



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

**Interim Report
For The Six Months
Ended 30th June, 2009**

CORPORATE INFORMATION

Directors

Executive Director:

Joseph Lau, Luen-hung
(Chairman and Chief Executive Officer)

Non-executive Directors:

Lau, Ming-wai
Amy Lau, Yuk-wai

Independent Non-executive Directors:

Chan, Kwok-wai
Phillis Loh, Lai-ping
Ma, Tsz-chun

Audit Committee

Chan, Kwok-wai (Chairman)
Phillis Loh, Lai-ping
Ma, Tsz-chun

Remuneration Committee

Chan, Kwok-wai (Chairman)
Phillis Loh, Lai-ping
Ma, Tsz-chun

Company Secretary

Lam, Kwong-wai

Solicitors

Sidley Austin
Sit, Fung, Kwong & Shum

Auditors

HLB Hodgson Impey Cheng

Principal Bankers

(Listed in alphabetical order)

Bank of China (Hong Kong) Limited
Bank of China Limited Macau Branch
Bank of Communications Co., Ltd.
Cathay United Bank Company, Limited
China Everbright Bank Co., Ltd
Chong Hing Bank Limited
Citibank, N.A.
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank, Limited
Hua Nan Commercial Bank, Ltd.
Industrial and Commercial Bank of China
(Asia) Limited
Malayan Banking Berhad
Nanyang Commercial Bank, Limited
Public Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Tai Fung Bank Limited
The Bank of East Asia, Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Wing Lung Bank, Limited

Registered Office

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

Principal Office in Hong Kong

26th Floor, MassMutual Tower
38 Gloucester Road
Wanchai, Hong Kong

Principal Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM 08, Bermuda

Branch Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor
Services Limited
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Website

<http://www.chineseestates.com>

Stock Code

127

Board Lot

500 shares

Investor Relations

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RESULTS

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June, 2009 (the “Period”) together with the comparative figures for 2008:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

		Six months ended 30th June,	
		2009	2008
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	3	1,365,970	726,552
Cost of sales		(555,621)	(206,959)
Gross profit		810,349	519,593
Other income	5	23,048	19,339
Investment income, net	6	44,603	1,629,553
Administrative expenses		(97,855)	(115,843)
Other expenses	7	(1,780)	(1,430)
Gain (loss) on disposals of property and other fixed assets		95	(26)
Loss on disposals of investment properties		–	(2,641)
Fair value changes on investment properties		2,902,465	1,539,731
Finance costs	9	(47,139)	(163,204)
Other gains and losses, net	10	35,125	(174)
Share of results of associates		40,138	68,167
Profit before tax		3,709,049	3,493,065
Income tax (expense) credit	11	(497,000)	45,568
Profit for the period from continuing operations		3,212,049	3,538,633
Discontinued operation			
Loss for the period from discontinued operation	12	–	(1,899)
Profit for the period	8	3,212,049	3,536,734
Other comprehensive income			
Fair value changes on available-for-sale financial assets		12,151	(4,019,966)
Exchange differences arising on translation of foreign operations		(1,515)	240,161
Share of other comprehensive income of associates		23	13,940
Other comprehensive income for the period (net of tax)		10,659	(3,765,865)
Total comprehensive income for the period		3,222,708	(229,131)
Profit for the period attributable to:			
Equity holders of the parent		3,203,323	3,522,830
Non-controlling interests		8,726	13,904
		3,212,049	3,536,734
Total comprehensive income attributable to:			
Equity holders of the parent		3,203,595	(246,453)
Non-controlling interests		19,113	17,322
		3,222,708	(229,131)
Dividends	13	2,006,305	517,159
Earnings per share (HK\$)	14		
– Basic and diluted		1.57	1.53

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2009

		30th June, 2009 <i>HK\$'000</i> (Unaudited)	31st December, 2008 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	15	34,824,599	30,302,580
Property and other fixed assets		97,615	104,739
Properties under development		–	86,496
Prepaid lease payments		328,577	1,536,953
Property interests held for future development		–	–
Intangible assets		8,580	10,010
Goodwill		6,941	8,310
Interests in associates	16	914,527	869,727
Advances to associates	17	1,819,530	1,784,457
Interests in jointly controlled entities		–	–
Available-for-sale investments	18	619,767	468,127
Bonds		1,499,041	–
Advances to investee companies		339,453	332,501
Loans receivable, due after one year		280	60,129
Deferred tax assets		96,917	96,690
Advance to a minority shareholder		14,744	14,580
Pledged deposits		171,134	99,599
		40,741,705	35,774,898
Current assets			
Stock of properties		4,710,181	4,945,495
Investments held-for-trading		548,166	–
Credit-linked notes		351,998	–
Loans receivable, due within one year		59,906	117
Inventories for cosmetic products		3,242	3,426
Debtors, deposits and prepayments	19	615,562	223,439
Securities trading receivables and deposits		329,589	69,118
Tax recoverable		371	414
Pledged deposits		440,794	378,483
Time deposits, bank balances and cash		6,023,297	10,418,877
Sales proceeds held by stakeholders		107,305	63,272
		13,190,411	16,102,641
TOTAL ASSETS		53,932,116	51,877,539

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)

At 30th June, 2009

		30th June, 2009	31st December, 2008
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Equity			
Equity attributable to equity holders of the parent			
Share capital	24	200,000	207,775
Share premium		422,790	1,463,018
Treasury stock		(1,951)	–
Properties revaluation reserve		704	704
Securities investments reserve		164,539	162,775
Statutory reserve		4,365	4,367
Other reserve		(7,920)	(7,945)
Special reserve		2,499,685	2,499,685
Capital redemption reserve		130,775	121,049
Translation reserve		345,011	346,526
Retained profits		<u>31,049,657</u>	<u>29,852,639</u>
		34,807,655	34,650,593
Non-controlling interests		<u>778,869</u>	<u>652,056</u>
TOTAL EQUITY		<u>35,586,524</u>	<u>35,302,649</u>
Current liabilities			
Derivative financial instruments	20	25,402	24,432
Creditors and accruals	21	632,104	323,026
Securities trading and margin payable		304,030	62,702
Deposits and receipts in advance		705,486	391,298
Tax liabilities		116,682	118,360
Borrowings – due within one year	22	4,171,861	3,163,925
Provisions		16,054	16,054
Financial guarantee liabilities		328	–
		<u>5,971,947</u>	<u>4,099,797</u>
Non-current liabilities			
Financial guarantee liabilities		290	618
Borrowings – due after one year	22	7,917,025	8,505,258
Amounts due to associates	23	11,581	9,271
Amounts due to minority shareholders	23	79,325	77,565
Deferred tax liabilities		<u>4,365,424</u>	<u>3,882,381</u>
		<u>12,373,645</u>	<u>12,475,093</u>
TOTAL LIABILITIES		<u>18,345,592</u>	<u>16,574,890</u>
TOTAL EQUITY AND LIABILITIES		<u><u>53,932,116</u></u>	<u><u>51,877,539</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Attributable to Equity Holders of the Parent													Total Equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Treasury stock HK\$'000	Properties revaluation reserve HK\$'000	Securities investments reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Convertible bonds equity reserve of a subsidiary HK\$'000		Non- controlling interests HK\$'000
At 1st January, 2008	230,044	3,700,697	-	-	8,336,937	2,175	(9,131)	2,499,685	98,362	132,509	32,170,360	47,161,638	-	503,895	47,665,533
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,522,830	3,522,830	-	13,904	3,536,734
Other comprehensive income for the period:															
Share of associates' reserve movements during the period	-	-	-	-	1	-	979	-	-	-	12,800	13,780	-	-	13,780
Fair value changes of available-for-sale investments															
- listed investments	-	-	-	-	(2,546,974)	-	-	-	-	-	(2,546,974)	-	-	(2,546,974)	
- unlisted investments	-	-	-	-	(19,320)	-	-	-	-	-	(19,320)	-	-	(19,320)	
PRC statutory reserve	-	-	-	-	-	161	-	-	-	-	161	-	-	161	
Exchange adjustments	-	-	-	-	-	-	-	-	240,161	-	240,161	-	-	240,161	
Share of securities investments reserve by non-controlling interests															
- listed investments	-	-	-	-	537	-	-	-	-	-	537	-	(537)	-	
- unlisted investments	-	-	-	-	376	-	-	-	-	-	376	-	(376)	-	
Share of exchange adjustments by non-controlling interests	-	-	-	-	-	-	-	-	(4,331)	-	(4,331)	-	4,331	-	
Transfer to consolidated statement of comprehensive income on disposals of available-for-sale investments															
- listed investments	-	-	-	-	(1,448,452)	-	-	-	-	-	(1,448,452)	-	-	(1,448,452)	
- unlisted investments	-	-	-	-	(5,221)	-	-	-	-	-	(5,221)	-	-	(5,221)	
Total comprehensive income for the period	-	-	-	-	(4,019,053)	161	979	-	-	235,830	3,535,630	(246,453)	-	17,322	(229,131)
Deemed contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	453	453
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	183,877	183,877
Purchase of convertible bonds issued by a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,033)	(9,033)
Cancellation on repurchase of own shares	(737)	(194,567)	(929)	-	-	-	-	-	1,666	-	(194,567)	-	-	(194,567)	
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(28,500)	(28,500)
Issue of shares in lieu of 2007 final cash dividend	382	-	-	-	-	-	-	-	-	-	382	-	-	382	
Premium on issue of shares upon 2007 final scrip dividend	-	47,624	-	-	-	-	-	-	-	-	47,624	-	-	47,624	
Final dividend paid	-	-	-	-	-	-	-	-	-	(517,158)	(517,158)	-	-	(517,158)	
At 30th June, 2008	229,689	3,553,754	(929)	-	4,317,884	2,336	(8,152)	2,499,685	100,028	368,339	35,188,832	46,251,466	-	668,014	46,919,480

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the six months ended 30th June, 2009

