China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

POWER & VISION

Interim Report 2011

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

COMMITTEES

Audit Committee

Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

Remuneration Committee

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge

AUTHORIZED REPRESENTATIVES

Dr. Wang Shih Chang, George
Mr. Wong Sai Chung

COMPANY SECRETARY

Ms. Yu Ling Ling

STOCK CODE

1838

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14th Floor, Wheelock House
20 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Hang Seng Bank Limited
China Development Bank Corporation
Industrial and Commercial Bank of China
Wing Hang Bank Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY'S WEBSITE

cpg.mydyn.net

BUSINESS REVIEW AND OUTLOOK

In 2010, the Group expressed alternative opinions while public sentiment was bullish about the global economy. To illustrate the basis of the Group's corporate operation strategy to the shareholders, these alternative views are stated as follows:

I. Unprecedented Global Financial Crisis

The global financial tsunami in 2008 was the most disastrous crisis in the past century and has the greatest impact on the world. It had not only eradicated financial assets of over US$40 trillion from the market, but also blew up the laissez-faire economic structure as well as the public aspiration for the western democratic system like an atomic bomb.

The bankruptcy of Iceland gave the most practical demonstration of how calamitous the global financial tsunami was for the world.

The population of Iceland was just above 300,000 and was mainly engaged in fishing with the fishing industry currently accounting for one-third of its total export. Eleven years ago, the central bank of Iceland raised the benchmark interest rate to 15%. Such high interest rate attracted a wealth of foreign investments, causing the proportion of capital from domestic sources within the Icelandic banking system to fall from two-third to one-third. As a result, the three biggest Icelandic banks, namely KAUPTHING, LANDSBANK and GLITNIR, recorded an aggregate debt of US$137 billion in 2008, representing nine times of the gross domestic product (GDP) of Iceland which was barely US$16 billion. Afterwards, the banks lent out a lot of money, which was then used by the borrowers to invest in high-leverage financial and real estate investments. As a result, the wages and asset prices were pushed, and the per capita GDP of Iceland reached US$55,000 in 2005, ranking third in the world. While Iceland supported its thriving economy by borrowings, the bubble in the United States was created by real estate and sub-prime mortgages. When the global financial tsunami swept across the world in 2008, Icelandic Krona depreciated, a large amount of foreign capital was divested and the sovereign debts were defaulted. Today, each Icelander bears an average debt of US$440,000. As the foreign exchange reserve of the Icelandic central bank amounted to approximately US$2 billion while the debt reached almost US$200 billion, Iceland has officially bankrupted. On the other hand, the economic crisis in the United States also threatens the world.

As at today, a tremendous loss of US$19.6 trillion has been suffered by the households in the United States alone, not to mention countries in Europe, Asia and across the world which have also been affected by the 2008 global financial tsunami. Learning the lessons, the Group cannot help but believe that the urge of the governments and people of the democracies to create prosperity by public deficits and debts must be tamed and regulated before the disaster comes.

II. Financial Rescue Plans

In the face of the calamitous global financial tsunami, many governments have actively implemented financial rescue plans. However, this has raised other questions: are the rescue plans producing results and are the governments capable of containing the costs thereof? If the governments knew how to restructure their economies, they would have increased their inputs thereto so as to steer their economies towards the desired direction. Of course, good financial rescue plans can mitigate and shorten economic recessions. However, the failure of such plans as at today has evidenced the weakness of the governments. For example, the US$787.2 billion bail-out plan of the U.S. government has achieved minimal to no results even though a substantial portion of the nearly US$800 billion available funds has been utilized. The reason for this is that the government spending has only boosted income in the meantime, but not revived the economy. Even worse, the financial tsunami and the failed financial rescue plans have destroyed the laissez-faire economic rules, thereby marking the fall of Keynesian Economics, the once greatest school of economic thoughts.

III. The World on the Verge of the Third Depression

Economic depressions are rare. In the history of economics, the term "depression" was only used twice to name the years of deflationary period after the panic in 1873 and the period after the financial crisis between 1929 and 1931 with large-scale unemployment. However, the economy did not fall unremittingly in-between. Instead, there were occasional rallies during these periods. However, these rebounds were incapable of remedying the impact struck at the beginning of the depressions, and the economy entered recession again soon afterwards. Given the current global economic performance, there are valid grounds to suspect that the global economy is now on the verge of the third depression. The reasons are as follows:

1. As at today, the unemployment rate in the United States still hovers around 10%.

2. The current economy is mainly supported by government spending. In the long run, the GDP growth rate will fall because living beyond their means with no regard for cost efficiency, governments are using future tax revenues to be collected from corporations and citizens to finance investment and expansion, secure employment, realize short-term growth and create a "borrowed" prosperity, which will bring high debts and tax rates as time goes by.

3. The demand of the governments that banks should increase their loans to small and medium enterprises so as to boost the real economy has not been fulfilled because the operating principle of commercial banks is to earn money for their shareholders. Under the impact of the global financial tsunami, many small and medium enterprises were shut down. If three out of ten small and medium enterprises receiving loans from a bank bankrupted, although the others have survived, the interests paid by the surviving ones may be far from enough to cover the loss incurred by the bank for the three closed enterprises. Therefore, the real economy is still in a mess. The €750 billion bail-out scheme of the European Union also failed due to the rapid fall of Euro exchange rates.

4. Real Estate Market

The United States currently has 11 million residential properties with negative equity, in which 2.8 million were already foreclosed last year by banks, and the number of homes to be foreclosed this year will amount to 4.5 million. If property prices fall 5% more, there will be 2.3 million additional homes with negative equity. According to statistics in the United States, 2 million residential properties are currently vacant and put on sale. Due to the expiry of US$8,000 tax refund scheme for home buyers, the number of mortgage applications fell by 40% in May this year. This indicates that the GDP growth rate of the United States may slow down again in the third and fourth quarters. Economic stimulus measures are running out.

