnings	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	HK\$'000
At 1 January 2010	24,003	287,498	28,874	-	16,788	4,493,081	11,064	1,848	24,023	4,887,179	56,588	4,943,767
Declared final dividend for 2009	-	-	-	-	-	-	-	-	(24,043)	(24,043)	-	(24,043)
Under-provision of final dividend for 2009	-	-	-	-	-	(20)	-	-	20	-	-	-
Equity-settled share-based payment	-	-	-	-	4,325	-	-	-	-	4,325	-	4,325
Exercise of share options	40	834	-	-	(170)	-	-	-	-	704	-	704
Lapse of share options	-	-	-	-	(113)	113	-	-	-	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	7,900	7,900
Transaction with owners	40	834	-	-	4,042	93	-	-	(24,023)	(19,014)	7,900	(11,114)
Profit for the period	-	-	-	-	-	538,675	-	-	-	538,675	6,807	545,482
Other comprehensive income												
Exchange loss 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	-	-	538,675	(707)	-	-	539,524	6,807	546,331
At 30 June 2010	24,043	288,332	30,430	-	20,830	5,031,849	10,357	1,848	-	5,407,689	71,295	5,478,984

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2009 (unaudited)
Equity attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Assets revaluation reserve HK\$'000	Other equity reserve HK\$'000	Employee share-based	Retained earnings HK\$'000	Exchange reserve HK\$'000	Special reserve HK\$'000	Proposed	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
					equity reserve HK\$'000				final dividend HK\$'000			
At 1 January 2009	23,918	286,789	24,829	–	14,852	3,457,905	13,661	1,848	16,747	3,839,549	33,472	3,873,021
Declared final dividend for 2008	–	–	–	–	–	–	–	–	(16,780)	(16,780)	–	(16,780)
Under-provision of final dividend for 2008	–	–	–	–	–	(33)	–	–	33	–	–	–
Equity-settled share-based payment	–	–	–	–	1,659	–	–	–	–	1,659	–	1,659
Exercise of share options	76	1,543	–	–	(297)	–	–	–	–	1,322	–	1,322
Lapse of share options	–	–	–	–	(486)	486	–	–	–	–	–	–
Transaction with owners	76	1,543	–	–	876	453	–	–	(16,747)	(13,799)	–	(13,799)
Profit for the period	–	–	–	–	–	696,225	–	–	–	696,225	(59)	696,166
Other comprehensive income												
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	449	–	–	449	–	449
Surplus on revaluation of leasehold building	–	–	2,622	–	–	–	–	–	–	2,622	–	2,622
Deferred tax liabilities arising from asset revaluation reserve of leasehold building	–	–	(433)	–	–	–	–	–	–	(433)	–	(433)
Total comprehensive income for the period	–	–	2,189	–	–	696,225	449	–	–	698,863	(59)	698,804
At 30 June 2009	23,994	287,332	27,018	–	15,728	4,154,583	14,110	1,848	–	4,524,613	33,413	4,558,026

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<i>Note</i>		
Net cash (outflow)/inflow from operating activities	(54,258)	430,366
Net cash (outflow)/inflow from investing activities	(405,048)	2,186
Net cash inflow/(outflow) from financing activities	510,924	(325,696)
Increase in cash and cash equivalents	51,618	106,856
Cash and cash equivalents at beginning of period	143,811	131,470
Translation difference	(281)	553
Cash and cash equivalents at end of period	195,148	238,879
<i>11</i>		

Notes to the Interim Financial Statements

For the six months ended 30 June 2010

1. Basis of Preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s annual audited financial statements for the year ended 31 December 2009, 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 in note 2 to these condensed consolidated interim financial statements.

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

2. Adoption of new and revised 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 are relevant to and effective for the Group’s financial statements for the annual financial period beginning on or after 1 January 2010.

HKFRS 3 (Revised 2008)	Business Combinations
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
Various	Annual improvements to HKFRSs 2009

2. Adoption of new and revised HKFRSs (Continued)

Apart from the effects as stated below, the adoption of these new and revised HKFRSs has no significant impact on the Group's annual financial statements for the year ended 31 December 2009.

HKFRS 3 Business Combinations (Revised 2008)

The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interests) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009, but does not have significant impact on the Group's financial statements.

HKAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Group did not have transactions with non-controlling interests in the current period. Therefore, this standard does not have a material effect on this interim financial statements.