	Attributable to Equity Holders of the Parent												Total Equity HK\$'000		
	Share capital HK\$'000	Share premium HK\$'000	Treasury stock HK\$'000	Properties revaluation reserve HK\$'000	Securities investments reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Convertible bonds equity reserve of a subsidiary HK\$'000		Non- controlling interests HK\$'000	
Loss for the period	-	-	-	-	-	-	-	-	-	-	(5,017,206)	(5,017,206)	-	24,264	(4,992,942)
Other comprehensive income for the period:															
Share of associates' reserve movements during the period	-	-	-	-	(1)	-	207	-	-	11,563	(12,800)	(1,031)	-	-	(1,031)
Fair value changes of available-for-sale investments															
- listed equity investments	-	-	-	-	(1,954,183)	-	-	-	-	-	-	(1,954,183)	-	-	(1,954,183)
- listed debt investments	-	-	-	-	(3,792)	-	-	-	-	-	-	(3,792)	-	-	(3,792)
- unlisted investments	-	-	-	-	(4,568)	-	-	-	-	-	-	(4,568)	-	-	(4,568)
PRC statutory reserve	-	-	-	-	-	2,031	-	-	-	-	-	2,031	-	-	2,031
Exchange adjustments	-	-	-	-	-	-	-	-	(27,946)	-	-	(27,946)	-	-	(27,946)
Share of securities investments reserve by non-controlling interests															
- listed debt investments	-	-	-	-	1,351	-	-	-	-	-	-	1,351	-	(1,351)	-
- unlisted investments	-	-	-	-	13,597	-	-	-	-	-	-	13,597	-	(13,597)	-
Share of exchange adjustments by non-controlling interests	-	-	-	-	-	-	-	-	(530)	-	(530)	-	530	-	-
Surplus on revaluation of property	-	-	-	843	-	-	-	-	-	-	843	-	-	-	843
Deferred tax	-	-	-	(139)	-	-	-	-	-	-	(139)	-	-	-	(139)
Transfer to consolidated statement of comprehensive income on disposals of available-for-sale investments															
- listed equity investments	-	-	-	-	(2,207,513)	-	-	-	-	-	-	(2,207,513)	-	-	(2,207,513)
Transfer to consolidated statement of comprehensive income on disposal of subsidiaries	-	-	-	-	-	-	-	-	(9,761)	-	(9,761)	-	-	-	(9,761)
Share of disposal of subsidiaries by non-controlling interests	-	-	-	-	-	-	-	-	4,861	-	4,861	-	(4,861)	-	-
Total comprehensive income for the period	-	-	-	704	(4,155,109)	2,031	207	-	-	(21,813)	(5,030,006)	(9,203,986)	-	4,985	(9,199,001)
Deemed contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(532)	(532)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	30,234	(20,411)	9,823	-
Purchase of convertible bonds issued by a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	-	(18,140)	-	(18,140)	-
Release on redemption of convertible bonds of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(12,094)	-	(12,094)	-
Cancellation on repurchase of own shares	(21,950)	(2,094,615)	929	-	-	-	-	21,021	-	-	(2,094,615)	-	-	(2,094,615)	-
Issue of shares in lieu of 2008 interim cash dividend	36	-	-	-	-	-	-	-	-	-	36	-	-	36	-
Premium on issue of shares upon 2008 interim scrip dividend	-	3,879	-	-	-	-	-	-	-	-	3,879	-	-	3,879	-
Interim dividend paid	-	-	-	-	-	-	-	-	-	(306,187)	(306,187)	-	-	(306,187)	-
At 31st December, 2008	207,775	1,463,018	-	704	162,775	4,367	(7,945)	2,499,685	121,049	346,526	29,852,639	34,650,593	-	652,056	35,302,649

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30th June, 2009

	Attributable to Equity Holders of the Parent												Convertible bonds equity reserve of a subsidiary HK\$'000	Non- controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Treasury stock HK\$'000	Properties revaluation reserve HK\$'000	Securities investments reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000			
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,203,323	3,203,323	-	8,726	3,212,049
Other comprehensive income for the period:															
Share of associates' reserve movements during the period	-	-	-	-	-	-	25	-	-	(54)	-	(29)	-	-	(29)
Fair value changes of available-for-sale investments															
- listed equity investments (Note)	-	-	-	-	8,148	-	-	-	-	-	-	8,148	-	-	8,148
- listed debt investments	-	-	-	-	2,457	-	-	-	-	-	-	2,457	-	-	2,457
- unlisted investments	-	-	-	-	1,546	-	-	-	-	-	-	1,546	-	-	1,546
PRC statutory reserve	-	-	-	-	-	(2)	-	-	-	-	-	(2)	-	-	(2)
Exchange adjustments	-	-	-	-	-	-	-	-	(1,461)	-	-	(1,461)	-	-	(1,461)
Share of securities investments reserve by non-controlling interests															
- listed debt investments	-	-	-	-	(1,263)	-	-	-	-	-	-	(1,263)	-	1,263	-
- unlisted investments	-	-	-	-	(9,124)	-	-	-	-	-	-	(9,124)	-	9,124	-
Total comprehensive income for the period	-	-	-	-	1,764	(2)	25	-	-	(1,515)	3,203,323	3,203,595	-	19,113	3,222,708
Deemed contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	22	22
Partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	108,966	108,966
Cancellation on repurchase of own shares	(7,775)	(1,040,228)	(1,951)	-	-	-	-	-	9,726	-	-	(1,040,228)	-	-	(1,040,228)
Dividend paid to a minority shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,288)	(1,288)
Final dividend paid	-	-	-	-	-	-	-	-	-	-	(2,006,305)	(2,006,305)	-	-	(2,006,305)
At 30th June, 2009	<u>200,000</u>	<u>422,790</u>	<u>(1,951)</u>	<u>704</u>	<u>164,539</u>	<u>4,365</u>	<u>(7,920)</u>	<u>2,499,685</u>	<u>130,775</u>	<u>345,011</u>	<u>31,049,657</u>	<u>34,807,655</u>	<u>-</u>	<u>778,869</u>	<u>35,586,524</u>

Note: As at 30th June, 2009, the carrying amount of the cumulative gain on fair value changes of listed equity securities investments in securities investments reserve is HK\$8,148,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2009

	Six months ended 30th June, 2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) generated from operating activities	(1,260,049)	1,012,425
Net cash (used in) generated from investing activities	(614,827)	2,919,801
Net cash used in financial activities	(2,519,952)	(674,762)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(4,394,828)	3,257,464
Cash and cash equivalents at 1st January,	10,418,877	6,167,845
Effect of foreign exchange rate changes	(752)	102,887
	<hr/>	<hr/>
Cash and cash equivalents at 30th June,	<u>6,023,297</u>	<u>9,528,196</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents:		
Time deposits, bank balances and cash	6,023,297	9,516,850
Cash and cash equivalents included in a disposal group held for sale	–	11,346
	<hr/>	<hr/>
	<u>6,023,297</u>	<u>9,528,196</u>
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

1. Basis of Preparation

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

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as appropriate.

2. Application of New and Revised Hong Kong Financial Reporting Standards (the “HKFRSs”)

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2008 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for current accounting period of the Group. The new HKFRSs adopted by the Group in the unaudited condensed consolidated financial statements are set out as follows:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2008*
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosure about Financial Instruments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

* Except for the amendments to HKFRS 5 will be applied from 1st January, 2010.

HKFRS 8, ‘Operating segments’, was early adopted by the Group in 2008. HKFRS 8 replaces HKAS 14, ‘Segment reporting’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-makers.

The application of the new HKFRSs has resulted in the following changes:

- a) HKAS 1 (Revised) changes the titles of the components of a complete set of financial statements. All items of income and expense (including those accounted for directly in equity) must be presented either in a single statement (a ‘statement of comprehensive income’) or in two statements (a separate ‘income statement’ and ‘statement of comprehensive income’). For the interim results of the Group, for the period ended 30th June, 2009, a single statement is presented.
- b) The HK(IFRIC) – Int 15 ‘Agreements for the Construction of Real Estate’ (“New Interpretation”) clarifies the timing and accounting treatment of revenue recognition in relation to properties sales in more detail. In the past, revenue and profit for sale of properties stock or any under pre-sale arrangements prior to the completion of development was recognised on the execution of a binding sales agreement or when the relevant occupation permit or certificate of compliance is issued by the respective building authority, whichever is the later. In consideration of the new interpretation, the Group has adopted a change in accounting policy on revenue recognition for sales of properties upon completion of sales agreement and by reference to the timing of the execution of deed of legal assignment or delivery of property to the purchaser, whichever is the earlier.

2. Application of New and Revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (continued)

b) (continued)

The effects of changes in the accounting policy are explained as follows:

	Six months ended 30th June,	
	2009 HK\$'000	2008 HK\$'000
Decrease in revenue	511,557	–
Decrease in cost of sales	447,397	–
	<hr/>	<hr/>
Decrease in gross profit	64,160	–
Decrease in taxation	–	–
	<hr/>	<hr/>
Decrease in profit for the period	64,160	–
	<hr/>	<hr/>
Attributable to:		
Equity holders of the parent	64,160	–
Non-controlling interests	–	–
	<hr/>	<hr/>
	64,160	–
	<hr/>	<hr/>
Impact on earnings per share	<i>HK\$</i>	<i>HK\$</i>
Reported figures	1.57	1.53
Add: adjustment	0.03	–
	<hr/>	<hr/>
Figures before adjustment	1.60	1.53
	<hr/>	<hr/>

The change in accounting policy has been adopted retrospectively, however, no adjustment to the comparative figures and opening balance of any component of equity for the period are required as there is no material impact to the revenue and gross profit recognised for the same period last year and the whole year of 2008.

- c) The amendments to HKAS 40 investment property (as part of the improvements to HKFRSs 2008) and HKAS 16 “Property, Plant and Equipment” which amend the standards and the Group’s accounting policy to bring property under construction or development for future use as an investment property be classified within the scope of HKAS 40 and accounted for under the fair value model when this is reliably determinable or upon completion of its construction. The change in accounting policy has been applied prospectively from 1st January, 2009. Following the change, the property in Chengdu with carrying amounts of HK\$1,208 million and HK\$86 million as at 1st January, 2009 previously reported as Prepaid Lease Payments and Properties Under Development respectively are reclassified to Investment Properties. The property has not been revalued and will be stated at fair value when its fair value becomes reliably measurable or upon completion of its construction.

Save as described above, there is no material effect on the results and financial position to the prior accounting periods by adopting the new HKFRSs, thus no prior period adjustment has been required.

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 ²
HKFRS 1 (Revised)	First-time Adoption of HKFRS ¹
HKFRS 3 (Revised)	Business Combinations ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HK(IFRIC) 9 & HKAS 39 (Amendments)	Embedded Derivatives ³
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfers of Assets from Customers ¹

¹ Effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st January, 2010 (unless specified)

³ Effective for annual periods ending on or after 30th June, 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009.

3. Revenue

Revenue represents the aggregate of amounts received and receivable from the sales of investments held-for-trading, sales of properties held-for-sale, property rental income, commission from brokerage, settlement charges from brokerage, interest income from loan financing and cosmetic goods sold less returns.

During the Period, the gains from the sales of investments held-for-trading in “Revenue” on a net basis is HK\$346.5 million (six months ended 30th June, 2008: loss HK\$13.8 million).

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has seven reportable segments – property development and trading, property leasing for retail, property leasing for non-retail, listed available-for-sale equity investments, floating rate and fixed rate notes, other listed held-for-trading investments and treasury products and unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing for retail	–	Property leasing from retail properties
Property leasing for non-retail	–	Property leasing from non-retail properties
Listed available-for-sale equity investments	–	Listed equity securities in available-for-sale investments
Floating rate and fixed rate notes	–	Listed and unlisted floating rate notes and fixed rate notes in available-for-sale investments
Other listed held-for-trading investments and treasury products	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The accounting policies of the operating segments are the same as those described in the principal accounting policies. The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are fair value changes on investment properties together with their respective deferred tax expense. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2008.

The Group’s reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the properties located.

No major customer is for the Group’s revenue and result.