5. Fear for Europe

Greece, the origin of the European debt crisis, has experienced economic contraction for the second consecutive quarter, with a drop of 1.5% as compared to last quarter, which was below market expectation of 1.1% and represented a substantial year-on-year slip of 3.5%. Its unemployment rate rose to 12%. Yet, it is not possible for Germany and France to finance the debts and deficits of other members of the European Union (such as Greece) solely by lending or raising taxes. In particular, the situation of France is no better than PIIGS countries as its debt rate and deficit represent 80% and 8%, respectively, of its GDP. In respect of Germany, 48% of its GDP comes from export, of which 45% were to these countries in Southern Europe. If the economies of these Southern European countries collapse, it will be hard for Germany to keep its distance. Unfortunately, the German ruling alliance suffered a defeat in local elections in the first half of the year and lost its absolute majority in the Bundesrat thanks to their policy of helping Greece. It is crystal clear that none of the European countries is capable of paying the bills of its neighbors troubled by the debt and deficit crisis with real money. As such, the effect of the PIIGS sovereign debt default risk on the global economy deserves our fear.

6. Risk of Debts and Deficits Monetization

While the world is worrying about the debt crisis of PIIGS, the U.S. Department of the Treasury announced that the national debt of the United States has exceeded US$13 trillion for the first time, which amounted to approximately 90% of its GDP and doubled the aggregate amount for the past 10 years. A further US$8 trillion is expected to be incurred in the next 10 years. Meanwhile, the U.S. government has recorded deficits for 19 consecutive months. Although the U.S. treasury bonds are regarded as default-risk-free, they are exposed to sudden surge in bond interest. The interest would definitely jump if the U.S. Treasury Department were to raise the debt issuance amount suddenly by one fold for its financial rescue plan. However, as the debt raising ability of the U.S. government reached its limit, the need to pay the enormous interest has led to the following distressing development. Since September 2008, the Federal Reserve has been buying a huge amount of junk bonds in the market (so as to inject cash to and revive the U.S. economy). This has been done not by paying circulating currencies, but by increasing the deposit reserve of banks in the Federal Reserve. The balance of the deposit reserve has climbed from over US$10 billion prior to the financial tsunami to US$1 trillion while the amount of active money in the market has not surged. In other words, the Federal Reserve has printed such money solely to buy junk bonds. As such, US$1 trillion have been pumped to the U.S. economy with the debt incurred not by the U.S. government, but by the Federal Reserve, which is not part of it. Since then, the Federal Reserve can print as much money as needed to repay the debt, i.e. "Debts and Deficits Monetization". Therefore, a large amount of

U.S. dollars were injected to the world economy and the debt and deficit of the United States have been transformed into asset price hikes and inflation in other countries due to U.S. dollars monetization and the law of one price. The central banks of other countries will then seek other alternatives as the attractiveness of the U.S. dollars wanes. Coupling with the abandonment by local investors who have gathered such bonds in the past, the bubble of U.S. treasury bonds could burst at any time.

As a consequence, no matter how the global economy develops, the economic structural problem in the United States and Europe, namely the overly large amount of financial derivatives, revealed by the 2008 global financial tsunami and the harmful effect of the burst of their economic bubbles on the real economies of the developed countries has not been solved at all. Therefore, the economic recession in the United States and Europe seems inevitable. At that time, governments will be running out of cash for economic stimulation and bailing-out giant corporations. The economies of the United States and certain European countries may then exhibit a L-shape development and fall into depression.

The rebound of the emerging economies, though they may be the hope of the world economy, will also be affected since no country can keep itself to itself in this globalized world. In fact, the growth of many emerging markets, including China, relies to a large extent on the already contracting developed countries.

Certainly, the world economy will rebound. But on this long road to recovery, the Group will continue to focus on the sale of flats and will not acquire overpriced lands. It will also retain its cash for buying bargain lands with a view to accumulating and maximizing earnings for the shareholders.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China's economic growth continued to outperform other countries in the region. Overall, China's economy grew by 9.6% in terms of gross domestic product (GDP) to RMB20,445.9 billion during the first half of 2011.

Due to the uncertainty in economic outlook and sovereign debt issues worldwide, the central government has taken various steps during the first half of 2011 to curb the property market. These include limits on speculation and restrictions on purchases by non-owner occupiers, and the financial system is being protected through curbs on leverage and limits on loan-to-value ratios. These are all having a tangible effect, dampening prices and bringing down the volume of frothy transactions while still sustaining a healthy growth of private investment and construction. According to the nationwide index of property prices across 70 medium-sized cities, out of the total 70 cities, 44 still recorded month-on-month increase in prices; yet the magnitude is less than 0.5%.

Consumption demand still acts as the major driving force of the local economy. According to government statistics, total retail sales in Mainland China reached RMB8,583.3 billion in the first half of 2011, up 16.8% from the same period last year. However, climbing costs in the manufacturing process of retail goods in China is the major problem for retailers or investors. The rising manufacturing costs will reduce the competitiveness of Chinese retailers when compared to other competitors in the world.

The office market momentum accelerated, while the first-tier cities (Beijing, Shanghai, Guangzhou and Shenzhen) all witnessed quarterly growth of higher than 4% in prices. Rising investment growth and steady corporate hiring have been boosting office leasing demand in China. While these drivers underpinned office rental performances in 2010, particularly in major cities such as Shanghai and Beijing, they are inspiring confidence for another strong year in 2011.

Overview of the Shanghai's Property Market

Shanghai's economy continued to grow in early 2011, despite a series of government measures aimed at tackling inflation and hot money. In the first quarter of 2011, GDP grew by 8.5% over the previous year, while real estate investment continued its upward trend, increasing by 9.5% in the first five months of 2011. Meanwhile, the year-on-year growth of contracted foreign direct investment (FDI) was 26.03%.

Shanghai's overall residential market continued to adjust due to the government curbs in the second quarter of 2011. As a result of purchase restrictions and tightened fiscal controls, more potential home buyers turned to the leasing market instead of purchasing homes. The increasing leasing demand kept Shanghai's residential rental market buoyant. No new projects were launched in the high-end residential leasing market during the second quarter of 2011. Seasonal factors and the aggressive expansion of multinational corporations increased leasing demand of high-end residential properties. Vacancy rates fell 2.4% quarter-to-quarter to 21.2% as of the end of second quarter of 2011.

