

INTERIM REPORT
2013

中期報告

遠見卓識 攻守兼備

From Vision to reality
Succeed with assurance



金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED

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

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Corporate Information

DIRECTORS

Executive Directors:

FOO Kam Chu, Grace, *Chairman*

CHAN Wai Ling

KONG Siu Man, Kenny

Independent Non-Executive Directors:

CHAN Kai Nang

PAO Ping Wing

NG Chi Keung

AUDITOR

BDO Limited

Certified Public Accountants

LEGAL ADVISORS

Lo, Wong & Tsui

Conyers Dill & Pearman

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21st Floor, 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

26 Burnaby Street

Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

26/F Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

SHARE INFORMATION

Place of Listing

The Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE

878

BOARD LOT

2,000 shares

WEBSITE

www.soundwill.com.hk

INVESTOR RELATIONS

E-mail: sw.ir@soundwill.com.hk

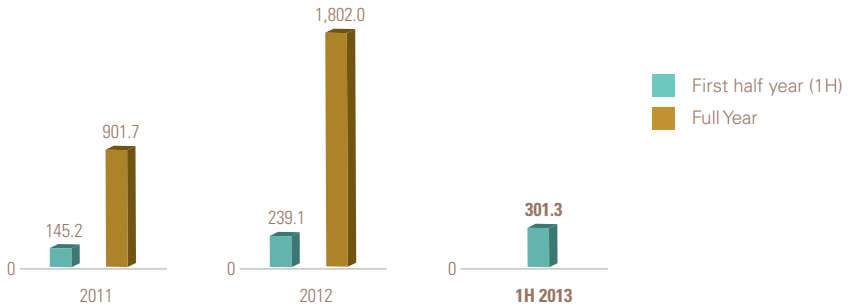
Financial Highlights

	Six months ended 30 June	
	2013 (Unaudited) HK\$ million	2012 (Unaudited) HK\$ million
Turnover	301.3	239.1
Operating profit excluding net gain on fair value adjustments	69.1	115.3
Net gain on fair value adjustments on investment properties	106.4	1,186.2
Profit attributable to owners of the Company	134.0	1,253.5
Basic earnings per share (dollars)	HK\$0.48	HK\$4.70
	At 30 June 2013 (Unaudited) HK\$ million	At 31 December 2012 (Audited) HK\$ million
Total assets	19,603.2	17,900.7
Net assets	13,918.0	13,802.2
Total borrowings	3,772.3	2,993.5
Gearing ratio	27%	22%
Net asset value per share (dollars)	HK\$49.6	HK\$49.1

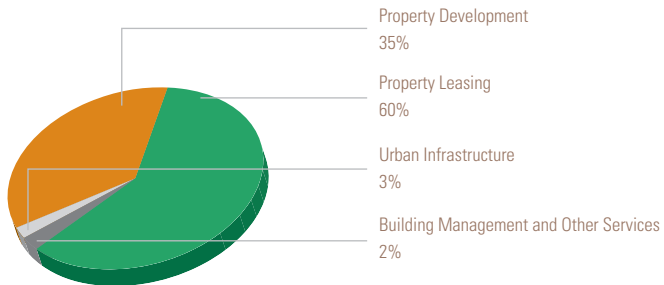
Financial Highlights

GROUP'S TOTAL REVENUE

HK\$ million

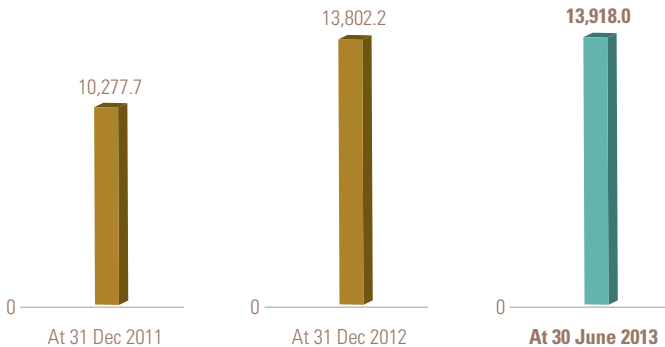


GROUP'S REVENUE MIX FOR THE SIX MONTHS ENDED 30 JUNE 2013



GROUP'S NET ASSET VALUE

HK\$ million



Management Discussion and Analysis

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 2013. The consolidated statement of comprehensive income and condensed consolidated cash flow statement for the six months ended 30 June 2013 and the consolidated statement of financial position as at 30 June 2013 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 25 to 50 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The global economy has shown signs of improvement in the first half of 2013, driven by a number of favourable factors such as the revival of the US job and real estate markets, the maintenance of monetary easing initiatives, and the persistence of low interest rates by major central banks, and so on. Against this background, the lingering but intensifying Eurozone debt troubles and the possible gradual weakening of the current monetary easing measures remain as major and significant risks to the market.

The SAR government had previously implemented two rounds of market-cooling measures to curb home-buying demand from non-local individuals, corporate buyers and investors. However, the underlying fundamental demand for Hong Kong residential property remains relatively robust, primarily as a result of the sustained rise in salaries and the relatively reasonable mortgage-to-income ratios. Such positive factors have supported the market’s sustainability. In April 2013, the “Residential Properties (First-hand Sales) Ordinance” came into effect. Whilst this ordinance has, to a large extent, slowed down the pace of new property launches and offer of property projects by developers, it was warmly welcomed by the market and also helped to enhance the transparency of market information. The latter would in turn give fresh impetus to the development of the local real estate market in the long run.

Meanwhile, extending the pre-sale period of uncompleted residential properties from the existing term of 20 months to 30 months in June this year was an important step taken by the SAR government to increase residential units supply, as it continued to seek ways to increase land supply in an attempt to stabilise the pipeline of residential units. This has in turn accelerated the supply of uncompleted residential flats, and opened ample business opportunities for developers with sophisticated business expertise and strong financial strength to grasp.

Management Discussion and Analysis

With the replenishment of land reserves in a prudent, well-disciplined manner, as well as achieving smooth progress of various projects as scheduled, we are confident in effectively executing a more flexible strategy for the launch and offer of projects in the near term as appropriate.