4. Operating Segments (continued)

Operating segment information is presented below:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2009

	Property development and trading HK\$'000	Property leasing for retail HK\$'000	Property leasing for non-retail HK\$'000	Listed available-for-sale equity investments HK\$'000	Floating rate and fixed rate notes HK\$'000	Other listed held-for-trading investments and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
Continuing operations									
Major cash items excluding in revenue									
- Hong Kong	-	-	-	-	-	2,500,258	-	-	2,500,258
- other countries	-	-	-	-	-	1,844,472	-	-	1,844,472
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,344,730</u>	<u>-</u>	<u>-</u>	<u>4,344,730</u>
Revenue									
Revenue from external customers									
- Hong Kong	487,250	313,945	165,606	-	-	256,450	8,903	8,009	1,240,163
- PRC	-	17,215	18,552	-	-	-	-	-	35,767
- other countries	-	-	-	-	-	90,040	-	-	90,040
	<u>487,250</u>	<u>331,160</u>	<u>184,158</u>	<u>-</u>	<u>-</u>	<u>346,490</u>	<u>8,903</u>	<u>8,009</u>	<u>1,365,970</u>
Revenue from external customers after non-controlling interests									
	<u>484,873</u>	<u>330,627</u>	<u>183,235</u>	<u>-</u>	<u>-</u>	<u>346,490</u>	<u>8,903</u>	<u>8,009</u>	<u>1,362,137</u>
Result									
Segment result									
- Hong Kong	(31,831)	302,092	159,613	1,396	7,458	186,865	59,668	19,038	704,299
- PRC	-	13,407	16,083	-	-	-	2,919	-	32,409
- other countries	-	-	-	-	-	137,164	-	-	137,164
	<u>(31,831)</u>	<u>315,499</u>	<u>175,696</u>	<u>1,396</u>	<u>7,458</u>	<u>324,029</u>	<u>62,587</u>	<u>19,038</u>	<u>873,872</u>
Unallocated corporate expenses, net									
Finance costs									
- finance cost on listed securities investments and treasury products	-	-	-	-	-	(877)	-	-	(877)
- unallocated finance costs	-	-	-	-	-	-	-	-	(46,262)
Other gains and losses, net									
- unallocated other gains and losses, net	-	-	-	-	-	-	-	-	35,125
Share of results of associates									
- property sales	1,238	-	-	-	-	-	-	-	1,238
- attributable gross income	-	-	-	-	-	-	-	-	-
Hong Kong	-	1,579	11,860	-	-	-	-	-	13,439
PRC	-	24,999	2,022	-	-	-	-	-	27,021
- operating cost	-	-	-	-	-	-	-	-	-
Hong Kong	-	(931)	(3,374)	-	-	-	-	-	(4,305)
PRC	-	(15,677)	(1,268)	-	-	-	-	(25,852)	(42,797)
- other results	-	-	-	-	-	-	-	(11,351)	(11,351)
Profit before tax and non-controlling interests (excluding major non-cash items)									
Income tax expense									
Non-controlling interests									
- for property development and trading	(1,525)	-	-	-	-	-	-	-	(1,525)
- for floating rate and fixed rate notes	-	-	-	-	(3,136)	-	-	-	(3,136)
- unallocated non-controlling interests	-	-	-	-	-	-	-	-	(662)
Reportable segment results	<u>(32,118)</u>	<u>325,469</u>	<u>184,936</u>	<u>1,396</u>	<u>4,322</u>	<u>323,152</u>	<u>62,587</u>	<u>(18,165)</u>	
Core profit (excluding major non-cash items)									
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)	-	-	-	-	-	-	-	-	2,955,955
- deferred tax	-	-	-	-	-	-	-	-	(481,207)
Profit for the period attributable to equity holders of the parent									<u>3,203,323</u>

4. Operating Segments (continued)

Condensed Consolidated Statement of Financial Position At 30th June, 2009

	Property development and trading HK\$'000	Property leasing for retail HK\$'000	Property leasing for non-retail HK\$'000	Listed available-for-sale equity investments HK\$'000	Floating rate and fixed rate notes HK\$'000	Other listed held-for-trading investments and treasury products HK\$'000	Unlisted investments, holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
Assets									
Segment assets									
- Hong Kong	1,929,454	19,154,702	17,507,074	145,876	248,445	927,362	843,498	117,906	40,874,317
- PRC	5,446,110	573,137	643,586	-	-	-	-	-	6,662,833
- other countries	1,692,495	-	-	-	-	1,842,101	-	-	3,534,596
Interests in associates									
- Hong Kong	107,925	140,909	493,472	-	-	-	417	658	743,381
- PRC	-	44,624	126,522	-	-	-	-	-	171,146
Advances to associates									
- Hong Kong	967,959	24,018	37,329	-	-	-	-	5,414	1,034,720
- PRC	699,075	22,354	63,381	-	-	-	-	-	784,810
Reportable segment assets	<u>10,843,018</u>	<u>19,959,744</u>	<u>18,871,364</u>	<u>145,876</u>	<u>248,445</u>	<u>2,769,463</u>	<u>843,915</u>	<u>123,978</u>	53,805,803
Unallocated corporate assets									126,313
Consolidated total assets									<u>53,932,116</u>
Liabilities									
Segment liabilities									
- Hong Kong	499,492	240,756	518,581	10,375	422	24,825	306,031	25,380	1,625,862
- PRC	28,003	16,448	13,272	-	-	-	-	-	57,723
- other countries	71	-	-	-	-	25	-	-	96
Reportable segment liabilities	<u>527,566</u>	<u>257,204</u>	<u>531,853</u>	<u>10,375</u>	<u>422</u>	<u>24,850</u>	<u>306,031</u>	<u>25,380</u>	1,683,681
Unallocated corporate liabilities									16,661,911
Consolidated total liabilities									<u>18,345,592</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)									
	<u>77,797</u>	<u>43,085</u>	<u>295,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

Other Material Items

For the six months ended 30th June, 2009

	Reportable segments totals HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income totals HK\$'000
Interest income	51,468	-	-	51,468
Interest expenses	(877)	(46,262)	-	(47,139)
Net interest income (expenses)	50,591	(46,262)	-	4,329
Depreciation and amortisation	-	(11,505)	-	(11,505)
Fair value changes				
on investment properties	-	-	2,902,465	2,902,465
Share of results of associates	(16,755)	-	56,893	40,138
Income tax expense	(15,793)	-	(481,207)	(497,000)
Non-controlling interests	(4,661)	(662)	(3,403)	(8,726)

4. Operating Segments (continued)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2008

	Property development and trading HK\$'000	Property leasing for retail HK\$'000	Property leasing for non-retail HK\$'000	Listed available-for-sale equity investments HK\$'000	Floating rate and fixed rate notes HK\$'000	Other listed held-for-trading investments and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
Continuing operations									
Major cash items excluding in revenue									
- Hong Kong	-	-	-	2,752,053	-	160,604	-	-	2,912,657
- other countries	-	-	-	-	-	170,206	-	-	170,206
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,752,053</u>	<u>-</u>	<u>330,810</u>	<u>-</u>	<u>-</u>	<u>3,082,863</u>
Revenue									
Revenue from external customers									
- Hong Kong	253,732	283,539	137,701	-	-	(13,101)	13,149	11,628	686,648
- PRC	-	22,724	17,831	-	-	-	-	-	40,555
- other countries	-	-	-	-	-	(651)	-	-	(651)
	<u>253,732</u>	<u>306,263</u>	<u>155,532</u>	<u>-</u>	<u>-</u>	<u>(13,752)</u>	<u>13,149</u>	<u>11,628</u>	<u>726,552</u>
Revenue from external customers after non-controlling interests	<u>234,838</u>	<u>304,132</u>	<u>151,216</u>	<u>-</u>	<u>-</u>	<u>(13,752)</u>	<u>13,149</u>	<u>11,628</u>	<u>701,211</u>
Result									
Segment result									
- Hong Kong	95,480	271,704	128,598	1,535,695	-	(5,719)	121,731	21,845	2,169,334
- PRC	-	19,251	15,410	-	-	-	2,548	-	37,209
- other countries	-	-	-	-	-	(47,301)	-	-	(47,301)
	<u>95,480</u>	<u>290,955</u>	<u>144,008</u>	<u>1,535,695</u>	<u>-</u>	<u>(53,020)</u>	<u>124,279</u>	<u>21,845</u>	<u>2,159,242</u>
Unallocated corporate expenses, net									(110,697)
Finance costs									
- finance cost on listed securities investments and treasury products	-	-	-	-	-	(21,042)	-	-	(21,042)
- unallocated finance costs									(142,162)
Other gains and losses, net									
- impairment loss recognised in respect of advance to an associate	-	(993)	-	-	-	-	-	-	(993)
- unallocated other gains and losses, net									819
Share of results of associates									
- property sales	30,188	-	-	-	-	-	-	-	30,188
- attributable gross income									
Hong Kong	-	1,624	14,378	-	-	-	-	-	16,002
PRC	-	38,471	1,864	-	-	-	-	-	40,335
- operating cost									
Hong Kong	-	(957)	(4,827)	-	-	-	-	-	(5,784)
PRC	-	(24,125)	(1,169)	-	-	-	-	(12,329)	(37,623)
- other results	-	-	-	-	-	-	-	11,177	11,177
Profit before tax and non-controlling interests (excluding major non-cash items)									1,939,462
Income tax expense									(65,557)
Non-controlling interests									
- for property development and trading	(13,357)	-	-	-	-	-	-	-	(13,357)
- for property leasing	-	-	657	-	-	-	-	-	657
- unallocated non-controlling interests									4,641
Reportable segment results	<u>112,311</u>	<u>304,975</u>	<u>154,911</u>	<u>1,535,695</u>	<u>-</u>	<u>(74,062)</u>	<u>124,279</u>	<u>20,693</u>	
Profit for the period									
from continuing operations attributable to equity holders of the parent									1,865,846
Discontinued operation									
Loss for the period from discontinued operation attributable to equity holders of the parent									(953)
Core profit									
(excluding major non-cash items)									
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)									1,546,812
- deferred tax									111,125
Profit for the period attributable to equity holders of the parent									<u>3,522,830</u>