In the first two months of 2011, the total volume of real estate investment in Shanghai grew by 25% from last year and 40% of the investment was in the commercial sector. Walt Disney Co. and its Chinese government-owned business partners officially broke ground in Shanghai Disneyland on April 8. Shanghai is expected to experience double-digit economic growth and the consequent increasing purchasing power. The optimistic macroeconomic conditions will ensure a strong and steady growth of Shanghai's retail market in 2011. Some new retail projects such as Henderson 155 and Park Place were delayed from entering the market in the first quarter of 2011. Due to little new supply in the prime retail market in the first quarter, some projects that entered the market in the fourth quarter of 2010 were almost fully occupied by the first quarter of 2011, such as Xintiandi Style and Joy City. Shanghai's prime market vacancy rate declined from 5.2% to 4.2%.

Demand for Grade A offices in Shanghai remained robust in the first half of 2011 due to the expanding local economy and the continual inflow of foreign direct investment in the tertiary industry. On the supply front, Two IFC was completed during second quarter of 2011. International Commerce Centre had officially kicked off its pre-leasing program in December 2010. Upon its expected completion in the third quarter of 2011, the multiuse development will add further top quality office space to the market, as well as high-end residential and retail components. Overall vacancy rate of Shanghai's Grade A office market was 8.8% in the second quarter of 2011; and the average rental rates increased by 7.7% to RMB391 per square metre per month on net floor area basis.

Overview of the Chongqing's Property Market

Chongqing remained robust economic performance during the first half of 2011, with GDP grew by 16.5% to RMB445.04 billion during the period. Chongqing residential transaction volume slightly dropped from the last quarter of 2010 due to the restriction in residential investment policy issued in the first quarter of 2011 and the central bank increasing mortgage interest rates by 0.25% since April 2011. In the central districts, the residential price dropped steadily in the first half of 2011, after reaching the historical high in the fourth quarter in 2010.

The office market maintained good performance in the second quarter of 2011, despite three new projects entered the market during the second quarter, aggregating new space to 104,136 square metres. However, private landlords universally elevated rental quotations supported by a rebound in confidence, leading to further increase of average rent by 6.2% when compared to the first quarter. With the effect of new supply in the market, the overall vacancy rate in second quarter of 2011 increased by 9.1% to 33.2% compared with first quarter.

The prime retail property market showed more improvement in the second quarter of 2011. Although no new projects were launched in the second quarter, the market is gradually absorbing glutted supply launched in earlier periods. The overall vacancy rate in the second quarter is thereby dropped down by 1.8% to 10.8% when compared to the first quarter.

Outlook of the Mainland Property Market

Controlling China's incipient asset bubble will be the top priority of the central government throughout 2011. The government will continue to implement new measures as long as housing prices in China continue to growth dramatically as evidenced by 6.4% year-to-year growth during the first half of 2011. Emphasis has shifted from economic recovery to the need to put a damper on unrelenting inflation and prevent an asset bubble. Tightening policies will focus on lowering investment demand and clamping down on asset prices in first-tier cities.

Whether or not China's property market makes a smooth ride depends on how successfully inflation is managed. By the time China's policymakers have finished with the tightening measures in 2011, China's developers may look back on 2010, insofar as the credit situation last year was considerably looser than it will be throughout 2011, particularly in the second half of 2011, when GDP growth and CPI pressure will be particularly high. Once inflation and GDP growth are brought under control in the second half of 2011, there may be some relaxation of the credit market, giving a boost to property market. However, a strong recovery would not be foreseen in transaction volume in real estate market during the second half of 2011 since the rapid rising interest rates will erode demand of the property market in China.

FINANCIAL REVIEW

The Group's profit attributable to equity holders for the first half of 2011 amounted to HK$414 million (six months ended June 30, 2010: HK$5,766 million), a decrease of 93% when compared to the same period of 2010. The loss before taxation, excluding change in fair value of investment properties, amounted to HK$19 million (six months ended June 30, 2010: profit of HK$21 million).

Earnings per share were HK$0.23 (six months ended June 30, 2010: HK$3.19), a decrease of 93%, in line with the general market conditions with the drop in rate of investment property appreciation.

Total assets increased to HK$54,354 million from HK$52,475 million as at December 31, 2010, as the Group continues its investment in premium property developments with decent appreciation in fair values, at a rate lower than last year. Net assets, the equivalent of shareholders' funds, similarly continued to grow to HK$35,549 million (December 31, 2010: HK$34,286 million), reflecting the solid investment value to shareholders. In terms of value per share, net assets value per share is HK$19.65 as at the statement of financial position date, as compared to HK$18.95 as at December 31, 2010.

The Group's revenue of HK$12 million (six months ended June 30, 2010: HK$67 million) decreased by 82% when compared with the corresponding period last year as prime development properties were under construction in the first half of 2011.

Income from property leasing decreased slightly by 8% to HK$11 million (six months ended June 30, 2010: HK$12 million). The decrease was attributable to the termination of certain tenancies for the future upgrade construction of the mall development. Due to the similar reason, property management income also decreased to HK$0.7 million (six months ended June 30, 2010: HK$1.1 million).

The Group continues the construction of project located at Lijiu Road, Chongqing with total gross floor area of approximately 24 million sq. ft.. Pre-sales of residential properties were well received, culminating into deposits received on sales of properties increased to HK$2,628 million from the balance of HK$2,321 million as at December 31, 2010.

Other income, gains and losses were HK$15 million (six months ended June 30, 2010: HK$9 million), a rise of 67%, mainly representing the net exchange gain of HK$13 million (six months ended June 30, 2010: HK$8 million).

During the period under review, selling expenses were HK$1 million (six months ended June 30, 2010: HK$2 million), decreased by 50%. The decrease of promotion expenses were caused by the decrease in sales and pre-sales of the development properties.

Administrative expenses during the first half of 2011 were HK$43 million (six months ended June 30, 2010: HK$33 million) which increased by 31% compared to the same period of 2010. The increase was mainly attributed to more property related expenses were paid as property construction activities reached a higher level during the period.

Finance costs represent mainly interest expenses and other borrowing costs in relation to bank borrowings and the fixed rate senior notes (the "Note") issued in April 2007. Since all finance costs equivalent to HK$149 million (six months ended June 30, 2010: HK$163 million) were wholly capitalized on various projects, the finance costs charged to the profit and loss were nil (six months ended June 30, 2010: Nil).