At the start of the year, we commenced the pre-sale of “THE SHARP”, a brand new complex commercial project that is situated in the prime “Golden Triangle” retail area of Causeway Bay. All 29 units available for sale under the project were sold out within the day of launch on 3 January 2013 at an average selling price of HK\$33,576 per square foot (calculated on the basis of total gross floor area). And the highest selling price achieved in the project is a remarkable HK\$48,100 per square foot (calculated on the basis of total gross floor area) recorded by the only one skyline penthouse unit. The massive sales proceeds for this project realised was over HK\$1.50 billion. “THE SHARP” is a development that met with notable success and is a testament to our effective strategy in capturing the huge market demand for prime properties. It is also a recognition of our well-respected brand image and superb project quality.

Moreover, with the anticipated completion of another project of the Group Soundwill Plaza II – MIDTOWN by the end of this year, together with Soundwill Plaza, and No. 10 Knutsford Terrace, Tsim Sha Tsui, the Group will be able to provide the market with approximately 550,400 square feet of commercial leasing. As such, the Group is poised to further extend its sources of rental income.

Looking ahead, the Group will continue to monitor market developments whilst embracing a prudent-yet-proactive approach on the management of its property portfolio and investment strategies. We will also adopt a balanced sales tactic to capture optimal investment opportunities to sell our property developments, in an effort to yield the biggest benefits for the Group.

Management Discussion and Analysis

Property Assembly Business

To capture business opportunities in the local market and to reinforce its market presence, the Group has actively participated in urban redevelopment projects. The Group will also look for locations with strong potential, so as to increase its land bank at a reasonable cost and reserve projects with higher appreciation potential for our own development purposes. This strategy will allow the Group to fully utilize its land resources and ultimately enhance profitability and opportunities in the long term. The Group's efforts in redeveloping old buildings in urban areas have started to bear fruit, paving the way for greater earnings growth in the years ahead. Part of the profits from this business segment will be reflected in property development business segment.

To secure a steady land supply in urban areas for the future development, the Group actively engages in the acquisition of old buildings in urban areas for redevelopment purposes. The strategy adopted by the Group in respect of the acquisition of old buildings in urban areas for redevelopment purpose is intended to align with the policies of the government, and to achieve a balance between the sustainable development of the community and the preservation of the environment. Through urban renewal, we can replace with the worsening dilapidation conditions of old buildings by building better living places with a more pleasing environment, and can also provide property owners with a chance to realise their old flats at higher prices so that they can buy new ones to improve their living conditions accordingly.

The newly imposed Buyer's Stamp Duty (BSD) policy enacted by the government to cool speculation in the property market has, to a certain extent, affected the Group's property assembly and old building acquisition business. Nevertheless, the Group will continue to source quality land sites for acquisition in the long run to maintain a consistent acquisition and development strategy.

At the beginning of the year, the Group further expanded its land bank with the acquisition of No. 12-24 Lun Fat Street, Wan Chai (over 90% ownership). The site covers a gross floor area of approximately 7,000 square feet. It is a 8-storey building, comprising of 51 residential units and 7 street-level retail shops. Based on a 8 time plot ratio, the site can be redeveloped into a residential project with a gross floor area of over 56,000 square feet. Located in the prime commercial area of Wan Chai, the project is just a few minutes' walk away from the nearest MTR station and the financial and commercial hub of Admiralty. The site is therefore located in a district that is a popular residential choice for business elites and expatriates with keen demand for new and quality properties. Such demand highlights the area's rental and investment prospects. Moreover, as indicated by the market, new boutique luxury residential properties in the area have been warmly-received by investors. The Group is currently rigorously planning and conducting research on the project, with a vision to create an iconic development that will improve and optimize the surrounding environment.

Management Discussion and Analysis

Property leasing

For the six months ended 30 June 2013, the property leasing business segment registered a turnover of HK\$180,188,000, representing 60% of the turnover of the Group for the period.

Sustained tourist numbers to Hong Kong continued to drive the growth of Hong Kong's retail industry. We believe the relatively robust consumer spending will continue to provide a solid foundation to grow our property leasing business. By upholding a balanced sales and leasing strategy, the Group is confident in achieving a solid business growth with our portfolio of high-quality investment properties.

The continued growth in the retail sector has fuelled a solid rebound in the retail leasing market. During the period under review, Soundwill Plaza, our flagship property located in Russell Street, Causeway Bay, was highly-pursued and well-received by local consumers and tourists. This is testimonial to the development's encouraging leasing performance, with a high occupancy level and surge in rental prices during the period. As a result, the Group's rental income has hit an all-time high, becoming one of the most stable streams of income for the Group. Furthermore, the superstructure works for the Group's latest commercial project in 1-29 Tang Lung Street, Causeway Bay, Soundwill Plaza II – Midtown is progressing well. The project site area is approximately 12,500 square feet, and will provide us with approximately 217,000 square feet for commercial leasing. The site is expected to be developed into a complex commercial project that integrates retail, dining and office spaces into one. The development will definitely become a destination of choice that enables sizeable prestigious businesses and top-notch restaurants to carve out their niche in the heart of Causeway Bay. With the anticipated completion of the project in the third quarter of the current year, the project is set to become spotlight leisure and shopping mall in Hong Kong. This will enable us to extend the reach of our leasing business in Hong Kong in a well-diversified and a scalable manner.

The Group has also enriched its property leasing portfolio in Hong Kong with the acquisition of No. 10 Knutsford Terrace, Tsim Sha Tsui on 28 February 2013. The improvement works are currently underway, and will offer customers the best business environment. We remain committed to the development of properties of premium quality and the delivery of service excellence. We will also constantly renovate and upgrade our properties, in order for us to build up and maintain long-term relationships with tenants. Thanks to the Group's unswerving efforts in this aspect, each of our properties has become a preferred choice for business expansion or relocation among tenants.

Leveraging on the prime locations our development properties coupled with a high-quality tenant mix, the Group's sources of rental income (including contributions from investment properties to be completed) will be enhanced significantly, thus generating considerable recurring income for the Group.