4. Operating Segments (continued)

Condensed Consolidated Statement of Financial Position

At 31st December, 2008

	Property development and trading HK\$'000	Property leasing for retail HK\$'000	Property leasing for non-retail HK\$'000	Listed available-for-sale equity investments HK\$'000	Floating rate and fixed rate notes HK\$'000	Other listed held-for-trading investments and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
Assets									
Segment assets									
- Hong Kong	2,274,073	19,406,122	17,845,771	-	221,813	330,021	490,545	103,282	40,671,627
- PRC	5,542,424	612,654	598,822	-	-	-	-	-	6,753,900
- other countries	1,686,144	-	-	-	-	-	-	-	1,686,144
Interests in associates									
- Hong Kong	278,400	64,701	334,951	-	-	-	3,577	545	682,174
- PRC	-	168,765	18,788	-	-	-	-	-	187,553
Advances to associates									
- Hong Kong	923,409	22,683	48,138	-	-	-	1	5,416	999,647
- PRC	699,075	77,147	8,588	-	-	-	-	-	784,810
Reportable segment assets	<u>11,403,525</u>	<u>20,352,072</u>	<u>18,855,058</u>	<u>-</u>	<u>221,813</u>	<u>330,021</u>	<u>494,123</u>	<u>109,243</u>	<u>51,765,855</u>
Unallocated corporate assets									111,684
Consolidated total assets									<u>51,877,539</u>
Liabilities									
Segment liabilities									
- Hong Kong	201,537	336,100	76,877	-	150	25,048	64,229	16,073	720,014
- PRC	67,231	16,022	14,745	-	-	-	-	-	97,998
- other countries	118	-	-	-	-	-	-	-	118
Reportable segment liabilities	<u>268,886</u>	<u>352,122</u>	<u>91,622</u>	<u>-</u>	<u>150</u>	<u>25,048</u>	<u>64,229</u>	<u>16,073</u>	<u>818,130</u>
Unallocated corporate liabilities									15,756,760
Consolidated total liabilities									<u>16,574,890</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)									
	<u>537,590</u>	<u>294,128</u>	<u>154,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,791</u>	<u>13</u>	

Other Material Items

For the six months ended 30th June, 2008

	Reportable segments totals HK\$'000	Adjustments for unallocated	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income (continuing operations) HK\$'000	Consolidated statement of comprehensive income (discontinued operation) HK\$'000	Consolidated statement of comprehensive income totals HK\$'000
Interest income	83,140	-	-	83,140	38	83,178
Interest expenses	(21,042)	(142,162)	-	(163,204)	-	(163,204)
Net interest income (expenses)	62,098	(142,162)	-	(80,064)	38	(80,026)
Depreciation and amortisation	-	(9,744)	-	(9,744)	(110)	(9,854)
Fair value changes on investment properties	-	-	1,539,731	1,539,731	-	1,539,731
Share of results of associates	54,295	-	13,872	68,167	-	68,167
Income tax expense	(65,557)	-	111,125	45,568	-	45,568
Non-controlling interests	(8,059)	-	(6,791)	(14,850)	946	(13,904)

5. Other Income

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Included in other income are:		
Building management fee income	37,566	32,784
Building management fee expenses	(22,967)	(20,047)
	14,599	12,737
Forfeiture of deposits received on sales of properties	4,303	–
Exchange gain, net	274	2,160
	<u> </u>	<u> </u>

6. Investment Income, Net

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Continuing operations		
Loss on financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised loss on investments held-for-trading	(374,417)	(36,244)
Financial assets at fair value through profit or loss classified as designated:		
Unrealised gain on credit-linked notes	49,434	–
Unrealised gain on bonds	42,455	–
Realised loss on equity-linked notes	–	(16,221)
Net gain (loss) on financial assets at fair value through profit or loss classified as designated	91,889	(16,221)
Financial liabilities at fair value through profit or loss classified as held-for-trading:		
Unrealised (loss) gain on derivative financial instruments	(970)	5,054
Net (loss) gain on financial liabilities at fair value through profit or loss classified as held-for-trading	(970)	5,054
Transfer from equity on disposals of available-for-sale investments:		
Listed investments	–	1,445,177
Unlisted investments	–	5,221
Dividend income on:		
Listed investments		
– available-for-sale investments	1,396	90,518
– other listed investments	252,544	761
Unlisted investments	14,955	38,571
Interest income	51,468	83,140
Imputed interest income on:		
Advances to associates	7,574	13,385
Advance to a minority shareholder	164	191
	<u> </u>	<u> </u>
	44,603	1,629,553
Discontinued operation		
Interest income from discontinued operation	–	38
	<u> </u>	<u> </u>
	44,603	1,629,591

Included in interest income are interest from derivative financial instruments, listed floating rate notes and unlisted floating rate and fixed rate notes approximately HK\$8,493,000, HK\$904,000 and HK\$4,836,000 respectively (six months ended 30th June, 2008: derivative financial instruments HK\$7,832,000).

9. Finance Costs

	Six months ended 30th June,	
	2009 HK\$'000	2008 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	44,068	157,819
Bank loans wholly repayable over five years	1,633	3,382
Other loans wholly repayable within five years	287	2,484
	<u>45,988</u>	<u>163,685</u>
Imputed interest on:		
Amounts due to associates	232	406
Amounts due to minority shareholders	1,448	716
Convertible bonds	–	3,704
	<u>1,680</u>	<u>4,826</u>
Total interest	47,668	168,511
Exchange loss on translation of foreign currency loans	590	18,558
Other finance costs	8,679	2,317
	<u>56,937</u>	<u>189,386</u>
Less: Interest capitalised to stock of properties under development	(5,710)	(9,950)
Interest capitalised to investment properties under development	(4,088)	(16,232)
	<u>47,139</u>	<u>163,204</u>

10. Other Gains and Losses, Net

	Six months ended 30th June,	
	2009 HK\$'000	2008 HK\$'000
Included in other gains and losses, net are:		
Gain on partial disposal of a subsidiary (<i>Note 1</i>)	35,135	–
Impairment loss reversed in respect of advances to associates	–	256
Impairment loss recognised in respect of advance to an associate	–	(93)
Discount on acquisition of a subsidiary (<i>Note 2</i>)	–	12,317
Loss on purchase of convertible bonds of a subsidiary (<i>Note 3</i>)	–	(11,744)
	<u>35,135</u>	<u>11,744</u>

Notes:

- Gain on partial disposal of a subsidiary arose from deemed disposal of 8.27% interest in G-Prop (Holdings) Limited (“G-Prop”) by placing on 17th June, 2009. The Group then holds 41.93% shareholding in G-Prop and G-Prop remained a subsidiary of the Company.
- Discount on acquisition of a subsidiary arose from acquisition of further 36.51% interest in G-Prop in February 2008. The Group then holds 50.20% shareholding in G-Prop and G-Prop became a subsidiary of the Company.
- Loss on purchase of convertible bonds of a subsidiary arose from acquisition of convertible bonds in face value of HK\$108,000,000 of G-Prop from Fame Ascent Investments Limited in April 2008.

11. Income Tax Expense (Credit)

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	9,501	28,298
Other than Hong Kong	4,656	5,823
	14,157	34,121
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	(53)	15,402
Other than Hong Kong	80	–
	27	15,402
Deferred tax:		
Current period	482,816	197,238
Attributable to a change in tax rate	–	(292,329)
	482,816	(95,091)
	497,000	(45,568)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

With effect from the year of assessment 2008/2009, the Hong Kong Profits Tax has been reduced from 17.5% to 16.5%. On 16th March, 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China, which has changed the tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective years when the asset is realised or the liability is settled.

Deferred tax of HK\$482.8 million included the deferred tax expenses of HK\$481.2 million (six months ended 30th June, 2008: HK\$181.3 million) on fair value changes on investment properties recognised for the period.

12. Loss for the Period from Discontinued Operation

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	–
Investment income, net	–	38
Administrative expenses	–	(1,937)
Loss for the period from discontinued operation	–	(1,899)

On 1st February, 2008, G-Prop entered into a conditional agreement with Fame Ascent Investments Limited to dispose of the operation in production and sale of methanol (the "Methanol Project") for approximately HK\$183.7 million. The disposal was completed on 25th July, 2008, following the disposal, the results of Methanol Project was reported as a discontinued operation and presented separately in the condensed consolidated statement of comprehensive income in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

13. Dividends

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
(a) Interim dividend for 2009 declared after interim period end		
Interim dividend declared of HK2 cents (2008: HK13.5 cents) per share	<u>39,197</u>	<u>306,187</u>
(b) Final dividend for 2008 paid on 8th June, 2009 of HK1 cent (2007: HK22.5 cents) and special dividend of HK99 cents (2007: nil) per share		
Cash	2,006,305	469,152
Share alternative under scrip dividend scheme	<u>–</u>	<u>48,007</u>
Total dividends paid	<u>2,006,305</u>	<u>517,159</u>

14. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the parent is based on the following data:

	Six months ended 30th June,			
	Total	Continuing	Discontinued	Total
	2009	operations	operation	2008
	HK\$'000	2008	2008	HK\$'000
		HK\$'000	HK\$'000	HK\$'000
Earnings:				
Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the parent)	<u>3,203,323</u>	3,523,783	(953)	3,522,830
Effect of dilutive potential ordinary shares:				
Imputed interest on convertible bonds		3,704	–	3,704
Adjustment to the share of loss of a subsidiary based on dilution of its earnings per share		<u>(2,019)</u>	<u>(66)</u>	<u>(2,085)</u>
Earnings for the purpose of diluted earnings per share		<u>3,525,468</u>	<u>(1,019)</u>	<u>3,524,449</u>

	Number of shares	
	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>2,034,673,910</u>	<u>2,298,481,181</u>

Diluted earnings per share for the six months ended 30th June, 2009 is the same as the basic earnings per share as there was no dilutive potential ordinary shares outstanding.

15. Investment Properties

Fair value	<i>HK\$'000</i>
At 1st January, 2009	30,302,580
Additions	325,076
Transfer from properties under development	86,496
Transfer from prepaid lease payments	1,207,982
Increase in fair value recognised in the consolidated statement of comprehensive income	<u>2,902,465</u>
At 30th June, 2009	<u><u>34,824,599</u></u>

The market value of the Group's investment properties at 30th June, 2009 has been arrived at on the basis of valuation carried out on that date by Messrs. Norton Appraisals Limited ("Norton Appraisals"), independent qualified professional valuers not connected with the Group who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation report on the investment properties is signed by a director of Norton Appraisals, who is a member of the Hong Kong Institute of Surveyors. The valuation, which conforms to the Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors, was based on market value basis.

16. Interests in Associates

	30th June, 2009	31st December, 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investment in associates		
Unlisted	283,667	283,667
Share of post-acquisition profits, net of dividend received	<u>630,860</u>	<u>586,060</u>
	<u><u>914,527</u></u>	<u><u>869,727</u></u>

The Company provided corporate guarantee to secure bank loans granted to its associates. The fair value of the financial guarantee contract was determined by Norton Appraisals, independent qualified professional valuers, and it was recognised as interests in associates and financial guarantee liabilities in the Group's consolidated statement of financial position.

The investment properties held by the Group's principal associates were revalued at 30th June, 2009 by Norton Appraisals. The valuation, which conforms to the Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors, was based on market value basis.

17. Advances to Associates

	30th June, 2009	31st December, 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest bearing advances to associates	138,913	148,015
Interest-free advances to associates	<u>1,680,617</u>	<u>1,636,442</u>
	<u><u>1,819,530</u></u>	<u><u>1,784,457</u></u>

The advances to associates are unsecured. An approximately HK\$1,673,567,000 was expected to be repayable in 2010 and 2011 and the amount is therefore shown as non-current. For the remaining HK\$145,963,000, the Group will not demand repayment within one year from 30th June, 2009 and the amounts are therefore shown as non-current. The interest bearing advances to associates bear interest at the prevailing market rates. The Directors consider that the fair values of the interest-free advances at the statement of financial position date, determined based on the present values of the estimated future cash flows discounted using the prevailing market rates at 30th June, 2009, approximates their carrying amounts.