The changes in fair value of investment properties were HK$578 million (six months ended June 30, 2010: HK$7,681 million). Although the transaction volume of the property market was shrinking with the launch of new real estate tightening measures in recent years, the property price remained steady during the period because the underlying demand remained strong. On the other hand, the central government's blueprint that advocates Shanghai to become an international financial hub in 2020 also benefited local businesses including the retail and office property markets. Combining these factors, the valuation of investment properties in the first half of 2011 is still appreciating but at slower pace as compared to the same period of last year. The changes in fair value of investment properties in Shanghai experienced an increase of HK$296 million (June 30, 2010: HK$4,145 million). Economic performance in Chongqing, which enjoys one of the highest GDP growth cities in the PRC, was also robust. The changes in fair value of investment properties in Chongqing experienced an increase of HK$282 million (June 30, 2010: HK$3,536 million).

Income tax expense was HK$145 million (six months ended June 30, 2010: HK$1,936 million), a decrease of 93%. The Group's effective income tax rate was 25.9% (six months ended June 30, 2010: 25.1%). The significant decrease in income tax expenses was brought by the changes in fair value of investment properties for the first half of 2011.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowing when appropriate. During the period, the Group raised net new bank loans totaling of approximately HK$74 million (six months ended June 30, 2010: HK$534 million). On the other hand, the Group net received the advance from a shareholder of approximately HK$26 million (six months ended June 30, 2010: net repayment of HK$111 million).

As at the statement of financial position date, the Group's senior notes, bank loans and amount due to a shareholder amounted to approximately HK$790 million, HK$3,823 million and HK$208 million respectively, and the Group's total borrowings were HK$4,821 million, an increase of HK$166 million when compared to December 31, 2010. HK$340 million is repayable within one year whilst the remaining is repayable in the second to fifth year inclusive.

The gearing ratio of the Group as at June 30, 2011 was 12.2% (as at December 31, 2010: 11.2%), determined as proportion of the Group's net borrowings (after deducting bank balances and bank deposits) to the shareholder's funds.

With cash in hand and banking facilities available, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

There was no material acquisition and disposal of group companies during the period.

TREASURY POLICIES

As at the statement of financial position date, approximately 49%, 48% and 3% of the Group's borrowings were in RMB, US$ and HK$ respectively. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in HK$, US$ and RMB.

The bank borrowings are principally on a floating rate basis while the senior notes are on a fixed rate basis.

The functional currency of the respective group entities is RMB, the currency of the primary economic environment in which the Group operates. For the purpose of the condensed consolidated financial statements and convenience of the financial statements users, the condensed consolidated results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the condensed consolidated financial statements.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

During the period, the Group has complied with all banking covenants.

CHARGE ON ASSETS

As at the statement of financial position date, certain subsidiaries of the Group pledged assets with an aggregated carrying value of HK$20,981 million (December 31, 2010: HK$20,424 million) to secure bank loan facilities utilized.

CONTINGENT LIABILITIES

As at the statement of financial position date, we guaranteed mortgage loans to purchasers of our properties in the aggregate outstanding principal amount of HK$1,884 million (December 31, 2010: HK$1,746 million). During the first half of 2011, there was no default case. The guarantees were secured by the Group's pledged bank deposits of HK$4 million (December 31, 2010: HK$4 million).

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2011, the Group had approximately 275 employees (June 30, 2010: 292 employees) in Hong Kong and the PRC. The related employees' cost for the first half of 2011 amounted to approximately HK$15 million (six month ended June 30, 2010: HK$17 million). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry and prevailing market conditions. In addition, share options may be granted from time to time in accordance with the terms of the Group's approved share option scheme to provide incentives and rewards to the employees. Also, there is no change in the Group's emolument policies.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Directors' and Chief Executives' Interests in Securities of the Company

As at June 30, 2011, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of HK$0.1 each of the Company

As at June 30, 2011, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	*Note*
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,350,000,000 shares	74.62%	*(i)*

Note:

(i) These shares are held directly by Hillwealth Holdings Limited ("Hillwealth") whose entire issued capital is held by Mr. Wong.

(b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated corporation	Number of issued ordinary shares held	Percentage of the issued share of the same class in the associated corporation	*Note*
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK$1.00 each	100%	*(ii)*
	Personal	Hillwealth	1 share of US$1.00	100%	*(iii)*

Notes:

(ii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class ''B'' shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).

(iii) As Hillwealth owns 74.62% and being the substantial shareholder of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at June 30, 2011, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

Save as disclosed herein, as at June 30, 2011, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and Chief Executives' Interests in Shares and Underlying Shares and Debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at June 30, 2011.

SHARE OPTION SCHEME

On January 17, 2011, 20,000,000 options to subscribe for the Company's ordinary share of HK$0.1 each with the exercise price of HK$2.67 each were granted to certain eligible participants (the "Grantees"). None of the Grantees is a director, chief executive or substantial shareholder of the Company, nor any of their respective associates.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The directors have confirmed that, following specific enquiry by the Company, they have complied with the required standards set out in Model Code during the six months ended June 30, 2011.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has fully complied with all code provisions in the Code on Corporate Governance Practices ("CG Practices") set out in Appendix 14 to the Listing Rules throughout the six months ended June 30, 2011.

AUDIT COMMITTEE

The Company has established the Audit Committee and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices. The Audit Committee comprises five Independent Non-executive Directors, namely Mr. Warren Talbot Beckwith (Chairman of the Audit Committee), Mr. Luk Koon Hoo, Mr. Garry Alides Willinge, Mr. Cheng Chaun Kwan, Michael and Mr. Wu Zhi Gao. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal controls procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company. The Audit Committee and the external auditor, Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, have reviewed the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2011.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with majority of the members being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman of the Board, Dr. Wang Shih Chang, George (Chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely Mr. Luk Koon Hoo, Mr. Garry Alides Willinge.

The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remunerations.

APPRECIATION

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders for their continuous support and to all our staff for their dedication and contribution to the Group during the reporting period.