2. Adoption of new and revised HKFRSs (Continued)

Annual Improvements to HKFRSs 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group has reassessed the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The lease prepayment was reclassified from operating lease to finance lease. In addition, the amortisation of the operating lease prepayment has been reclassified to depreciation. The effect of the adoption of the amendment on the consolidated statement of financial position at 1 January 2010 is to increase property, plant and equipment by HK\$11,502,000 with a corresponding reduction in operating lease prepayment. The depreciation charge for the six months period ended 30 June 2010 has been increased by HK\$7,000 with a corresponding reduction in the amortisation charge. As the adoption of the amendment applies retrospectively, it has also resulted in an increase in the depreciation charge for the six months period ended 30 June 2009 of HK\$7,000 and a corresponding reduction in the amortisation charge for that period. The consolidated statement of financial position at 31 December 2009 has been restated to reflect the reclassifications.

2. Adoption of new and revised HKFRSs (Continued)

Impact of new and revised HKFRSs that have been issued but are not yet effective in the current interim period

The Group has not early applied the following new and revised HKFRSs relevant to the Group's interim financial statements that have been issued but not yet effective in these financial statements which are effective for periods ending on or after 1 February 2010.

HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Financial Instruments: Presentation: Classification of Right Issues ¹
HKFRS 9	Financial Instruments ⁴
HK(IFRIC) — Int 14 Amendment	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

Notes:

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

3. Segment Information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major business nature which the executive directors are provided with discrete financial information about the different business nature. The Group has identified the following reportable segments.

3. Segment Information (Continued)

Property assembling business	:	Property assembly and trading
Property development	:	Property development and sale of properties
Property leasing	:	Property rental including signage rental
Building management and other services	:	Provision of property management, repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

Each of these operating segments is managed separately as each of these business requires different resources as well as strategies. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

During the six months ended 30 June 2010, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue														
External customers	98,250	423,000	–	–	109,961	98,840	8,987	8,069	27,956	22,841	–	–	245,154	552,750
Inter-segments	–	76,397	59,693	6,191	6,867	3,191	1,092	–	–	–	5,879	–	73,531	65,779
Reportable segment revenue	98,250	499,397	59,693	6,191	116,828	102,031	10,079	8,069	27,956	22,841	5,879	–	318,685	638,529
Reportable segment profit/(loss)	4,299	125,307	(14,189)	5,007	100,046	72,681	4,142	4,011	2,516	1,670	12,023	23,726	108,837	232,402
Reportable segment assets	65,991	43,098	1,097,885	389,675	8,253,907	6,880,194	6,339	7,397	106,574	185,830	10,020	54,387	9,540,716	7,580,581

3. Segment Information (Continued)

The Group's segment operating profit reconciles to the Group's profit before tax as presented in its financial statements as follows:

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Reportable segment profits	108,837	232,402
Net gain on fair value adjustments on investment properties	564,999	584,336
Provision for impairment loss on properties held for development	(2,842)	—
Gain on disposal of an investment property	1,061	—
Gain on disposal of properties held for development	—	18,004
Unallocated income and expenses	(24,874)	(16,357)
Gain/(Loss) on disposal of subsidiaries	2,203	(16)
Gain on disposal of available-for-sale financial assets	15,331	—
Finance costs	(11,048)	(13,388)
Share of profits less losses of a jointly-controlled entity	(223)	(26)
Profit before income tax	653,444	804,955

4. Other Income

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest income	351	324
Miscellaneous income	900	1,959
Write back of provision for impairment of amounts due from associates	—	43
	1,251	2,326

5. Profit from Operations

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (Restated)
Depreciation	1,864	1,785
Staff cost (including directors' remuneration)	27,222	18,045
Amortisation of operating lease prepayment	847	—
Amortisation of intangible assets	222	223
Amortisation of properties held for development	1,364	1,040
Cost of inventories recognised as expenses	14,545	14,218
Operating lease charges in respect of premises	1,643	1,249
Deposits for property acquisition written off	6	70

6. Finance Costs

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest charges on:		
Bank loans		
— wholly repayable within five years	12,895	14,167
— not wholly repayable within five years	2,258	2,923
Other borrowings wholly repayable within five years	767	—
Total borrowing costs	15,920	17,090
Less: Interest capitalised in investment properties and properties under development	(4,872)	(3,702)
	11,048	13,388

7. Income Tax Expense

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong profits tax	13,052	13,869
PRC profits tax	959	220
Deferred tax (<i>note 15</i>)	93,951	94,700
	107,962	108,789

7. Income Tax Expense (Continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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%.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, effective from 1 January 2008. According to the implementation rules dated 26 December 2007, the foreign-invested enterprises are entitled to tax holidays under the old regime, if the enterprises obtained their business licenses before 16 March 2007. In this connection, the above mentioned tax holiday will continue to be applicable to the Group's certain PRC subsidiaries.