18. Available-for-sale Investments

	30th June, 2009 <i>HK\$'000</i>	31st December, 2008 <i>HK\$'000</i>
Available-for-sale investments comprise:		
Listed investments:		
Equity securities listed in Hong Kong	145,876	–
Unlisted securities:		
Equity securities incorporated in Hong Kong	218,792	235,684
	364,668	235,684
Debt securities	239,368	216,712
Club debentures	15,731	15,731
Total	619,767	468,127

19. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$24,757,000 (31st December, 2008: HK\$35,353,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of billings and properties sales proceeds receivable.

The following is an aging analysis of trade receivables at the statement of financial position date:

	30th June, 2009 <i>HK\$'000</i>	31st December, 2008 <i>HK\$'000</i>
0 – 30 days	7,317	18,634
31 – 60 days	2,378	3,024
61 – 90 days	809	1,890
Over 90 days	14,253	11,805
	24,757	35,353

The Directors consider that the fair values of the Group's debtors, deposit and prepayments at the statement of financial position date were approximately their carrying amounts.

20. Derivative Financial Instruments

	30th June, 2009 <i>HK\$'000</i>	31st December, 2008 <i>HK\$'000</i>
Liabilities		
Financial liabilities, held for trading		
Interest rate swaps	25,402	24,432

21. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$178,691,000 (31st December, 2008: HK\$141,563,000).

The following is an aging analysis of trade payables at the statement of financial position date:

	30th June, 2009 <i>HK\$'000</i>	31st December, 2008 <i>HK\$'000</i>
0 – 90 days	77,131	111,874
Over 90 days	101,560	29,689
	178,691	141,563

The Directors consider that the fair values of the Group's creditors and accruals at the statement of financial position date were approximately their carrying amounts.

22. Borrowings

	30th June, 2009 <i>HK\$'000</i>	31st December, 2008 <i>HK\$'000</i>
Bank loans, secured	10,919,083	11,669,183
Other loans, secured	1,169,803	–
	12,088,886	11,669,183
Less: Amounts due within one year and shown under current liabilities	(4,171,861)	(3,163,925)
Amounts due after one year	7,917,025	8,505,258

23. Amounts due to Associates and Minority Shareholders

Both the amounts due to associates and minority shareholders are unsecured. The amounts due to minority shareholders are interest bearing at the prevailing market rate and the amounts due to associates are interest-free. The associates and minority shareholders will not demand for repayment within one year from 30th June, 2009 and the amounts are therefore shown as non-current. The Directors consider that the fair values of the amounts at the statement of financial position date determined based on the present values of the estimated future cash flows discounted using the prevailing market rates at 30th June, 2009, approximate their carrying amounts.

24. Share Capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2008, 31st December, 2008 and 30th June, 2009	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1st January, 2008	2,300,443,378	230,044
Repurchased and cancelled (<i>Note</i>)	(226,873,000)	(22,687)
Issue of ordinary shares in lieu of cash dividend	<u>4,179,701</u>	<u>418</u>
At 31st December, 2008	2,077,750,079	207,775
Repurchased and cancelled (<i>Note</i>)	<u>(77,750,000)</u>	<u>(7,775)</u>
At 30th June, 2009	<u>2,000,000,079</u>	<u>200,000</u>

Note: During the Period, the Company repurchased on the Stock Exchange a total of 97,261,000 (2008: 16,667,000) shares of HK\$0.10 each of the Company, at an aggregate consideration after expenses of approximately HK\$1,040,228,000 (2008: HK\$194,567,000), of which 77,750,000 (2008: 7,376,000) shares were immediately cancelled during the Period. The remaining 19,511,000 (2008: 9,291,000) shares were cancelled in July 2009 and was included in treasury stocks. The nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to the share premium of the Group.

25. Capital Commitments and Contingent Liabilities

	30th June, 2009 HK\$'000	31st December, 2008 HK\$'000
(a) Capital commitments:		
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	779,662	1,269,073
Development expenditure of properties in Mainland China	1,978,711	724,969
Development expenditure of properties in Macau	30,842	36,412
Renovation of properties	188,019	268,571
	<u>2,977,234</u>	<u>2,299,025</u>
Authorised but not contracted for:		
Development expenditure of properties in Hong Kong	375,473	205,320
	<u>375,473</u>	<u>205,320</u>
(b) Contingent liabilities:		
Guarantees given to bank, in respect of banking facilities utilised by an associate/an investee company	1,069,650	1,069,650
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	10,000	10,000
	<u>1,079,650</u>	<u>1,079,650</u>

26. Material Related Party Transactions

During the Period, the Group entered into the following material transactions with related parties:

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Income received from associates:		
Office and retail rental	133	141
Interest income	3,718	3,788
Management fee	24	24
Accountancy fee	60	60
Administration fee	–	25
Expenses paid to associates:		
Office rental	332	263
Building management fee	222	233
	<u>222</u>	<u>233</u>

Office and retail rental were determined on terms similar to those applicable to transactions with unrelated parties. Management fee, building management fee, administration fee and accountancy fee were charged at the terms agreed by both parties. Interest income was charged at the prevailing market rate based on outstanding balance during the Period.

Details of the balances with related parties as at 30th June, 2009 are set out in notes 17 and 23 above.

27. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND AND SHARE REPURCHASE

The Board has declared an interim dividend of HK2 cents per share for the Period (the “Interim Dividend”) (2008: HK13.5 cents).

During the Period, the Company has allocated an aggregate cash amount of HK\$1,079.4 million (2008: HK\$500.8 million) (or HK53.1 cents per share (2008: HK22 cents)) which would be paid to shareholders. Out of such sum, an amount of HK\$39.2 million (2008: HK\$306.2 million) (or HK2 cents per share (2008: HK13.5 cents)) would be applied for the payment of Interim Dividend and an amount of HK\$1,040.2 million (2008: HK\$194.6 million) (or HK51.1 cents per share (2008: HK8.5 cents)) has been utilized for the repurchase of the Company’s shares during the Period. With such a total cash sum of HK53.1 cents per share (2008: HK22 cents) and a core profit of HK35.8 cents per share (2008: HK81.1 cents), a ratio of 148.3% (2008: 27.1%) is recorded, which is summarized as follows:–

	For the six months ended 30th June,	
	2009	2008
Core profit (HK\$m)	728.6	1,864.9
Share repurchase (HK\$m)	1,040.2	194.6
Interim Dividend (HK\$m)	39.2	306.2
<u>On a share basis</u>		
Core profit (HK cents)	35.8	81.1
Share repurchase (HK cents)	51.1	8.5
Interim Dividend (HK cents)	2.0	13.5
Share repurchase and Interim Dividend (HK cents)	53.1	22.0
As a percentage of core profit	148.3%	27.1%

Dividend warrants will be posted on or about 7th October, 2009 to shareholders whose names appear on the register of members of the Company on 25th September, 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 22nd September, 2009 to 25th September, 2009, both days inclusive. In order to qualify for the Interim Dividend, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 21st September, 2009.

SPECIAL DIVIDEND

With reference to the announcement dated 2nd September, 2009 setting out the Company's conditional disposal of certain assets (the "Announcement"), it is anticipated that sales proceeds of approximately HK\$2,024 million would be received and it is intended that part of the net proceeds generated from the discloseable and connected transactions as disclosed in the Announcement (the "Transactions") will be distributed to the shareholders as special dividend. The Board has declared a special dividend of HK63 cents per share on the condition that all conditions precedent of the Transactions are fulfilled including the approval by the independent shareholders in a special general meeting of the Company. However, no special dividend will be distributed to shareholders if the Company has not obtained independent shareholders' approval on the Transactions and any of the other conditions precedent cannot be fulfilled. Further announcement will be made by the Company in relation to the closure of register of members and dispatch date of special dividend warrants in relation thereto, as appropriate, at a later stage.

FINANCIAL OPERATION REVIEW

Results

Continuing Operations

Revenue for the Period amounted to HK\$1,366.0 million (six months ended 30th June, 2008: HK\$726.6 million (restated); previously stated as HK\$985.8 million), a 88.0% increase over the same period last year. It was mainly due to the increase in revenue of securities investment, sales proceeds recognised from York Place and rental income from Silvercord and MassMutual Tower.

The gains in the sales of held-for-trading investment to a net basis was HK\$346.5 million (six months ended 30th June, 2008: loss HK\$13.8 million).

For property leasing, following the completion of renovation on the first phase of Windsor House and the cinema portion of Silvercord at the end of 2007, new letting transactions with very favourable rentals have been recorded, thus the rental income in retail section jumped by 10.7%. Rental income from non-retail section had also shown a very satisfactory increase of 20.3% during the Period. The Period recorded an increase of 11.6% in total rental income to HK\$515.3 million as compared with the corresponding period in 2008 of HK\$461.8 million. Together with the attributable rental income generated from associates of HK\$40.5 million (six months ended 30th June, 2008: HK\$49.4 million), the total attributable rental income to the Group after non-controlling interests reached to approximately HK\$554.3 million (six months ended 30th June, 2008: HK\$506.7 million), which achieved a 9.4% increase over the same period last year.

Gross profit for the Period amounted to HK\$810.3 million, a 55.9% increase as compared with the same period last year.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Continuing Operations (continued)

In relation to property development, a loss of HK\$37.7 million (six months ended 30th June, 2008: a profit of HK\$76.5 million) was recorded. Sale of MOD 595 in Mongkok had contributed an attributable profit to the Group of approximately HK\$11.9 million (six months ended 30th June, 2008: HK\$40.4 million), York Place in Wanchai had a book loss of approximately HK\$53.7 million. Book loss represented sales revenue less book cost. York Place was previously an investment property and was transferred to stock of properties in 2008 at its then market value. For those units sold and recognised in the Period, the book cost included a valuation surplus of HK\$284.6 million. If the valuation surplus is excluded from the book cost, a profit of HK\$230.9 million would be resulted. A unit of Gemstar Tower in Hung Hom (61.96% interest) sold during the Period had contributed an attributable profit to the Group of HK\$2.5 million (six months ended 30th June, 2008: HK\$20.6 million) and no sale profit was recorded for The Zenith in Wanchai (87.5% interest) for the Period (six months ended 30th June, 2008: HK\$2.4 million). In respect of properties held by an associate, Indihome in Tsuen Wan (50% interest) continuously generated profit of HK\$1.2 million (six months ended 30th June, 2008: HK\$4.5 million) and no sale profit was recorded for Miami Crescent in Sheung Shui (50% interest) for the Period which had contributed HK\$21.6 million in the same period last year, the mentioned profits was reflected in the share of results of associates. For the sale of Parc Palais in Homantin (10% interest), a contribution of HK\$1.6 million (six months ended 30th June, 2008: HK\$19.0 million) was recorded in investment income. In the current period, the forfeited deposits received for York Place and i-home in Tai Kok Tsui recorded in other income were HK\$4.0 million and HK\$0.3 million respectively (six months ended 30th June, 2008: HK\$0.7 million being forfeited deposits of The Zenith). Deposit received for stock of properties contracted to be sold at 30th June, 2009 amounted to HK\$372.3 million.