By Order of the Board
Dr. Wang Shih Chang, George
Chairman

Hong Kong, August 30, 2011

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA PROPERTIES GROUP LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 40, which comprises the condensed consolidated statement of financial position of China Properties Group Limited (the "Company") and its subsidiaries as of June 30, 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended June 30, 2010 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 30, 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2011

	NOTES	Six months ended June 30, 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Revenue	3 & 4	**11,732**	67,494
Cost of sales		**(2,021)**	(20,854)
Gross profit		**9,711**	46,640
Other income, gains and losses	4	**15,230**	9,275
Selling expenses		**(1,216)**	(2,271)
Administrative expenses		**(43,095)**	(32,881)
Finance costs	5	**—**	—
		(19,370)	20,763
Changes in fair value of investment properties	10	**577,568**	7,681,206
Profit before taxation		**558,198**	7,701,969
Income tax expense	6	**(144,542)**	(1,935,942)
Profit for the period attributable to owners of the Company	7	**413,656**	5,766,027
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**846,016**	281,517
Total comprehensive income for the period attributable to owners of the Company		**1,259,672**	6,047,544
Earnings per share			
— Basic (HK dollar)	8	**0.23**	3.19
— Diluted (HK dollar)	8	**0.23**	N/A

	NOTES	**June 30, 2011 HK$'000 (unaudited)**	December 31, 2010 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**260,030**	238,196
Prepaid lease payments		**163,481**	161,993
Investment properties	10	**49,049,254**	47,235,495
Pledged bank deposits		**13,248**	—
		49,486,013	47,635,684
Current assets			
Properties under development for sales		**3,731,373**	3,413,031
Properties held for sales, at cost		**309,470**	302,440
Trade and other receivables, deposits and prepayments	11	**364,684**	314,957
Pledged bank deposits		**156,605**	12,554
Bank balances and cash		**306,112**	796,730
		4,868,244	4,839,712
Current liabilities			
Deposits received on sales of properties		**2,627,772**	2,321,316
Other payables and accruals	12	**361,166**	588,212
Amount due to a shareholder		**208,226**	167,189
Tax payable		**658,043**	665,250
Bank loans, secured — due within one year	13	**339,792**	683,321
		4,194,999	4,425,288
Net current assets		**673,245**	414,424
Total assets less current liabilities		**50,159,258**	48,050,108
Non-current liabilities			
Bank loans, secured — due after one year	13	**3,483,626**	3,016,650
Fixed rate senior notes	14	**790,184**	788,402
Deferred tax liabilities		**10,336,470**	9,959,036
		14,610,280	13,764,088
Net assets		**35,548,978**	34,286,020
Capital and reserves			
Share capital	15	**180,907**	180,907
Share premium and reserves		**35,368,071**	34,105,113
Total equity		**35,548,978**	34,286,020

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Revaluation reserve HK$'000	Special reserve HK$'000 (Note a)	Other reserve HK$'000 (Note b)	General reserve HK$'000 (Note c)	Share option reserve HK$'000 (Note 20)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At January 1, 2010 (audited)	180,907	1,378,443	6,410	778,662	2,455,562	51,533	—	2,059,522	21,624,953	28,535,992
Profit for the period	—	—	—	—	—	—	—	—	5,766,027	5,766,027
Other comprehensive income for the period	—	—	—	—	—	—	—	281,517	—	281,517
Total comprehensive income for the period	—	—	—	—	—	—	—	281,517	5,766,027	6,047,544
At June 30, 2010 (unaudited)	180,907	1,378,443	6,410	778,662	2,455,562	51,533	—	2,341,039	27,390,980	34,583,536
At January 1, 2011 (audited)	180,907	1,378,443	6,410	778,662	2,455,562	53,015	—	3,331,718	26,101,303	34,286,020
Profit for the period	—	—	—	—	—	—	—	—	413,656	413,656
Other comprehensive income for the period	—	—	—	—	—	—	—	846,016	—	846,016
Total comprehensive income for the period	—	—	—	—	—	—	—	846,016	413,656	1,259,672
Recognition of share-based payment	—	—	—	—	—	—	3,286	—	—	3,286
At June 30, 2011 (unaudited)	180,907	1,378,443	6,410	778,662	2,455,562	53,015	3,286	4,177,734	26,514,959	35,548,978

Notes:

(a) Special reserve represented the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganization ("Corporate Reorganization") to rationalize the Group structure prior to the listing of the Company's share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the ultimate controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporation Reorganization.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC") the subsidiaries established in the PRC may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

For the six months ended June 30, 2011

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(271,014)**	385,690
Net cash used in investing activities		
Additions to property, plant and equipment	**(5,438)**	(4,907)
Additions to investment properties	**(27,789)**	(59,502)
(Increase) decrease in pledged bank deposits	**(155,380)**	2,543
Deposit paid for acquisition of a piece of land	**—**	(187,138)
Interest received	**2,116**	1,836
	(186,491)	(247,168)
Net cash (used in) from financing activities		
New bank loans raised	**197,664**	591,185
Repayment of bank loans	**(123,689)**	(56,845)
Advance from (repayment to) a shareholder	**26,028**	(110,718)
Interest paid	**(142,929)**	(157,514)
Loan raising expenses	**(4,632)**	—
	(47,558)	266,108
Net (decrease) increase in cash and cash equivalents	**(505,063)**	404,630
Cash and cash equivalents at beginning of the period	**796,730**	550,872
Effect of foreign exchange difference	**14,445**	6,039
Cash and cash equivalents at end of the period, represented by bank balances and cash	**306,112**	961,541

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group 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 "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2010. In addition, the Group applied the following accounting policy for share options granted in the current period.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be estimated reliably. The fair values of the services received are recognized as expenses on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets. If the fair value of the services received cannot be estimated reliably, the Group shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of equity instruments granted.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations ("new or revised HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES — continued

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of items of the other comprehensive income[1]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[2]
HKAS 19 (as revised in 2011)	Employee benefits[3]
HKAS 27 (as revised in 2011)	Separate financial statements[3]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[3]
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets[4]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[3]
HKFRS 11	Joint arrangements[3]
HKFRS 12	Disclosure of interests in other entities[3]
HKFRS 13	Fair value measurement[3]

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

The amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may not have significant impact on deferred tax recognized for investment properties that are measured using the fair value model. The directors have considered that their investment properties are able to satisfy the conditions required under the amendments to HKAS to rebut the presumption that the investment properties will be recovered through sales.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

2. PRINCIPAL ACCOUNTING POLICIES — continued

- Under HKFRS 9, all recognized financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 and HKAS 28 are new or revised standards on consolidation, joint arrangements and disclosures which were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending December 31, 2013.