Management Discussion and Analysis

Property development

The underlying demand for Hong Kong residential properties, in particular small and medium-sized units, has remained resilient. To capture this demand, the Group has selected portions of its land bank to be developed as boutique residences. With a prime location and excellent design, the success of our developments has highlighted the Group's transformation into one of Hong Kong's leading property developers with prestigious brand. The Group will continue to seek for opportunities to increase its land reserves, to prudently grow its property development business and to timely launch new projects for sales in accordance with established plans, so as to yield prominent returns for our shareholders.

As mentioned above, multiple rounds of stringent measures were put forward by the government to dampen surging property prices. These measures have inevitably slowed down the pace of our property sales, and brought forth a myriad of challenges to our business operations. In response to this, our management team took great steps in adjusting our sales strategy in a timely, appropriate and flexible fashion. With our well-established brand name, we are confident in achieving a sustainable sales performance in the coming years.

The value of our properties is buoyed by the Group's extensive development experience and our unwavering dedication in developing quality projects for our customers. Our projects are carefully planned and executed to deliver the best living conditions for our customers, which are typically well-connected by transportation networks and adjacent to various recreational facilities.

In respect of property sales, the Group's spotlight residential development, Park Haven, was launched for pre-sale in April 2012. Located at 38 Haven Street, the project provides 190 residential units, with a saleable gross floor area of approximately 131,000 squares in gross floor area. The area of standard units range from approximately 510 to 1,154 square feet and the number of bedrooms varies from 1 to 3. Four specialty units of distinguishing features are also available to cater for the needs of different buyers. The project is expected to be completed by the first quarter of 2014. As of today, 179 residential units were pre-sold at an average selling price of approximately HK\$28,000 per square foot (calculated on the basis of saleable area), generating spectacular sales proceeds of approximately HK\$2.46 billion. The encouraging performance was in line with our sales target.

Management Discussion and Analysis

The Group's landmark luxury property development, WarrenWoods at 23 Warren Street, Tai Hang was completed on schedule. The development comprises 163 residential units of multi-dimensional designs and a total of 162 units have been sold since its roll-out, generating proceeds of approximately HK\$1.212 billion, providing lucrative profits for the Group. To provide our tenants with a quality and prestigious living environment, the Group has placed a lot of thought in the design of the property clubhouse facilities and surrounding open spaces. Apart from indoor and outdoor swimming pools, the development also offers a diverse variety of recreational facilities and a chic luxury clubhouse suitable for various activities use. Also, the project is furnished with a podium garden and open-air leisure spaces, enabling residents to enjoy a relaxing lifestyle.

Furthermore, we have commenced the construction works for "THE SHARP", a new commercial project located at 11-13 Sharp Street East and 1-1A Yiu Wa Street, Causeway Bay. The site is expected to be developed into a complex commercial project that integrates retail and office spaces into one. Located directly across from Times Square, the street-level retail shops under the development will definitely become a preferred location for flagship stores of international brands. With a prime location within the "Golden Triangle" retail area and surrounded by eminent retail landmarks such as Times Square, the development is a rare and geographically unique commercial development. "THE SHARP" has immediately garnered overwhelmingly positive market response since its official launch. It is anticipated to be completed in the third quarter of 2015.

In tune with the impressive sales performance and astounding selling prices of the above projects, customers have casted a vote of strong confidence in the splendid quality of our products and services.

Our adherence to time-to-market principles and to the launch of our property projects in a timely manner will be effective in increasing the cash flow of the Group. We will also bolster our revenue potential by seeking high-quality land and identifying a flurry of opportunities for new development projects, thereby bringing benefits for us at the greatest extent and for the longest length of time.

Property Management

For the six months ended 30 June 2013, the property management business segment posted a turnover of approximately HK\$7,504,000, accounting for 2% of the Group's turnover for the period.

Management Discussion and Analysis

The Group's property management and maintenance subsidiaries is engaged in the provision of management and maintenance services for the properties and facilities of large-scale commercial buildings, as well as small and medium-sized estates. These subsidiaries are highly experienced in the provision of quality services to owners and tenants. The property management team is committed in promoting energy conservation and carbon reduction through the use of energy-saving measures, the management of indoor environmental quality as well as the reduction of wastes.

Furthermore, the Group pioneered and introduced "The Concierge French-style Hotel Management Services" to the property management of Park Haven, the luxury residential project launched for pre-sale in the previous year. The service provides a wide range of French-style management services, including concierge services, dining and catering services, household maintenance services, laundry and dry cleaning arrangement services as well as home and car cleaning referral services. Through the provision of caring and comprehensive personal services, we aim to create an environment for tenants to enjoy a high quality lifestyle.

Business in the Mainland China

Urban Infrastructure Development

For the six months ended 30 June 2013, this business segment recorded a turnover of approximately HK\$7,563,000, accounting for 3% of the Group's turnover for the period.

Soundwill Infrastructure Limited is engaged in the provision of underground telecommunication pipeline and wireless communication base station construction services in a number of cities in the PRC, including Nanchang, Xi'an, Jingdezhen, Yuxi and Liuzhou. It has established collaborative relationships with local governments in respect of project developments and the laying of cable networks, which are predominately used for the transmission of information and data for clients and other telecommunications and commercial purposes. Key clients include telecommunication operators such as China Mobile, China Telecom and China Unicom.

Real Estate Development

For the six months ended 30 June 2013, this business segment recorded a turnover of approximately HK\$105,996,000, accounting for 35% of the Group's turnover for the period.

Management Discussion and Analysis

The Group's unswerving effort in developing high-quality residential projects in the Mainland over the years is paying off, as shown by our remarkable track record. The market atmosphere and local consumer sentiment will still be affected by the volatility of the macro-economic environment. However, thanks to its experience and financial strength, the Group is well-placed to meet the challenges that may result from the uncertainties in the market. In the medium to long term, the increasing urbanization in the Mainland will result in stronger consumption power, which will flourish the long-term development of the real estate market in the Mainland and in turn be beneficial to the Group.