Investment properties of the Group were revalued as at 30th June, 2009 and recorded an increase in fair value of HK\$2,902.5 million as a result of the upturn of the property markets in Hong Kong and Mainland China.

During the Period, the total gains recognised on listed securities investments were HK\$324.5 million (six months ended 30th June, 2008: HK\$1,461.6 million), including listed equity securities investments included in available-for-sale investments, listed held-for-trading investments and treasury products.

The Group had not disposed any available-for-sale investments for the first half year of 2009 (six months ended 30th June, 2008: gain on disposal of available-for-sale investments HK\$1,445.2 million was recognised as net investment income). The listed equity securities included in available-for-sale investments also bring an addition of fair value of HK\$8.1 million (six months ended 30th June, 2008: deduction of fair value of HK\$2,546.4 million) was recognised in other comprehensive income and the securities investments reserve.

The performance of the listed held-for-trading investments and treasury products improved significantly and generated a profit before or after finance costs of HK\$324.0 million and HK\$323.1 million respectively for the Period (six months ended 30th June, 2008: loss before/after finance costs: HK\$53.1 million/HK\$74.1 million).

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Continuing Operations (continued)

Profit from the listed held-for-trading investments reflected in the condensed consolidated statement of comprehensive income for the Period comprised of a gross profit totaling HK\$346.5 million (six months ended 30th June, 2008: a gross loss of HK\$13.8 million), an unrealised loss on fair value changes amounted to HK\$283.5 million (six months ended 30th June, 2008: HK\$31.2 million), dividend and interest income of HK\$261.0 million (six months ended 30th June, 2008: HK\$8.1 million) and gain or loss from treasury products, if any (six months ended 30th June, 2008: a realised loss on equity-linked note of HK\$16.2 million). The relevant finance costs incurred in the period of HK\$0.9 million (six months ended 30th June, 2008: HK\$21.0 million) including interest expense and exchange loss of HK\$0.3 million (six months ended 30th June, 2008: HK\$2.5 million) and HK\$0.6 million (six months ended 30th June, 2008: HK\$18.5 million) respectively.

Other income mainly comes from building management fee increased to HK\$23.0 million representing an increase of 19.2% as compared with the same period last year.

During the Period, administrative expenses and finance costs decreased by 15.5% to HK\$97.9 million (six months ended 30th June, 2008: HK\$115.8 million) and 71.1% to HK\$47.1 million (six months ended 30th June, 2008: HK\$163.2 million) respectively.

Other gains and losses recorded a net gain on deemed disposal of HK\$35.1 million (six months ended 30th June, 2008: losses of HK\$0.2 million), including the gain on disposal of 8.27% interest in G-Prop (Holdings) Limited (“G-Prop”) through a placing exercise completed on 17th June, 2009.

The share of results of associates for the Period was a profit of HK\$40.1 million as compared to HK\$68.2 million for the same period last year, it was mainly due to the decrease of fair value gain on investment properties.

Profit, Core Profit, Dividends, Repurchase and Cash Payment

Profit

Profit attributable to equity holders of the parent for the Period was HK\$3,203.3 million as compared to profit of HK\$3,522.8 million for the same period last year. The profit for the Period was mainly due to the fair value gains on investment properties. Earnings per share was HK\$1.57 (six months ended 30th June, 2008: HK\$1.53).

Core Profit

If the net gain on the major non-cash items of HK\$2,474.7 million (six months ended 30th June, 2008: HK\$1,657.9 million) are excluded, the Group will have a core profit attributable to equity holders of the parent for the Period of HK\$728.6 million (six months ended 30th June, 2008: HK\$1,864.9 million) and a core earnings per share of HK35.8 cents (six months ended 30th June, 2008: HK81.1 cents), a decrease of 61.0% and 55.9% over 2008 respectively.

The major non-cash items are fair value gains on investment properties together with their respective deferred tax expenses of HK\$2,474.7 million (six months ended 30th June, 2008: HK\$1,365.5 million and credit effect of deferred tax on reduction in tax rate in respect of the fair value changes on investment properties of HK\$292.4 million).

FINANCIAL OPERATION REVIEW *(continued)*

Profit, Core Profit, Dividends, Repurchase and Cash Payment *(continued)*

Dividends

A final dividend of HK1 cent (year ended 31st December, 2007: HK22.5 cents) and special dividend of HK99 cents (year ended 31st December, 2007: nil) per share in total amount of HK\$2,006.3 million for the year ended 31st December, 2008 was paid in cash.

Repurchase

During the Period, the Company has utilised HK\$1,040.2 million (six months ended 30th June, 2008: HK\$194.6 million) in repurchase of the Company's shares, such amount is equivalent to HK51.1 cents (six months ended 30th June, 2008: HK8.5 cents) per share, calculated based on weighted average number of ordinary shares during the Period.

Cash Payment

Based on (a) the core profit for the Period of HK\$728.6 million (six months ended 30th June, 2008: HK\$1,864.9 million) or HK35.8 cents (six months ended 30th June, 2008: HK81.1 cents) per share; (b) the amount utilised for share repurchase during the Period of HK\$1,040.2 million (six months ended 30th June, 2008: HK\$194.6 million) or HK51.1 cents (six months ended 30th June, 2008: HK8.5 cents) per share; and (c) interim dividend of HK2 cents (2008: HK13.5 cents) per share declared for the Period, the ratio of such cash payment to the core profit is 148.3% (six months ended 30th June, 2008: 27.1%).

Net Asset Value

As at 30th June, 2009, the Group's total net asset to equity holders of the parent amounted to approximately HK\$34,807.7 million (31st December, 2008: HK\$34,650.6 million), an increase of HK\$157.1 million or 0.5% when compared with 31st December, 2008. With the total number of ordinary shares in issue of 2,000,000,079 as at 30th June, 2009 (31st December, 2008: 2,077,750,079 shares), the net asset value per share to equity holders of the parent was HK\$17.4, an increase of 4.2% over 31st December, 2008 (HK\$16.7). The movement in net asset value was mainly due to (a) Profit for the Period of HK\$3,203.3 million; (b) addition in the reserve for the listed available-for-sale investments of HK\$8.1 million; (c) reduction in equity for share repurchase of HK\$1,040.2 million, and (d) payment of final and special dividend of HK\$2,006.3 million.

An addition in fair value on the listed equity securities investments of approximately HK\$8.1 million (six months ended 30th June, 2008: reduction HK\$2,546.4 million) was recognised for the Period and the carrying amount of the Listed Equity Securities Investments Reserve as at 30th June, 2009 amounted to approximately HK\$8.1 million (31st December, 2008: nil).

Included in the total net assets is net deferred tax liabilities of HK\$4,324.0 million on fair value gains of investment properties. If the deferred tax liabilities are excluded, the total net assets to equity holders of the parent will become HK\$39,131.7 million or HK\$19.6 per share (31st December, 2008: HK\$18.5 per share).

During the Period, the Group had bought and sold listed and unlisted securities investments and deemed disposal of 8.27% interest in G-Prop through placing. The indirect shareholding of the Group in G-Prop decreased from 50.20% to 41.93%, but the Group still has control over the board and the power to govern the financial and operating policies of G-Prop, thus G-Prop remains as a subsidiary of the Group. Other than the existing projects and those disclosed in the interim results, the Group did not have any future plans for material investment or capital assets.

FINANCIAL OPERATION REVIEW *(continued)*

Securities Investments

As at 31st December, 2008, the carrying amount of the treasury products was HK\$24.4 million, which was included in current liabilities. During the Period, the portfolio was increased by a net purchase of HK\$2,819.5 million. After deducting the fair value loss of HK\$275.4 million for the Period, the listed securities investments portfolios of the Group reached HK\$2,519.7 million as at 30th June, 2009 representing 4.7% of total assets, which formed part of the Group's cash management activities.

As at 30th June, 2009, the carrying amount of the floating rate and fixed rate notes amounted to HK\$239.4 million (31st December, 2008: HK\$216.7 million) representing 0.4% of the total assets of the Group at the period end.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 30th June, 2009 and 31st December, 2008 were 2,000,000,079 and 2,077,750,079 respectively.

Debt and Gearing

As at 30th June, 2009, the Group's bank and other borrowings amounted to HK\$12,088.9 million (31st December, 2008: HK\$11,669.2 million). Cash and deposit at bank amounted to HK\$6,023.3 million (31st December, 2008: HK\$10,418.9 million), pledged deposit amounted to HK\$611.9 million (31st December, 2008: HK\$478.1 million) and net borrowings amounted to HK\$5,453.7 million (31st December, 2008: HK\$772.2 million).

Total debt to equity ratio was 34.0% (31st December, 2008: 33.1%) and net debt to equity ratio was 15.3% (31st December, 2008: 2.2%), which are expressed as a percentage of total borrowings, and net borrowings respectively, over the total equity of HK\$35,586.5 million (31st December, 2008: HK\$35,302.6 million).

The increase of net debt to equity ratio mainly due to the decrease of cash and deposit balances and increase of borrowings for the repurchase of Company's shares, payment of final and special dividends, investments in long term bonds, additions to listed available-for-sales investments and held-for-trading investments.

As at 30th June, 2009, the Group's bank and other borrowings were denominated in Hong Kong dollars (94.0%), United States dollars (3.1%), Swiss Franc (1.6%) and Japanese Yen (1.3%). Of the Group's bank and other borrowings of HK\$12,088.9 million, 34.5%, 15.1%, 49.3% and 1.1% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank and other borrowings carrying interest rates were calculated mainly with reference to HIBOR and inter-bank rate. No hedging for interest rate as subsisted at the end of the period. Borrowings in Swiss Franc and Japanese Yen were for hedging of Swiss Franc and Japanese Yen securities investments and such securities turned into cash at 30th June, 2009.

FINANCIAL OPERATION REVIEW *(continued)*

Pledge of Assets

As at 30th June, 2009, the Group had pledged the following assets:

- (a) The Group's investment properties, property and other fixed assets, prepaid lease payments, stock of properties and time deposits with their respective carrying amount of approximately HK\$31,419.0 million (31st December, 2008: HK\$28,643.2 million), HK\$59.4 million (31st December, 2008: HK\$60.3 million), HK\$319.2 million (31st December, 2008: HK\$319.6 million), nil (31st December, 2008: HK\$2,995.2 million) and HK\$307.5 million (31st December, 2008: HK\$149.3 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) The Group's investments held-for-trading, available-for-sale investment, treasury products and certain cash deposit with carrying amount of approximately HK\$2,835.7 million (31st December, 2008: HK\$328.7 million) was pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions and utilised by the Group as borrowings due within one year of approximately HK\$1,169.8 million (31st December, 2008: nil).
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated and assigned its advance to an associate and advance to an investee company of approximately HK\$1,324.0 million (31st December, 2008: HK\$1,275.0 million) to financial institutions to secure banking general credit facilities granted to an associate and investee company.