The directors are assessing the impact of the application of all the new or revised standards on the results and financial position of the Group. The adoption of HKFRS 9 will not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities based on an analysis of the financial instruments held by the Group as at June 30, 2011. The impact of the other new or revised standards will be disclosed in future consolidated financial statements of the Group upon completion of the assessments.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended June 30, 2011 (unaudited)

	Property development		**Property investment**			
	Shanghai	**Chongqing**	**Shanghai**	**Chongqing**	**Others**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue						
External sales	**—**	**—**	**11,029**	**—**	**703**	**11,732**
Segment (loss) profit	**—**	**(662)**	**305,740**	**281,903**	**(918)**	**586,063**
Other income, gains and losses						**15,230**
Unallocated expenses						**(43,095)**
Profit before taxation						**558,198**

Six months ended June 30, 2010 (unaudited)

	Property development		Property investment			
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
External sales	54,505	—	11,924	—	1,065	67,494
Segment profit (loss)	36,317	(911)	4,154,593	3,536,633	(1,057)	7,725,575
Other income, gains and losses						9,275
Unallocated expenses						(32,881)
Profit before taxation						7,701,969

Segment result represents the (loss from) profit earned by each segment including the changes in fair value of investment properties without allocation of other income, gains and losses, finance costs and administrative expenses, including share-based payment expenses and directors' salaries. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION — continued

The following is an analysis of the Group's assets by reportable and operating segments:

	June 30, 2011 HK$'000 (unaudited)	December 31, 2010 HK$'000 (audited)
Segment assets		
Property development		
— Shanghai	**757,532**	704,981
— Chongqing	**3,286,000**	3,013,118
Property investment		
— Shanghai	**41,210,968**	39,967,703
— Chongqing	**7,838,286**	7,267,792
Others	**357,499**	333,478
Segment total	**53,450,285**	51,287,072
Unallocated assets	**903,972**	1,188,324
Consolidated assets	**54,354,257**	52,475,396

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reporting and operating segments, other than certain property, plant and equipment, certain prepaid lease payments, other receivables, deposits and prepayments, pledged bank deposits and bank balances and cash which are commonly used among segments or used for corporate operation.

4. REVENUE AND OTHER INCOME, GAINS AND LOSSES

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue		
Property rental income	**11,029**	11,924
Property management income	**703**	1,065
Sales of residential properties	**—**	54,505
	11,732	67,494
Other income, gains and losses		
Net exchange gain	**12,847**	7,439
Interest on bank deposits	**2,116**	1,836
Loss on disposal of property, plant and equipment	**(141)**	—
Others	**408**	—
	15,230	9,275
Total revenue and other income, gains and losses	**26,962**	76,769

5. FINANCE COSTS

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on:		
Bank loans wholly repayable within five years	**110,266**	50,751
Effective interest expense on fixed rate senior notes	**39,077**	111,908
Total finance costs	**149,343**	162,659
Less: Amount capitalized in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales	**(149,343)**	(162,659)
	—	—

Borrowing costs capitalized during the period arose on the specific borrowings.

6. INCOME TAX EXPENSE

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Enterprise income tax in the People's Republic of China (the "PRC")	**151**	5,157
Land appreciation tax ("LAT") in the PRC	**—**	10,483
	151	15,640
Deferred tax:		
Current period	**144,391**	1,920,302
	144,542	1,935,942

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, Shanghai Jingan-Concord Real Estate Co., Ltd. ("Jingan Concord") and Shanghai Minhang Concord Property Development Co., Ltd. ("Minhang Concord"), is 25% for both periods.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries were exempted from PRC enterprise income tax for two financial years starting from date of its establishment or first profit making year, followed by a 50% reduction for the next three years. These PRC subsidiaries were still subjected to 50% reduction in normal tax rate of 25% for 2010. These PRC subsidiaries are inactive for the six months ended June 30, 2011 and 2010.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowings costs and all property development expenditures.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately HK$15,282,018,000 (December 31, 2010: HK$14,889,051,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. PROFIT FOR THE PERIOD

	Six months ended June 30, 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	**767**	765
Other staff costs		
— Salaries and other benefits	**12,517**	13,759
— Contribution to retirement benefits schemes	**2,075**	2,193
Total staff costs	**15,359**	16,717
Less: Amount capitalized in investment properties under construction and properties under development for sales	**(6,271)**	(7,022)
	9,088	9,695
Share-based payment expenses	**3,286**	—
Amortization of prepaid lease payments	**2,254**	1,252
Less: Amount capitalized in construction in progress under property, plant and equipment	**(2,227)**	(1,227)
	27	25
Depreciation of property, plant and equipment	**2,291**	2,420
Less: Amount capitalized in construction in progress under property, plant and equipment	**(830)**	(1,190)
	1,461	1,230
Cost of properties sold (included in cost of sales)	**—**	17,983
Compensation to purchasers of properties (included in administrative expenses)	**2,460**	—
Gross rental income from investment properties	**(11,029)**	(11,924)
Less: Direct operating expenses from investment properties that generated rental income during the period	**954**	1,903
	(10,075)	(10,021)

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the condensed consolidated profit attributable to owners of the Company for each of the six months ended June 30, 2011 and 2010:

	Six months ended June 30,	
	2011	2010
	'000	'000
	(unaudited)	(unaudited)
	(Note a)	(Note b)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,809,077**	1,809,077
Effect of dilutive potential ordinary shares — share options	**—**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,809,077**	

Notes:

(a) The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for the six months ended June 30, 2011.

(b) The Company has no potential ordinary shares for the six months ended June 30, 2010.

9. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend.