The Group is currently developing a number of real estate projects across various cities of Guangdong Province and Fujian Province in the PRC. In spite of the impact from tough macro-control measures, a number of projects launched and sold by the Group in the Mainland received much popularity and praise from the market. This is attributable to the Group's unparalleled attention to every detail of the project, including branding, quality and ancillary facilities.

Corporate Citizen

The Group remains firmly to pursue excellence in all its business operations and social responsibilities, which it believes an integral and guiding element of its corporate culture. The stream of international accolades received by the Group in 2013 is a testament to the efforts made by the Group not only as an excellent corporate citizen but also an outstanding industry leader. The whole team continues to be honoured, energized and encouraged by these awards, which were made by a broad spectrum of professional and media bodies.

BCI Asia Awards 2013 – Top 10 Developers Award (Hong Kong)

The Group was honored to receive a "Top 10 Developers Award (Hong Kong)" in the "BCI Asia Awards 2013" held in June. BCI Group is the region's leading construction media group, providing the latest information about the building and construction industry. The "BCI Asia Awards" are held in seven different Asian territories including Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. In each country, BCI selects winners for the "Top 10 Developers Awards" and "Top 10 Architects Awards" by conducting more than a quarter of a million interviews with architects, developers, consultants and contractors working on significant projects in the Asia Pacific.

Management Discussion and Analysis

The Group believes that a better and more harmonious community can be created at different facets. Apart from positively participating in 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. In addition to the enhancement of building designs, construction materials and property management quality, the Group also takes into account the positive effects and benefit of the development on the community. The Group is also devoted to implementing improvement works to enhance the community environment. These efforts have improved the living environment, which is in turn beneficial to the living standards of the residents within the community.

Soundwill Group organized the “Happy Easter Happy Growth – SOUNDWILL × Chocolate Rain” Exhibition in April this year with participation of Miss Prudence Mak, the founder and designer of Chocolate Rain, a well-renowned original brand in Hong Kong. With this event, we played an active role in promoting local art and supporting its development. The event offered visitors a chance to revisit the history and transformation of Hong Kong with Fatina, the central character of Chocolate Rain.

Besides, being in line with our firm belief in giving to and caring about the communities, we actively took part in the Little Sprouts Storytelling Activity of the “Story Family Fun” Neighbourhood Development Plan, hosted by the Hong Kong Outlying Islands Women’s Association during the year. Through this event, stories were shared with children living in Tung Chung district. Soundwill Volunteer Team instills and spreads the spirit of love and care among school children by sharing stories and playing games with them.

Also, recognizing the very essence of environmental conservation in office spaces, the Group has been using environmentally-friendly and energy-saving lighting systems in its commercial buildings, and has also been launching paper reuse, paper recycle and sorting campaigns, in order to provide our staff with a working environment where energy can be saved at our all-out efforts. A couple of companies and property projects under the Group were granted a number of awards, in recognition of the Group’s dedication and diligence in fulfilling its social responsibility and in contributing to the society as a social corporate over the years.

Management Discussion and Analysis

Communication with Shareholders and Investors/Investor Relationship

The Group believes that effective communication with shareholders is a crucial key of improving investor relations and will ultimately assist the investment community in understanding the Company business performance and strategies. The Group hence strives to promote continuous dialogues with our shareholders and investors via different communication channels, including interviews, telephone conferences, overseas road shows and project site visits. The 2012 Annual General Meeting was held in May 2013. The Group proactively stays in touch with the press through press releases, announcements and other promotional materials, as well as briefings and media interviews for its results announcements. The Group is also committed to enhancing corporate transparency and provides timely disclosure of information on the Group's developments to help shareholders and investors make investment decisions.

The Group is devoted to enhancing corporate governance practice on business growth and strives to attain a balance between corporate governance requirements and performance. The Board of Directors believes that sound corporate governance is essential to the success of the Company and will enhance shareholders' value.

Financial review

For the six months ended 30 June 2013, the Group has recorded a turnover of HK\$301,251,000 (30 June 2012: HK\$239,102,000), representing an increase of 26% as compared with the same period last year. The increase in turnover was mainly attributable to the property leasing in the Hong Kong and the property development projects in PRC.

Net profit attributable to owners of the Company was HK\$133,982,000 (30 June 2012: HK\$1,253,457,000), representing a decrease of HK\$1,119,475,000 as compared with the corresponding period in 2012, mainly due to slowdown in growth of fair value adjustments on the Group's investment properties portfolio.

If the gain in fair value adjustments on investment properties were to be excluded, the Group's net profit attributable to owners of the Company would be HK\$27,631,000 (30 June 2012: HK\$67,303,000).

Management Discussion and Analysis

The total interest expenses for the six months ended 30 June 2013 amounted to HK\$27,612,000 (30 June 2012: HK\$25,074,000) representing an increase of HK\$2,538,000, mainly due to increase in average borrowing rate.

The Company's basic earnings per share was HK\$0.48 as compared with the same period of last year of HK\$4.70.

Prospects

The Hong Kong economy will continue to face challenges in the second half of the year due to external factors and the on-going effect of cooling measures on the property market materializes. However, the market demand for residential properties will remain vibrant and we expect that property prices to remain at a stable level, albeit property trading volume may be more severely affected by different policy measures.

Despite turbulence in the economic landscape around the globe, riding on the effective execution of key strategic initiatives, the Group is confident in achieving sustainable business growth for its shareholders. We will lay down our long-term development plans in a cautious manner whilst generating steady and considerable returns from the leasing of our properties and seize new investment opportunities that may arise in the real estate market.

In addition, the Group will continue to seek opportunities to increase its land reserves and will strive to accelerate the asset turnover of its new property projects. Also, we will promptly keep ourselves abreast of the ever-changing market, so that we can make well-informed investment decisions. We will draw up a long-term business strategy to enhance our competitive edges, while implement effective risk management strategies to mitigate any negative impacts that may arise from the uncertainties in the market.

Looking ahead, we will work hard to reach new horizons at all levels of our business operations, while stepping up efforts to adhere to a high standard of management, planning, execution and corporate governance. All these endeavours will help us achieve our growth targets, so that we can bear more fruitful results and attain more prominent returns for our shareholders.