Financial and Interest Income/Expenses

Interest income was included in revenue and investment income. Interest income for the Period was HK\$54.4 million, representing a decrease of 40.9% from that of 30th June, 2008 (HK\$92.0 million).

Finance costs included interest expenses on bank and other loans, imputed interest expenses, exchange difference on foreign currency loans, arrangement fee and facility and commitment fee expenses. Excluding imputed interest, interest expenses for the Period amounted to HK\$37.6 million, representing a 72.8% decrease over the interest expenses of HK\$138.2 million recorded for the same period last year. The decrease in interest expenses was mainly due to decrease in interest rate during the Period. Interest capitalised for the Period was HK\$8.4 million as compared to HK\$25.5 million for last year. The average interest rate over the period under review was 0.79% (2008: 2.61%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

During the period under review, the Group employed a total of 291 staff (six months ended 30th June, 2008: 310 staff) (excluding about a total of 307 staff (six months ended 30th June, 2008: 294 staff) for estate management employed under the Group's estate management company, Perfect World Company Limited).

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Director continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Period.

FINANCIAL OPERATION REVIEW *(continued)*

Remuneration Policies, Share Option Scheme and Share Award Scheme *(continued)*

A share award scheme (the “Scheme”) was adopted by the shareholders of the Company at the special general meeting on 14th January, 2009. The Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Scheme were set out in the Company’s circular dated 23rd December, 2008. No granting of share was made for the Period.

Mainland China and Macau

Profit contribution from the Group’s investment in the Mainland China (including gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Period amounted to HK\$41.3 million (six months ended 30th June, 2008: HK\$199.7 million). The Group’s net investment as at 30th June, 2009 amounted to HK\$6,942.5 million (31st December, 2008: HK\$6,877.5 million) representing approximately 12.9% of the Group’s total asset value and 19.9% of the Group’s net asset value.

Further, the Group’s net investment in Macau as at 30th June, 2009 amounted to HK\$1,690.6 million (31st December, 2008: HK\$1,665.0 million) representing approximately 3.1% of the Group’s total asset value.

Listed Subsidiaries

At the period end date, the Group owned 61.96% interest in Chi Cheung Investment Company, Limited.

On 5th February, 2008, the Group acquired 36.51% shareholding in G-Prop. Accordingly, the Group held 50.20% shareholding of G-Prop and G-Prop became a subsidiary of the Company. After G-Prop placement completed on 17th June, 2009, the indirect shareholding of the Company in G-Prop decreased from 50.20% to 41.93% but the Group still has control over the board and the power to govern the financial and operating policies of the Company, thus G-Prop remains as a subsidiary of the Group.

Property Valuation

A property valuation has been carried out by Messrs. Norton Appraisals Limited, independent qualified professional valuers, in respect of the Group’s investment properties as at 30th June, 2009 and that valuation was used in preparing 2009 interim results. The Group’s investment properties were valued at HK\$34,824.6 million (31st December, 2008: HK\$30,302.6 million), a 9.1% increase over 2008 after adjusted for additions and disposals of investment properties during the Period. The increase in fair value of approximately HK\$2,902.5 million was recognised in the condensed consolidated statement of comprehensive income for the Period. The Group also shared an increase in fair value of investment properties of the associates of HK\$56.9 million (net of deferred tax of HK\$11.2 million) for the Period. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the financial statements. Investment property under development in Chengdu was stated at cost.

Post Balance Sheet Event

On 2nd September, 2009, the Group entered into 8 conditional sale and purchase agreements with the executive director and a company owned by the executive director for the disposal of companies holding 2 properties in United Kingdom, 3 bonds, 2 credit-linked notes and a derivative financial instrument at an estimated consideration of HK\$2,024 million.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 90.06% during the Period excluding the renovation area of Windsor House. The occupancy rate achieved 95.76% if non-core properties are excluded. Such sustainable high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

The Group's overall gross rental growth was 11.59% with rental income of HK\$515.32 million for the Period as compared with the corresponding period of last year, and the respective increases in Hong Kong retail and non-retail portion have been 10.72% and 20.28%. The increase in gross rental income is mainly attributable to the high reversionary rental rate of the office properties and pleasant rental rate achieved by shopping malls after renovation.

During the Period, the shops of Excelsior Plaza – Laforet were fully let out and the average occupancy rate of Causeway Place was approximately 92.30%.

The first phase renovation of Windsor House was completed in the third quarter of 2007 and the second phase renovation commenced in March 2008. Works include reconfiguration of the mall layout from basement level to 7th level to provide greater varieties of prime retail shops and specialty restaurants, addition of atrium void and introduction of skylight to provide a high-end shopping environment. Portions of the circulation areas and shops at ground floor and first floor have been re-opened in December 2008 and June 2009 respectively and it is anticipated that the whole renovation work will be completed by early 2010. The revamped Windsor House will have improved and diversified trade mix.

As for Silvercord, the overall rental income was raised 33.76% for the Period as compared with the corresponding period of last year and its average occupancy rate was 96.70% during the Period. The substantial rental growth and high occupancy rate reflect the success of the Group's rental enhancement strategy of renovation and repackaging of its shopping malls. In order to further enhance the circulation at third floor, improvement works to third floor is being planned and site works are tentatively scheduled to be commenced in the second quarter of 2010.

The ONE, i.e. the redevelopment project of the former Tung Ying Building in Tsim Sha Tsui is being developed to a 29-storey integrated shopping, entertainment and food and beverage complex with more than 400,000 square feet of retail spaces. It will be the tallest retail complex of its kind in Hong Kong and is expected to be a landmark shopping arcade in Tsim Sha Tsui upon completion scheduled in the first half of 2010. Topping out of the superstructure was achieved in August 2009. MTR Corporation Limited commissioned to construct a pedestrian subway linking the Tsim Sha Tsui MTR Station to, amongst other exits, The ONE. The ONE will benefit from this pedestrian subway and this direct path to the MTR Station will provide a highly accessible link for the shoppers to The ONE. Pre-lease marketing has been commenced after the formal naming of The ONE in June 2009. Overall marketing response is positive and a number of offers are received from prospective tenants.

The occupancy rate for the Group's office properties maintained at a satisfactory level throughout the first half of 2009. During the Period, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 90.59%, 98.60% and 76.41% respectively, bringing the approximate occupancy rate of the overall office portfolio to 89.81%. The occupancy rate drop in Harcourt House was mainly due to the closure of businesses in Hong Kong or down-size of office area of several anchored tenants in the building caused by the global economy turmoil.

BUSINESS REVIEW *(continued)*

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving pleasing results.

York Place is a high-end residential tower located in prime area of Wanchai, having 94 units with flat size ranging from gross floor area of approximate 576 square feet to 2,037 square feet. As at 30th June, 2009, 64 units (51 recognized as sales and 13 defined as presales and the relevant revenue and profit will be recognized in the second half of 2009) were sold, representing 68.08% of total units. The occupation permit has been obtained in March 2009 and the transacted units had been handed over to the purchasers in mid of May 2009.

i-home is a joint venture project with the Urban Renewal Authority located in Tai Kok Tsui. It provides a single residential tower block comprises 182 units with flat size ranging from gross floor area of approximate 462 square feet to 1,182 square feet. The occupation permit and the certificate of compliance from the government have been obtained in March 2009 and June 2009 respectively. Since its first sales launch commenced in end of March 2009, 134 units defined as presales and the relevant revenue and profit will be recognized in the second half of 2009, representing 73.62% of total units were sold as of 30th June, 2009.

MOD 595 is another joint venture project with the Urban Renewal Authority located in Mongkok. It provides a single residential tower block comprises 85 units with flat size ranging from gross floor area of approximate 483 square feet to 1,188 square feet. 98.82% of total units (i.e. 1 unit remaining) were sold up to 30th June, 2009, all of which had been handed over to the purchasers.

The Zenith (87.5% interest) is a two-phase redevelopment project at Tai Yuen Street, Wanchai undertaken with the Urban Renewal Authority. 651 units of phase I were sold up to 30th June, 2009, representing 99.85% of total units. Phase II will be a residential/commercial complex development with a gross floor area of approximately 159,700 square feet. Redevelopment work with preservation of the core elements of Wanchai Market and foundation work are in progress. Completion of phase II is scheduled in end 2013.

The Hermitage (25% interest), is one of the Group's joint venture development projects in West Kowloon Reclamation Area. It is located at Hoi Ting Road and junction of Hoi Wang Road and Hoi Ting Road. Its superstructure work is in progress. The Hermitage will comprise six residential tower blocks provide in aggregate 960 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. The whole project is expected to be completed in end 2010. The launching of the Hermitage is scheduled in the second half of 2009.

Another West Kowloon – joint venture development project is located at the junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road (15% interest). Its sub-structure work is in progress. Six residential tower blocks with residential and retail properties of total gross floor area of approximately 650,600 square feet will be developed. Completion of the whole project is scheduled in 2011.

Sun Fair Mansions, 12 Shiu Fai Terrace, located in Mid-Levels East, is a traditional prestigious location for luxury residential project in Hong Kong. A luxury residential tower which provides a total residential gross floor area of around 42,900 square feet will be redeveloped. Demolition work has been completed, site formation work is in progress. The whole project is expected to be completed in end 2012.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area about 36,000 square feet which can provide a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. The first phase of the site formation work has been substantially completed. Piling works and the associated sub-structure works are scheduled to be commenced in the third quarter of 2009.

BUSINESS REVIEW *(continued)*

Macau Property Development

The Group is planned to develop the site at Avenida Wai Long, Taipa, Macau (70.01% interest) into a high-end residential project with total gross floor area of approximately 5,786,242 square feet (excluding basement car park). It will comprise 26 residential tower blocks and will be developed in phases. Proposals for a revised master layout plan, site formation and basement excavation works of phase I have been submitted for government's approval.

Mainland China Property Investment

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex with a 2-storey basement and has a gross floor area of around 263,708 square feet. The occupancy rates of the office and retail spaces for June 2009 were 87.06% and 70.13% respectively.

Hilton Beijing (50% interest), with 126 rooms in the executive tower operated since July 2008 in addition to 377 rooms available in the main tower, attained an average occupancy rate of 49.40% and a gross profit of HK\$28.77 million for the Period as a result of the oversupply of hotel rooms after the Beijing 2008 Olympic Games.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, was 97.27% let out as of June 2009.

The average occupancy rate of the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen was 89.07% for the Period.

Mainland China Property Development

Metropolis Height and Splendid City are residential projects at Dongda Street of Jinjiang District and Yingbin Road of Jinniu District in Chengdu, with respective site area of approximately 194,411 square feet and 795,625 square feet and corresponding gross floor area of approximately 1.65 million square feet and 3.74 million square feet. Metropolis Height is in foundation construction process, project completion is scheduled in end 2012. Phase I of Splendid City, expected to be completed in end 2010, is in superstructure construction process and is scheduled for presale in the second half of 2009.

Chinese Estates Plaza, a commercial and residential project at South Taisheng Road of Qingyang District in Chengdu has a site area of about 404,267 square feet with a development scale of 3.2 million square feet. The project is in site formation process. Completion of the project is expected in mid 2014.