10. INVESTMENT PROPERTIES

	June 30, 2011	December 31, 2010
	HK$'000	HK$'000
	(unaudited)	(audited)
AT FAIR VALUE		
Completed properties held for rental purpose	**2,933,795**	2,865,749
Leasehold land under and held for construction of properties for rental purpose and investment properties under construction	**42,814,262**	41,270,301
Sub-total	**45,748,057**	44,136,050
AT COST		
Investment properties under construction (Note)	**3,301,197**	3,099,445
Total	**49,049,254**	47,235,495

10. INVESTMENT PROPERTIES — continued

Note: The amount represents the construction costs for the building portion. The land portion is measured at fair value and grouped under leasehold land under and held for construction of properties for rental purpose and investment properties under construction. The directors of the Company determine that the fair values of these investment properties under construction are not reliably determinable because the construction of the investment properties are in a preliminary stage as at the end of the reporting period, their fair values are not able to be measured reliably.

The fair values of the Group's investment properties at June 30, 2011 and December 31, 2010 were arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield Valuation Advisory Services (HK) Ltd. ("C&W") in respect of the properties situated in Shanghai and Chongqing, the PRC. C&W is independent qualified professional valuer not connected with the Group and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair values of investment properties in Shanghai and Chongqing determined by C&W are approximately HK$38,338,179,000 (December 31, 2010: HK$37,172,952,000) and HK$4,725,039,000 (December 31, 2010: HK$4,339,250,000) respectively. The valuation methods were mainly based on residual approach by making reference to recent sales transactions of completed properties or rental yield as available in the relevant market to determine the potential sales proceeds or rental income of the completed investment properties, less estimated costs to completion and expected developed profit margin. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies.

For investment properties located in Shanghai

For the six months ended June 30, 2011, in determining the fair values of the investment properties located in Shanghai, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

a. Annual growth rate of rental income is ranging from 3% to 6% (December 31, 2010: ranging from 3% to 6%)

b. Occupancy rate for the investment properties is ranging from 50% to 98% (December 31, 2010: ranging from 50% to 98%)

c. Expected developer profit is ranging from 10% to 20% (December 31, 2010: ranging from 10% to 20%)

d. Discount rate is ranging from 4% to 9% (December 31, 2010: ranging from 4% to 9%)

e. Rental rate per month per square metre is ranging from HK$194 to HK$1,578 (December 31, 2010: ranging from HK$187 to HK$1,520)

10. INVESTMENT PROPERTIES — continued

For investment properties located in Chongqing

For the six months ended June 30, 2011, in determining the fair values of the investment properties located in Chongqing, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

a. Annual growth rate of rental income is 4% (December 31, 2010: 4%)

b. Occupancy rate for the investment properties is ranging from 60% to 85% (December 31, 2010: ranging from 60% to 85%)

c. Expected developer profit is ranging from 25% to 30% (December 31, 2010: ranging from 20% to 30%)

d. Discount rate is ranging from 6% to 9% (December 31, 2010: ranging from 6% to 9%)

e. Rental rate per month per square metre is ranging from HK$93 to HK$925 (December 31, 2010: ranging from HK$85 to HK$853)

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

As at June 30, 2011, the Group obtained four (December 31, 2010: four) out of seven (December 31, 2010: seven) State-owned Land Use Rights Certificates ("Certificates") for Chongqing projects sites. The Group was in the process of obtaining the remaining three (December 31, 2010: three) Certificates. The carrying amount of the prepaid lease payments, investment properties and properties under development for sales which relate to these remaining three (December 31, 2010: three) Certificates amounted to approximately HK$159,213,000 (December 31, 2010: HK$157,685,000), HK$6,307,987,000 (December 31, 2010: HK$5,871,694,000) and HK$395,233,000 (December 31, 2010: HK$386,255,000) respectively.

10. INVESTMENT PROPERTIES — continued

Changes in fair value of investment properties

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Changes in fair value of investment properties	**577,568**	7,681,206

As at June 30, 2010, the fair value of a piece of land ("Land A") in Chongqing was determined by C&W mainly based on residual approach by making reference to recent sales transactions of completed properties or rental yield as available in the relevant market to determine the potential sales proceeds or rental income of the completed investment properties, less estimated costs to completion and expected developed profit margin. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies. The fair value change of Land A for the six months ended June 30, 2010 of approximately HK$1,071,730,000 had been included in the changes in fair value of investment properties for the six months ended June 30, 2010 of approximately HK$7,681,206,000.

In July 2010, the Group acquired another piece of land ("Land B") in Chongqing with total consideration of RMB818,450,000 (equivalent to approximately HK$963,336,000) which was to be developed together with Land A which was acquired by the Group in the year ended December 31, 2009 and situated next to this new acquisition. As at June 30, 2011 and December 31, 2010, the development plan on this combined land plot has not yet been finalized. As at June 30, 2011 and December 31, 2010, the fair value of these two pieces of land in Chongqing amounting to approximately HK$2,684,839,000 (December 31, 2010: HK$2,623,848,000) is determined by the directors. The directors have determined that the valuation of these two pieces of land approximated to the fair value of the existing land plot (i.e. Land A) as at December 31, 2009 plus the acquisition cost of the land acquired during the year ended December 31, 2010.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Consideration in respect of completed properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date. Consideration in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	June 30, 2011	December 31, 2010
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade receivables (Note)	**2,689**	2,628
Prepayment of business taxes and other PRC taxes	**179,628**	145,148
Other receivables, deposits and prepayments	**182,367**	167,181
	364,684	314,957

Note: The trade receivables were all aged over 90 days after the invoice date at the end of the reporting period.

12. OTHER PAYABLES AND ACCRUALS

	June 30, 2011	December 31, 2010
	HK$'000	HK$'000
	(unaudited)	(audited)
Other payables and accruals		
Accrued for construction costs	**263,883**	434,778
Other payables and accruals	**97,283**	153,434
	361,166	588,212

13. BANK LOANS, SECURED

	June 30, 2011 HK$'000 (unaudited)	December 31, 2010 HK$'000 (audited)
Carrying amounts of the variable-rate bank loans repayable based on contractual term:#		
Within one year	**189,792**	683,321
More than one year, but not exceeding five years	**3,483,626**	3,016,650
	3,673,418	3,699,971
Carrying amount of the bank loan that is not repayable within one year from the end of the reporting period but contains a repayment on demand clause (shown under current liabilities)	**150,000**	—
Less: Amount due within one year shown under current liabilities	**339,792**	683,321
Amounts shown under non-current liabilities	**3,483,626**	3,016,650

\# The amounts due are based on scheduled repayment dates set out in the loan agreements.