INTERIM DIVIDEND

The Directors do not recommend interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

Management Discussion and Analysis

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2013, the Group cash and cash equivalents amounted to HK\$534,967,000 (31 December 2012: HK\$615,421,000). The Group has received pre-sale proceeds of approximately HK\$476,493,000 and HK\$308,288,000 from the buyers of two development projects, Park Haven and The Sharp in the first half of 2013 respectively. Up to 30 June 2013, the accumulated amount received from these two projects were HK\$1,191,239,000. Part of the proceeds was applied for repayment of bank borrowing.

The Group's total borrowings as at 30 June 2013 were HK\$3,772,363,000 (31 December 2012: HK\$2,993,501,000). The Group's gearing ratio, (which was expressed as a percentage of total borrowings over total equity) was 27% as at 30 June 2013 (31 December 2012: 22%).

As at 30 June 2013, the Group's net assets amounted to HK\$13,918,016,000 (31 December 2012: HK\$13,802,206,000), representing an increase of HK\$115,810,000. With the total number of ordinary shares in issue of 280,824,135 as at 30 June 2013 (31 December 2012: 280,764,135 shares), the net asset value per share was HK\$49.6 (31 December 2012: HK\$49.1).

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.

Management Discussion and Analysis

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 2013.

ACQUISITION OF SIGNIFICANT INVESTMENT PROPERTY

The Group successfully acquired a property located in No. 10 Knutsford Terrace, Tsim Sha Tsui for a consideration of HK\$895,000,000. The sales transaction was completed on 28 February 2013 and will further enhance the Group's overall leasing and investment portfolio in Hong Kong. With a site area of approximately 7,250 square feet, the acquired property is a 23-storey commercial complex with an aggregate gross floor area of approximately 87,000 square feet (based on a 12 times plot ratio).

EMPLOYEES

There was no material change regarding the number of the employees of the Group since the publication of the Company's 2012 annual report.

PLEDGE OF ASSETS

As at 30 June 2013, certain investment properties, property, plant and equipment, and properties under development of the Group with a total carrying value of approximately HK\$14,974,231,000 (31 December 2012: approximately HK\$13,474,443,000) were pledged to secure banking facilities for the Group.

Management Discussion and Analysis

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

(a) Directors' interests in the Company

As at 30 June 2013, 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	192,702,028 ^(Note)	68.62
	Beneficial owner	96,602	0.03
Kong Siu Man, Kenny	Beneficial owner	102,000	0.04

Note: These 192,702,028 shares represented the aggregate of:-

- (i) 190,272,028 shares held by Ko Bee Limited, a company-wholly owned by Madam Foo Kam Chu, Grace;
- (ii) 2,386,000 shares held by Full Match Limited, a company-wholly owned by Madam Foo Kam Chu, Grace; and
- (iii) 44,000 shares held by Opulent Sky Limited, in which Madam Foo Kam Chu, Grace has 50% interest.

Management Discussion and Analysis

- (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	550,000	6/12/2012 to 5/12/2015	1.00	8.71
		316,000	3/1/2014 to 2/1/2017	1.00	15.76
Chan Wai Ling	Beneficial owner	2,000,000	6/12/2012 to 5/12/2015	1.00	8.71
		2,000,000	3/1/2014 to 2/1/2017	1.00	15.76
Kong Siu Man, Kenny	Beneficial owner	300,000	6/12/2012 to 5/12/2015	1.00	8.71
		250,000	3/1/2014 to 2/1/2017	1.00	15.76

(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
Foo Kam Chu, Grace	Full Match Limited	Beneficial owner	1 ordinary share	100
Foo Kam Chu, Grace	Opulent Sky Limited	Beneficial owner	1 ordinary share	50

Save as disclosed above, as at 30 June 2013, 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.

Management Discussion and Analysis

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:

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 2013
						As at 1 January 2013	Granted during the 6 months ended 30 June 2013	(Exercised)/ (lapsed)* during the 6 months ended 30 June 2013	
Directors									
Foo Kam Chu, Grace	6/12/2011	8.60	8.71	N/A	6/12/2012 to 5/12/2015	550,000	-	-	550,000
	3/1/2013	15.76	15.76	N/A	3/1/2014 to 2/1/2017	-	316,000	-	316,000
Chan Wai Ling	6/12/2011	8.60	8.71	N/A	6/12/2012 to 5/12/2015	2,000,000	-	-	2,000,000
	3/1/2013	15.76	15.76	N/A	3/1/2014 to 2/1/2017	-	2,000,000	-	2,000,000
Kong Siu Man, Kenny	6/12/2011	8.60	8.71	N/A	6/12/2012 to 5/12/2015	300,000	-	-	300,000
	3/1/2013	15.76	15.76	N/A	3/1/2014 to 2/1/2017	-	250,000	-	250,000
Lau Kam Kwok, Dickson (resigned on 25/5/2013)	6/12/2011	8.60	8.71	21.05	6/12/2012 to 5/12/2015	120,000	-	(60,000)/ (60,000)*	-
	3/1/2013	15.76	15.76	N/A	3/1/2014 to 2/1/2017	-	100,000	(100,000)*	-
Other employees									
	6/12/2011	8.60	8.71	N/A	6/12/2012 to 5/12/2015	2,580,000	-	-	2,580,000
	3/1/2013	15.76	15.76	N/A	3/1/2014 to 2/1/2017	-	2,530,000	-	2,530,000
						5,550,000	5,196,000	(220,000)	10,526,000

*Note: The share options were lapsed by reason of director's resignation.

5,560,000 and 5,196,000 share options were granted on 6 December 2011 and 3 January 2013 (the "Grant Date") respectively, under 2011 Share Option Scheme and the vesting schedule of the share options granted is as follows:

Management Discussion and Analysis

- (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.

The 2011 Share Option Scheme was adopted pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 19 May 2011.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2013, 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 2013, the person other than a Director or chief executive of the Company who has an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long positions in shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	190,272,028	67.75

Save as disclosed above as at 30 June 2013, 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.