The commercial and residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), with a site area of around 2,207,546 square feet and a gross floor area of approximately 11.08 million square feet, is at design stage.

POST BALANCE SHEET EVENT

Disposal of Subsidiaries and Assets

As announced on 2nd September, 2009, the subsidiaries of the Company have entered into conditional sale and purchase agreements, in relation to, inter alia, disposal of properties in United Kingdom and certain financial instruments to Wisdom Hero Limited (a company wholly-owned by Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”)) or Mr. Joseph Lau as the case may be at an aggregate provisional consideration of approximately HK\$2,024 million. The said transactions constitute discloseable and connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which are subject to the approval of the independent shareholders of the Company.

PROSPECTS

Although the remainder of the year will continue to be challenging, there are positive signs suggesting that global economies are stabilizing, with gradual recovery in the not distinct future. Mainland China is seeing her economy growing amongst the strongest in the world. Unless there would be a recital change in her policies, residential property demand in the Mainland China will remain strong, paving the way for our Chengdu project, Splendid City, to realize its values in full.

The Group is positive about the Hong Kong property markets for the next 6-12 months, benefiting from the low interest environment and the relatively lack of supply. Meanwhile, retailers have regained confidence and are securing outlets with high trading potentials. Both of the Group’s redevelopment and renovation projects, The ONE and Windsor House, will benefit from this rebounded demand.

In summary, the Group believes that both our property development and investment businesses have sailed through the trough, and are well positioned to achieve enhanced returns in the second half of the year. The Group will continue to capture opportunities for replenishing its land bank for development projects in Hong Kong and the Mainland China.

The Board will continue to review the share price of the Company and its underlying net asset value regularly and consider repurchase its shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), as and when the share price represents a significant discount to its net asset value.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th June, 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Appendix 10 of Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:–

I The Company

Name of Directors	Number of Shares Held	Note	Capacity	Percentage of Issued Share Capital
Mr. Joseph Lau	230,984,820	(1)	Founder and beneficiary of trust	
	1,198,658,948	(2)	Founder and beneficiary of trust	
	<u>1,429,643,768</u>			71.48%
Lau, Ming-wai ("Mr. MW Lau")	230,984,820	(1)	Beneficiary of trust	
	1,198,658,948	(2)	Beneficiary of trust	
	<u>4,000</u>	(3)	Other interests	
	<u>1,429,647,768</u>			71.48%

Notes:

- (1) These shares were indirectly owned by a discretionary trust of which Mr. Joseph Lau was the founder. Mr. Joseph Lau, Mr. MW Lau and certain other family members of Mr. Joseph Lau were eligible beneficiaries of that trust.
- (2) These shares were held by a unit trust of which Mr. Joseph Lau was one of the unit holders. The rest of the units in the unit trust were held by a discretionary trust of which Mr. Joseph Lau was the founder. Mr. MW Lau and certain other family members of Mr. Joseph Lau were eligible beneficiaries of the discretionary trust.
- (3) These shares were held under the estate of Ms. Theresa Po, Wing-kam, the late mother of Mr. MW Lau, of which Mr. MW Lau is the executor.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

II Associated Corporations of the Company

1. Chi Cheung Investment Company, Limited (“Chi Cheung”)

Name of Director	Number of Shares Held	<i>Note</i>	Capacity	Percentage of Issued Share Capital
Mr. Joseph Lau	209,931,186	(1)	Founder of trust, beneficiary of trust and interest in controlled corporation	61.96%

2. G-Prop (Holdings) Limited (“G-Prop”)

Name of Director	Number of Shares Held	<i>Note</i>	Capacity	Percentage of Issued Share Capital
Mr. Joseph Lau	1,018,380,590	(2)	Founder of trust, beneficiary of trust and interest in controlled corporation	
	493,678,883	(3)	Interest in controlled corporation	
	<u>1,512,059,473</u>			62.26%

Notes:

- (1) Mr. Joseph Lau by virtue of his 71.48% interests in the issued share capital of the Company as disclosed in paragraph I above, was deemed to be interested in 209,931,186 shares of Chi Cheung held by Billion Up Limited, an indirect wholly-owned subsidiary of the Company.
- (2) The Company was interested in a total of 1,018,380,590 shares of G-Prop. Mr. Joseph Lau by virtue of his 71.48% interests in the issued share capital of the Company as disclosed in paragraph I above, was deemed to be interested in 1,018,380,590 shares of G-Prop under the provisions of the SFO.
- (3) Such interests are held by a company of which Mr. Joseph Lau is the sole ultimate beneficial owner.

All the interests stated above represent long positions. The percentage shown was the number of shares the relevant Directors were interested in expressed as a percentage of the number of issued shares as at 30th June, 2009.

Save as disclosed above, none of the other Directors and chief executives of the Company had or were deemed under the SFO to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th June, 2009.

During the Period, none of the Directors and chief executives of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30th June, 2009, so far as are known to any Directors or chief executives of the Company, the following parties (other than Directors or chief executives of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:–

Name of Substantial Shareholders	Number of Shares Held	<i>Notes</i>	Capacity	Percentage of Issued Share Capital
GZ Trust Corporation	1,429,643,768	(1) & (2)	Trustee, beneficiary of a trust and interest in controlled corporation	71.48%
Global King (PTC) Ltd.	1,198,658,948	(1)	Trustee	59.93%
Joseph Lau Luen Hung Investments Limited	230,984,820	(2)	Beneficial owner	11.54%
Favor Gain Limited (“Favor Gain”)	150,036,697	(3)	Beneficial owner	7.50%
Thomas Lau, Luen-hung (“Mr. Thomas Lau”)	150,036,697	(3)	Interest in controlled corporation	7.50%

Notes:

- (1) GZ Trust Corporation as trustee of a discretionary trust held units in a unit trust of which Global King (PTC) Ltd. was the trustee and therefore was regarded as interested in the same parcel of shares held by Global King (PTC) Ltd. These shares were the same parcel of 1,198,658,948 shares of the Company referred to in both “Founder and beneficiary of trust” and “Beneficiary of trust” of Mr. Joseph Lau and Mr. MW Lau respectively under “Directors’ and Chief Executives’ Interests in the Securities of the Company and Associated Corporations” as disclosed in paragraph I above.
- (2) GZ Trust Corporation as trustee of another discretionary trust held the entire issued share capital of Joseph Lau Luen Hung Investments Limited and therefore was regarded as interested in the same parcel of shares held by Joseph Lau Luen Hung Investments Limited. These shares were the same parcel of 230,984,820 shares of the Company referred to in both “Founder and beneficiary of trust” and “Beneficiary of trust” of Mr. Joseph Lau and Mr. MW Lau respectively under “Directors’ and Chief Executives’ Interests in the Securities of the Company and Associated Corporations” as disclosed in paragraph I above.
- (3) Mr. Thomas Lau was deemed to be interested in 150,036,697 shares of the Company by virtue of the SFO as he owned the entire issued share capital of Favor Gain.

All the interests stated above represent long positions. As at 30th June, 2009, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

SHARE AWARD SCHEME

A share award scheme (the “Share Award Scheme”) was adopted by the shareholders of the Company at the special general meeting held on 14th January, 2009. The Share Award Scheme is a long-term incentive arrangement for the selected employees. The purpose of the Share Award Scheme is to recognise and reward certain employees of the Group for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. It also intends to attract suitable professional recruits to join the Group, to assist in the further development of the Group. Details of the Share Award Scheme were set out in the circular of the Company dated 23rd December, 2008. No granting of shares was made for the Period.

AUDIT COMMITTEE REVIEW

The interim results for the Period are unaudited and have not been reviewed by the auditors of the Company. The Audit Committee of the Company, comprised of Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, the Independent Non-executive Directors (“INED(s)”), has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of interest of the shareholders and the Company as a whole. Throughout the Period, the Company has applied the principles of the Code on Corporate Governance Practices (the “Code”) and complied with the code provisions and certain recommended best practices (the “Best Practices”) set out in the Code contained in Appendix 14 to the Listing Rules, except the following deviations:–

Chairman and Chief Executive Officer

Mr. Joseph Lau acts as both the chairman (the “Chairman”) and chief executive officer (the “CEO”) of the Company since December 2006. The Board considers that this structure will not impair the balance of power and authority of the Board. It currently comprises one Executive Director, two Non-executive Directors and three INEDs, with INEDs representing 50% of the Board, which is higher than the Best Practices. Such a high percentage of INEDs in the Board could ensure their views carry significant weight and it reflects a strong independence element in the composition of the Board. At present, the Board also believes that under the leadership of Mr. Joseph Lau as the Chairman and the CEO, the Board’s decision could be made effectively and it is beneficial to the management and development of the Group’s businesses. The Board would still consider segregation of the roles of the Chairman and the CEO if and when appropriate.

Chairman Attending Annual General Meeting

Mr. Joseph Lau, the Chairman of the Board, dealt with an urgent issue and therefore could not attend the annual general meeting of the Company held on 27th May, 2009 (the “AGM”). Mr. Chan, Kwok-wai, an INED as well as the chairman of Audit Committee and Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM.

SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code. All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code and the said code of conduct during the Period.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (“Relevant Employees”) who, because of office or employment is likely to be in possession of unpublished price-sensitive information in relation to the Group’s securities have been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the said code during the Period.

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

During the Period, the Company purchased a total of 97,261,000 ordinary shares of HK\$0.10 each on the Stock Exchange at an aggregate consideration of HK\$1,040,214,965. All of the purchased shares were cancelled.

Month of the purchases	Total number of the ordinary shares purchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$
January 2009	8,813,000	9.65	8.52	79,731,270
February 2009	14,576,000	9.66	9.04	137,089,570
March 2009	8,717,000	9.46	9.16	81,379,700
April 2009	39,339,500	10.66	9.31	384,069,795
May 2009	6,304,500	12.18	11.52	74,519,420
June 2009	<u>19,511,000</u>	15.04	13.98	<u>283,425,210</u>
	<u>97,261,000</u>			<u>1,040,214,965</u>

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in the net asset value per share then in issue.

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

DISCLOSURE OF CHANGE IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

In June and July 2009, annual assessments of remuneration of the INEDs and Non-executive Directors ("NEDs") have been carried out respectively.

In the annual assessment, the increase in volume of the works performed by the INEDs, the corresponding responsibilities borne by the INEDs and the prevailing market condition have been considered. The remuneration of each INED has been increased from HK\$200,000 to HK\$220,000 per annum for the financial year ending 31st December, 2009 as approved by the Board (with the INEDs abstained from voting).

Upon considering the corresponding responsibilities borne by Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai, the NEDs, the Remuneration Committee has approved the annual remuneration of HK\$220,000 for each of the NEDs for the financial year ending 31st December, 2009.

APPRECIATION

I would like to take this opportunity to thank our shareholders for their continuing support. I also thank my fellow directors and staff members for their dedication and hard work.

On behalf of the Board
Joseph Lau, Luen-hung
Chairman

Hong Kong, 7th September, 2009