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 approximately HK\$538,675,000 (30 June 2009: approximately HK\$696,225,000) and the weighted average of 240,236,345 shares (30 June 2009: 239,374,248 shares) in issue during the six months ended 30 June 2010.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to owners of the Company of HK\$538,675,000 (30 June 2009: HK\$696,225,000) and the weighted average of 244,721,136 shares (30 June 2009: 239,892,305 shares) in issue during the period adjusted for the effect of all dilutive shares.

8. Earnings Per Share (Continued)

The adjusted net profit attributable to owners of the Company for the period is HK\$538,675,000 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.

The weighted average number of shares used in calculation of diluted earnings per share is calculated based on the weighted average of 240,236,345 shares (30 June 2009: 239,374,248 shares) in issue during the period plus the weighted average of 4,484,791 shares (30 June 2009: 518,057 shares) deemed to be issued at no consideration as if all the dilutive potential shares been issued.

9. Investment Properties

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Carrying amount at 1 January	7,143,620	6,083,771
Additions	395,253	79,527
Disposals	(1,450)	—
Net transfer from properties held for sale	—	8,775
Net gain on fair value adjustments	565,000	964,377
Interest capitalised in investment properties under construction	2,854	7,170
Transfer to assets classified as held for sale (<i>note 12</i>)	(84,209)	—
Carrying amount at 30 June/31 December	8,021,068	7,143,620

9. Investment Properties (Continued)

The investment properties of the Group were revalued at 30 June 2010 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.

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Held on lease over 50 years	7,981,448	7,110,790
Held on lease from 10 to 50 years	39,620	32,830
	8,021,068	7,143,620

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

10. Trade and Other Receivables

As at the reporting date, trade receivables included in trade and other receivables were approximately HK\$77,540,000 (31 December 2009: approximately HK\$59,460,000). 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
30 days or below	62,320	35,974
31 – 90 days	5,775	3,702
91 – 180 days	2,954	1,579
Over 180 days	6,491	18,205
Total trade receivables	77,540	59,460

11. Cash and Cash Equivalents

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Bank and cash balances	195,148	109,313
Short-term bank deposits	—	34,498
	195,148	143,811

For the year ended 31 December 2009, the effective interest rate of short-term bank deposit was ranged from 1.35% to 1.98% per annum. The deposit had maturity period for 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\$147,614,000 (31 December 2009: HK\$85,575,000) of bank balances denominated in Renminbi placed with banks in the PRC.

12. Assets Classified as Held for Sale

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Assets classified as held for sale:		
Investment properties (<i>note 9</i>)	84,209	—

13. Trade and Other Payables

As at the reporting date, trade payables included in trade and other payables were approximately HK\$38,573,000 (31 December 2009: approximately HK\$47,916,000). 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
30 days or below	18,594	30,847
31 — 90 days	2,560	3,232
Over 90 days	17,419	13,837
Total trade payables	38,573	47,916

14. Borrowings

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Non-current		
Bank loans — secured	2,087,307	1,704,269
Current		
Bank loans — secured	499,948	399,464
Other loans	42,841	—
	542,789	399,464
Total	2,630,096	2,103,733

As at 30 June 2010, the maturity analysis of the Group's borrowings is stated as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Secured bank loans repayable		
Within one year	499,948	399,464
After one year, but within two years	995,393	238,957
After two years, but within five years	962,614	1,317,512
After five years	129,300	147,800
	2,587,255	2,103,733
Other unsecured loans repayable		
Within one year	42,841	—
Total	2,630,096	2,103,733

15. Deferred Tax Liabilities

The movement on the deferred tax liabilities is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
At 1 January	872,267	714,700
Deferred tax charged to:		
— Profit or loss (<i>note 7</i>)	93,951	156,708
— Asset revaluation reserve	308	799
Translation difference	83	60
At 30 June/31 December	966,609	872,267

The balance as at 30 June 2010 includes deferred tax liabilities of approximately HK\$920,003,000 (31 December 2009: HK\$829,129,000) in respect of revaluation of the Group's investment properties in Hong Kong amounting to HK\$8,021,068,000 (31 December 2009: HK\$7,143,620,000).