Management Discussion and Analysis

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\$6,456,000 (31 December 2012: HK\$5,439,000).
- (b) Since the Group commenced legal proceedings HCA 1902/2009 (“the Action”) 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 Action has been stayed pending the outcome of the proceedings in HCMP 1760/2009 which concerns the same subject matter. The Group has filed a re-amended statement of claim in December 2012 in HCMP 1760/2009 and the exchange of pleadings have been closed in or about April 2013. The case has come to the stage of discovery of documents and thereafter it will proceed to the mutual exchange of factual witnesses’ statements. The trial date is yet to be fixed by court.

In view of the Group’s legal adviser unable to assess the likely outcome, provision for impairment on amount due from the jointly-controlled entity and provision for legal costs which amount to HK\$15,565,000 and HK\$4,200,000 were made respectively in the year of 2012.

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

During the six months ended 30 June 2013, 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 resigned as Executive Director and Financial Controller and ceased to be authorized representative of the Company on 25 May 2013.
- (b) Mr. Pao Ping Wing, Independent Non-executive Director of the Company, was appointed as independent non-executive director of HL Technology Group Limited, a listed company in Hong Kong.

Management Discussion and Analysis

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 2013.

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 to the Listing Rules during the six months ended 30 June 2013 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 2013, 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. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

Management Discussion and Analysis

(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 standards set out in the Model Code (Appendix 10 to 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, 21 August 2013

Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover		301,251	239,102
Cost of sales		(102,414)	(56,502)
Gross profit		198,837	182,600
Other income	4	10,724	8,328
Administrative expenses		(140,132)	(78,507)
Other operating expenses		(300)	(333)
Loss on disposal/deregistration of subsidiaries		–	(10)
Net gain on fair value adjustments on investment properties		106,351	1,186,154
Gain on disposal of an investment property		–	3,311
Profit from operations	5	175,480	1,301,543
Finance costs	6	(27,612)	(25,074)
Share of losses of a joint venture		(70)	(369)
Profit before income tax		147,798	1,276,100
Income tax expense	7	(15,443)	(25,810)
Profit for the period		132,355	1,250,290

Consolidated Statement of Comprehensive Income (Continued)

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		11,789	10,855
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold building		3,138	8,066
Deferred tax liabilities arising from asset revaluation reserve of leasehold building		(518)	(1,331)
Other comprehensive income for the period		14,409	17,590
Total comprehensive income for the period		146,764	1,267,880
Profit/(Loss) for the period attributable to:			
– Owners of the Company		133,982	1,253,457
– Non-controlling interests		(1,627)	(3,167)
		132,355	1,250,290
Total comprehensive income attributable to:			
– Owners of the Company		148,133	1,270,927
– Non-controlling interests		(1,369)	(3,047)
		146,764	1,267,880
Earnings per share for profit attributable to owners of the Company			
– Basic	8	HK\$0.48	HK\$4.70
– Diluted	8	HK\$0.47	HK\$4.68

Consolidated Statement of Financial Position

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<i>Notes</i>		
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	9 15,011,465	13,275,215
Property, plant and equipment	172,349	169,312
Properties held for development	46,348	46,328
Interest in a joint venture	28,585	28,536
Available-for-sale financial assets	10	10
Intangible assets	5,846	5,963
	15,264,603	13,525,364
Current assets		
Inventories	48,057	42,348
Properties under development	3,150,057	3,112,146
Trade and other receivables	10 194,601	190,660
Deposits paid for acquisition of properties	4,133	123,719
Bank deposit at escrow account	406,787	291,087
Cash and cash equivalents	11 534,967	615,421
	4,338,602	4,375,381

Consolidated Statement of Financial Position (Continued)

	<i>Notes</i>	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Current liabilities			
Trade and other payables	12	517,395	460,875
Deposits received in advance		1,225,259	482,117
Borrowings	13	3,772,363	2,993,501
Provision for income tax		107,262	96,863
		5,622,279	4,033,356
Net current (liabilities)/assets		(1,283,677)	342,025
Total assets less current liabilities		13,980,926	13,867,389
Non-current liabilities			
Deferred taxation	14	62,910	65,183
Net assets		13,918,016	13,802,206
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	28,082	28,076
Reserves		13,620,368	13,518,477
		13,648,450	13,546,553
Non-controlling interests		269,566	255,653
Total equity		13,918,016	13,802,206

Consolidated Statement of Changes in Equity

	For the six months ended 30 June 2013 (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
At 1 January 2013	28,076	659,198	42,353	8,902	12,706,146	43,877	1,848	56,153	13,546,553	255,653	13,802,206
Final dividend paid for 2012	-	-	-	-	-	-	-	(56,165)	(56,165)	-	(56,165)
Equity-settled share-based payment	-	-	-	9,505	-	-	-	-	9,505	-	9,505
Exercise of share options	6	642	-	(125)	-	-	-	-	523	-	523
Lapse of share options	-	-	-	(99)	-	-	-	-	(99)	-	(99)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	15,282	15,282
Transaction with owners	6	642	-	9,281	-	-	-	(56,165)	(46,236)	15,282	(30,954)
Profit for the period	-	-	-	-	133,982	-	-	-	133,982	(1,627)	132,355
Other comprehensive income											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	11,531	-	-	11,531	258	11,789
Surplus on revaluation of leasehold building, net of deferred tax (Note 14)	-	-	2,620	-	-	-	-	-	2,620	-	2,620
Total comprehensive income for the period	-	-	2,620	-	133,982	11,531	-	-	148,133	(1,369)	146,764
Under-provision of final dividend for 2012	-	-	-	-	(12)	-	-	12	-	-	-
At 30 June 2013	28,082	659,840	44,973	18,183	12,840,116	55,408	1,848	-	13,648,450	269,566	13,918,016

Consolidated Statement of Changes in Equity (Continued)