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Authorized:		
5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
	Number of Shares	Nominal value HK\$'000
Issued and fully paid:		
As at 1 January 2010	240,034,135	24,003
Exercise of share options	400,000	40
As at 30 June 2010	240,434,135	24,043

17. 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 2009 and expiring on 30 April 2010 at the monthly rental of HK\$80,000. The lease was renewed for one year from 1 May 2010 to 30 April 2011 at the same monthly rental of HK\$80,000. Total rental paid for the six months ended 30 June 2010 amounted to HK\$480,000 (30 June 2009: 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 2009 and expiring on 31 August 2010 at the monthly rental of HK\$45,000. Total rental paid for the six months ended 30 June 2010 amounted to HK\$270,000 (30 June 2009: Nil).
- (c) A wholly owned subsidiary of the Group entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a property situated at Guangzhou, PRC for office purpose for a period of 2 years commencing from 1 January 2009 and expiring on 31 December 2010 at monthly rental and management charge at RMB43,794 and RMB13,138 respectively. The parties subsequently agreed to early end and terminate the tenancy on 31 March 2010. With effect from 1 April 2010, another subsidiary of the Company entered into a tenancy agreement with that related company for leasing of that property for a period of three months commencing from 1 April 2010 and expiring on 30 June 2010 at the same rental and management charge. The total rental and management charges paid for the six months ended 30 June 2010 amounted to HK\$389,467 (30 June 2009: HK\$388,398).
- (d) Another wholly owned subsidiary of the Group entered into a tenancy agreement with the related company mentioned in above paragraph (c), 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 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\$315,098 (30 June 2009: Nil).

17. Related Party Transactions (Continued)

- (e) Since 16 April 2008, a related company in which the Chairman and an executive director of the Company have interests, has agreed to make available to a wholly owned subsidiary of the Group an unsecured revolving credit facility up to a maximum total principal amount of HK\$100,000,000. As at 30 June 2010, approximately HK\$42,841,000 (31 December 2009: Nil) 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 2011.

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:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	176,064	179,310
In the second to fifth years inclusive	138,109	221,598
	314,173	400,908

19. Commitments

(a) Operating lease commitments

As at 30 June 2010, the Group had total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	1,838	7,309
In the second to fifth years inclusive	—	45
	1,838	7,354

(b) Capital commitments

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Contracted but not provided for:		
— Construction cost of property development	109,243	59,280
— Acquisition of properties	251,777	17,100
— Capital contribution to PRC subsidiaries of urban infrastructure business	13,600	13,600
— Capital contribution to PRC subsidiaries of property development business	13,834	28,289
	388,454	118,269

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

20. 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 interim financial statements of the Group amounted to HK\$5,415,000 (31 December 2009: HK\$5,903,000).
- (b) In September 2009, the Group commenced legal proceedings HCA1902/2009 against a joint venturer 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 August 2010. It may still take quite a time before the case is to be set down for full trial. According to the legal advice, it is beyond controversy that the Group did spend substantial expenses for construction and improvement of the subject land development, to the knowledge of the relevant individuals claiming to be the owners of the pieces of land. As such, it would be difficult to argue that the Group should have no proprietary interests in the subject land development. At this preliminary stage, the management is of the opinion that it is not necessary to make any provisions for impairment against the outstanding balance as at the reporting date.

20 . Contingent Liabilities (Continued)

- (c) A legal proceeding relating to a former owner challenging the reserve price for the auction sales of certain properties situated at 44 and 46 Haven Street is still under progress. On 24 March 2009, the Lands Tribunal made a judgement for the former owner to pay 90% of the costs of the Group for the Lands Tribunal proceeding. The former owner seeks to apply to the Lands Tribunal to review the cost order. The former owner also appealed to the Court of Appeal to set aside the cost order and is seeking to adjust upward the reserve price. The Court of Appeal handed down judgment on 28 May 2010 and dismissed the appeal. The former owner now seeks leave to appeal to the Court of Final Appeal, which is to be heard in November 2010. If the cost order is reversed against the Group and the former owner succeeds in the appeal, the Group may have to bear all costs incurred in the Lands Tribunal proceeding and top up the shortfall of the portion of the reserve price payable which amounted to HK\$1,200,000 and HK\$6,190,000 respectively.

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

- (d) Another legal proceeding is related to the review and appeal of the auction sales price of certain properties situated at 48 and 50 Haven Street from its former owners. The Lands Tribunal made a judgement dated 27 March 2009 and as amended on 28 April 2009 for compulsory auction sale of properties under Cap. 545 and also made an order for the former owners to pay 80% of the costs of the Group in the Lands Tribunal proceedings. The auction sale has since been conducted and completed. The former owners apply to the Lands Tribunal to review the cost order but are not challenging the order for compulsory auction sale, the reserve price and their share and entitlement to the proceeds of the sale. The review is fixed to be heard in November 2010. If the cost order is reversed against the Group, the Group would have to bear all costs incurred in the Lands Tribunal and the legal costs and expenses incurred is about HK\$700,000. The former owners have not substantiated their grounds for reversing the cost order. The Directors consider that it would not incur a material outflow of resources as a result of this legal proceeding.



金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED

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STOCK CODE 股份代號 878