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

	Share capital HK\$'000	Share premium HK\$'000	Assets revaluation reserve HK\$'000	Employee share-based equity reserve HK\$'000	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
At 1 January 2012	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
Transaction with owners	111	9,685	-	2,399	-	-	-	(35,887)	(23,692)	155,647	131,955
Profit for the period	-	-	-	-	1,253,457	-	-	-	1,253,457	(3,167)	1,250,290
Other comprehensive income											
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 14)	-	-	6,735	-	-	-	-	-	6,735	-	6,735
Total comprehensive income for the period	-	-	6,735	-	1,253,457	10,735	-	-	1,270,927	(3,047)	1,267,880
Under-provision of final dividend for 2011	-	-	-	-	(144)	-	-	144	-	-	-
At 30 June 2012	27,605	613,129	41,630	13,080	10,685,613	43,097	1,848	-	11,426,002	251,567	11,677,569

Condensed Consolidated Cash Flow Statement

	<i>Note</i>	Six months ended 30 June	
		2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Net cash inflow from operating activities		836,835	486,674
Net cash outflow from investing activities		(1,655,480)	(233,303)
Net cash inflow/(outflow) from financing activities		738,504	(193,360)
(Decrease)/Increase in cash and cash equivalents		(80,141)	60,011
Cash and cash equivalents at beginning of period		615,420	571,944
Translation difference		(312)	(374)
Cash and cash equivalents at end of period	11	534,967	631,581

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2013 (the “Unaudited Condensed Interim Financial Information”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standards (“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 2012 (the “2012 Annual Financial Statements”) as described thereof.

The accounting policies adopted for the six months ended 30 June 2013 are consistent with those used in the preparation of the 2012 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 2012 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 2013.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle

Other than as noted below, the adoption of these new or amended HKFRSs has had no material impact on the Unaudited Condensed Interim Financial Information.

2.1 Amendments to HKAS 1 (Revised), Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

These amendments require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

2.2 Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32. The adoption of the amendments does not have an impact on the Unaudited Condensed Interim Financial Information because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 “Consolidated and Separate Financial Statements” relating to the presentation of consolidated financial statements and HK(SIC) Int 12 “Consolidation – Special Purpose Entities”. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2.4 HKFRS 11 Joint Arrangements

HKFRS 11, which replaces HKAS 31 “Interests in Joint Ventures”, divides joint arrangements into joint operation and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator’s interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group’s consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice. As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment in a jointly-controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial results of the Group.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interest in subsidiaries, associates and joint arrangements. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the Unaudited Condensed Interim Financial Information as a result of adopting HKFRS 12.

2.6 HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not result in significant impact on the disclosure of the Group's financial instruments.

2.7 HKFRSs (Amendments) Annual Improvements 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (the "CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and now also discloses segment liabilities in Note 3.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

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

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 2013, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (Continued)

The turnover and profit/(loss) generated by each of the Group's operating segments and segment assets and liabilities 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			
	2013		2012		2013		2012		2013		2012		2013		2012		2013		2012		2013		2012	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
Turnover																								
External customers	-	94,000	105,996	-	180,188	117,997	7,504	9,342	7,563	17,763	-	-	301,251	239,102										
Inter-segments	-	-	260,584	189,299	17,676	19,236	1,718	1,355	-	-	25,825	12,948	305,803	222,838										
Reportable segment turnover	-	94,000	366,580	189,299	197,864	137,233	9,222	10,697	7,563	17,763	25,825	12,948	607,054	461,940										
Reportable segment profit/(loss)	-	52,789	(62,442)	(28,541)	146,321	93,431	3,692	3,772	(5,826)	(2,569)	10,034	12,259	91,779	131,142										
Reportable segment assets	-	-	3,828,713	2,636,315	15,347,355	12,677,511	8,725	9,069	163,544	545,817	226,273	368,320	19,574,610	16,237,052										
Reportable segment liabilities	-	-	(1,537,876)	(1,135,554)	(126,824)	(108,354)	(13,471)	(17,346)	(51,496)	(38,608)	(12,988)	(29,074)	(1,742,655)	(1,328,936)										

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Reportable segment profit	91,779	131,142
Net gain on fair value adjustments on investment properties	106,351	1,186,154
Gain on disposal of an investment property	–	3,311
Unallocated income and expenses	(22,650)	(19,054)
Loss on deregistration of subsidiaries	–	(10)
Finance costs	(27,612)	(25,074)
Share of losses of a joint venture	(70)	(369)
Profit before income tax	147,798	1,276,100

4. OTHER INCOME

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Bank interest income	2,852	3,050
Commission income	595	1,208
Reversal of provision for impairment loss of other receivables	–	390
Reversal of provision for obsolete inventories	908	–
Miscellaneous income	6,369	3,680
	10,724	8,328

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

5. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Amortisation of intangible assets*	242	240
Amortisation of properties held for development	715	575
Bad debts written off*	58	68
Cost of inventories recognised as expense	5,073	11,877
Cost of properties under development recognised as expense	72,199	–
Cost of properties held for sales recognised as expense	–	39,607
Deposits for property acquisition written off*	–	25
Depreciation of property, plant and equipment	2,948	2,598
Property, plant and equipment written off	–	213
Employee benefit expenses (including directors' remuneration and defined contribution cost)		
– Share option expenses	9,406	4,334
– Other employee benefit expenses	69,752	39,361
	79,158	43,695
Operating lease charges in respect of premises	2,623	1,882

* included in other operating expenses

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

6. FINANCE COSTS

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest charges on:		
Bank loans		
– wholly repayable within five years	24,668	26,299
– not wholly repayable within five years	9,792	4,489
Other borrowings wholly repayable within five years	–	2,794
Total borrowing costs	34,460	33,582
<i>Less: Interest capitalised in investment properties and properties under development</i>	(6,848)	(8,508)
	27,612	25,074

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
The charge/(credit) comprises:		
Hong Kong profits tax	17,926	22,396
PRC enterprise income tax	477	201
Deferred tax	(2,960)	3,213
	15,443	25,810

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

7. INCOME TAX EXPENSE (Continued)

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Pursuant to the income tax rules and regulations of the PRC, taxation for all of the PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC at 25%. For the last interim period, certain of the Group's PRC subsidiaries were exempted from enterprise income tax for the first two profitable years of operations, and thereafter, were eligible for a 50% relief from enterprise income tax for the following three years and remaining PRC subsidiaries were 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\$133,982,000 (30 June 2012: HK\$1,253,457,000) and the weighted average of 280,802,919 shares (30 June 2012: 266,516,507 shares) in issue during the six months ended 30 June 2013.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to owners of the Company of HK\$133,982,000 (30 June 2012: HK\$1,253,457,000) and the weighted average of 284,682,655 shares (30 June 2012: 267,762,110 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\$133,982,000 (30 June 2012: 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.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

9. INVESTMENT PROPERTIES

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Carrying amount at 1 January	13,275,215	11,038,428
Additions	1,625,551	715,047
Disposal	–	(2,180)
Transfer to properties held for sale	–	(6,090)
Transfer to properties under development	–	(1,093,925)
Transfer from properties under development	–	14,505
Disposal of subsidiaries	–	(95,567)
Purchase of net assets	–	4,802
Net gain on fair value adjustments	106,351	2,692,310
Interest capitalised in investment properties under construction	4,348	7,885
Carrying amount 30 June/31 December	15,011,465	13,275,215

The investment properties of the Group were revalued at 30 June 2013 by an independent professional valuer, DTZ Debenham Tie Leung. 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.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

9. INVESTMENT PROPERTIES (Continued)

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Held on lease over 50 years	14,850,355	13,134,030
Held on lease from 10 to 50 years	161,110	141,185
	15,011,465	13,275,215

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\$110,901,000 (31 December 2012: approximately HK\$117,182,000). 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:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
0 – 30 days	67,434	102,910
31 – 90 days	4,346	3,895
91 – 180 days	11,334	2,156
Over 180 days	27,787	8,221
Total trade receivables	110,901	117,182
Other receivables	83,700	73,478
	194,601	190,660

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

11. CASH AND CASH EQUIVALENTS

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Bank and cash balances	184,244	309,095
Short-term bank deposits	350,723	306,326
	534,967	615,421

For the year ended 31 December 2012, the effective interest rate of short-term bank deposit was ranged from 0.02% to 1.05% per annum. The deposit had maturity period for 7 days to 3 months and was eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in cash and cash equivalents of the Group is HK\$171,963,000 (31 December 2012: HK\$153,277,000 of bank balances denominated in Renminbi placed with banks in the PRC.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

12. TRADE AND OTHER PAYABLES

As at the reporting date, trade payables included in trade and other payables were approximately HK\$64,015,000 (31 December 2012: approximately HK\$97,165,000). 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:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
0 – 30 days	25,576	44,315
31 – 90 days	10,419	15,897
Over 90 days	28,020	36,953
Total trade payables	64,015	97,165
Other payables	453,380	363,710
	517,395	460,875

13. BORROWINGS

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Bank loans – secured	3,772,363	2,993,501
	3,772,363	2,993,501

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

13. BORROWINGS (Continued)

As at 30 June 2013, the maturity analysis of the Group's borrowings is stated as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Secured bank loans repayable		
Within one year	952,712	1,237,430
After one year, but within two years	462,349	198,349
After two years, but within five years	1,626,802	1,274,222
After five years	730,500	283,500
Total	3,772,363	2,993,501

14. DEFERRED TAXATION

The movement on the deferred taxation is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
At 1 January	65,183	59,054
Deferred taxation charged/(credited) to:		
– Profit or loss (<i>Note 7</i>)	(2,960)	4,461
– Asset revaluation reserve	518	1,474
Exchange realignment	169	194
At 30 June/31 December	62,910	65,183

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.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

15. SHARE CAPITAL

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorized: 5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
	Nominal value 30 June 2013 HK\$'000	Nominal value 31 December 2012 HK\$'000
Issued and fully paid:		
At 1 January	280,764,135	27,494
Exercise of share options	60,000	582
At 30 June/31 December	280,824,135	28,076

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

16. RELATED PARTY TRANSACTIONS

The following transactions with related parties were, in the opinion of the Directors, carried out in the ordinary course of business during the period:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Related companies		
Operating lease charges in respect of residential properties (<i>note (a)</i>)	360	300
Operating lease charges and management fee in respect of office premises situated in Guangzhou, PRC (<i>note (b)</i>)	698	695
Interest expenses on unsecured revolving credit facility (<i>note (c)</i>)	—	2,795
Purchase of a motor vehicle (<i>note (d)</i>)	68	226

Notes:

- (a) A subsidiary of the Company entered into a tenancy agreement with a related company, in which an executive director of the Company has equity interests, 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. The tenancy agreement was renewed for a period of one year commencing from 1 September 2012 and expiring on 31 August 2013 at a monthly rental of HK\$60,000.
- (b) Certain subsidiaries of the Company entered into tenancy agreements with a related company, in which the Chairman and an executive director of the Company have interests, for leasing a number of premises situated at Guangzhou, PRC for office purpose.

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

16. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

- (c) On 27 February 2011, a related company in which the Chairman and an executive director of the Company have interests, has agreed to increase an unsecured revolving credit facility of 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 People's Bank of China plus 1.5% per annum. As at 30 June 2013, the unsecured revolving credit facility was not utilised (31 December 2012: Nil).
- (d) On 6 March 2013, a subsidiary of the Company entered into an agreement with a related company, in which the Chairman and an executive director of the Company have equity interests, for purchasing a motor vehicle at a consideration of HK\$68,000.

17. FUTURE OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties under operating leases with average lease terms of 1 to 4 years. The future aggregate minimum lease receipt under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	366,506	328,466
In the second to fifth years inclusive	344,637	429,043
	711,143	757,509

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

18. COMMITMENTS

(a) Operating lease commitments

As at 30 June 2013, the Group had total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	2,094	3,456
In the second to fifth years inclusive	117	437
	2,211	3,893

(b) Capital commitments

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Contracted but not provided for:		
– Construction costs and services expenses of property development	265,652	261,197
– Acquisition of properties	25,555	1,010,720
– Capital contribution to subsidiaries of property development business	153,882	163,720
	445,089	1,435,637

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



金朝陽集團有限公司
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