The interest rates of the Group's variable — rate loans are based on base rate fixed by the People's Bank of China, London InterBank Offered Rates or Hong Kong InterBank Offered Rates plus a premium.

13. BANK LOANS, SECURED — continued

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans are ranged from 2.70% to 7.68% (year ended December 31, 2010: 4.80% to 7.02%) per annum.

As at June 30, 2011 and December 31, 2010, certain borrowings were secured by the share of certain subsidiaries of the Company in the PRC.

The bank loans outstanding as of June 30, 2011 were secured by the following:

- property, plant and equipment with a net book value of approximately HK$83,767,000 (December 31, 2010: HK$81,582,000);
- investment properties under construction carried at cost with a carrying value of approximately HK$518,480,000 (December 31, 2010: HK$479,697,000);
- investment properties (excluding investment properties under construction carried at cost) with a carrying value of approximately HK$18,083,732,000 (December 31, 2010: HK$17,920,365,000);
- properties under development for sales with a carrying value of approximately HK$1,846,302,000 (December 31, 2010: HK$1,656,731,000);
- properties held for sales with a carrying value of approximately HK$282,621,000 (December 31, 2010: HK$276,201,000); and
- pledged bank deposits of approximately HK$166,205,000 (December 31, 2010: HK$8,997,000).

At June 30, 2011, pledged bank deposits of approximately HK$156,605,000 (December 31, 2010: HK$12,554,000) were pledged for short term borrowing due within one year or bank loans procured by the purchasers of the Group's properties (Note 16) and the amount was classified as current. As at June 30, 2011, the pledged bank deposits of approximately HK$13,248,000 (December 31, 2010: Nil) were pledged for bank loans due after one year and the amount was classified as non-current.

14. FIXED RATE SENIOR NOTES

On April 27, 2007, the Company issued approximately US$300 million (approximately HK$2,340,000,000) in aggregate principal amount of the fixed rate senior notes which contain two components, liability and early redemption options.

The notes bear interest at a fixed rate of 9.125% per annum. The interest charged for the period is calculated by applying an effective interest rate of approximately 9.90% (year ended December 31, 2010: 10.85%) per annum. Interest on the notes is payable on May 4 and November 4 of each year. The notes will mature on May 4, 2014. The notes are guaranteed by certain of the Company's subsidiaries other than those established under the laws of the PRC. Details of the fixed rate senior notes are set out in the Company's annual report for the year ended December 31, 2010 dated March 31, 2011.

The directors of the Company consider that the fair values of the redemption options at the date of issuance of the notes and at June 30, 2011 and December 31, 2010 are insignificant.

In December 2010, the Group repurchased fixed rate senior notes with the carrying amount of US$197,395,000 (approximately HK$1,539,681,000) at the market price, with the direct attributable cost of approximately HK$21,863,000.

The notes have been listed on the Singapore Exchange Limited since May 4, 2007. The market value of the notes at June 30, 2011 was US$92,344,000 (approximately HK$720,283,000) (December 31, 2010: US$97,731,000 (approximately HK$762,304,000)).

15. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
At January 1, 2010, June 30, 2010, January 1, 2011 and June 30, 2011	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2010, June 30, 2010, January 1, 2011 and June 30, 2011	1,809,077,000	180,907

16. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

	June 30, 2011 HK$'000 (unaudited)	December 31, 2010 HK$'000 (audited)
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Notes)	**1,883,853**	1,745,712

Notes:

(a) The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities. In the opinion of the directors, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as current liabilities in the condensed consolidated statement of financial position.

(b) The guarantees were secured by the Group's pledged bank deposits of approximately HK$3,648,000 (December 31, 2010: HK$3,557,000).

17. OTHER COMMITMENTS

	June 30, 2011 HK$'000 (unaudited)	December 31, 2010 HK$'000 (audited)
Construction commitment contracted for but not provided in respect of property, plant and equipment and investment properties	**1,142,256**	651,895

18. OPERATING LEASE COMMITMENTS

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	June 30, 2011 HK$'000 (unaudited)	December 31, 2010 HK$'000 (audited)
Within one year	**16,272**	17,067
In the second to fifth year inclusive	**15,906**	23,676
Over fifth year	**—**	104
	32,178	40,847

As lessee

Minimum lease payments paid under operating leases during the period:

	Six months ended June 30,	
	2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Premises	**1,733**	1,733

At the end of the reporting period, the Group had commitment for future minimum lease payments under non cancellable operating leases which fall due as follows:

	June 30, 2011 HK$'000 (unaudited)	December 31, 2010 HK$'000 (audited)
Within one year	**4,058**	2,022
In the second to fifth year inclusive	**8,568**	—
	12,626	2,022

19. RETIREMENT BENEFITS PLANS

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries (capped at HK$20,000) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total contributions incurred in this connection for the period was approximately HK$2,075,000 (six months ended June 30, 2010: HK$2,193,000).

20. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme will expire on February 5, 2017.

Under the Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,000,000 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

20. SHARE OPTION SCHEME — continued

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

Pursuant to the announcement dated January 17, 2011 ("Grant Date"), 20,000,000 options (the "Options") to subscribe for the Company's ordinary shares of HK$0.10 each (the "Shares") with the exercise price of HK$2.67 each were granted to certain eligible participants (the "Grantees"). The Grantees are consultants which are responsible for the investor relations of the Group. None of the Grantees is a director, chief executive or substantial shareholder of the Company, or any of their respective associates. The option is exercisable from January 17, 2013 to March 22, 2013. The closing price of the Company's share at Grant Date was HK$2.64.

In the opinion of the directors of the Company, these share options were granted to the consultants for rendering consultancy services in respect of seeking potential investors to acquire a certain sum of the Company's share ("Target"). The directors of the Company believe that the strategy to issue share options in return of consultancy services can bring benefits to the Group, without damaging the Group's operating cash flows and liquidity.

The exercise of the share options shall be conditional upon (1) the Grantees being under continuous engagement of the Group for the period from January 17, 2011 to January 16, 2013 ("Service Period"); and (2) the Target being achieved within the Service Period.

Management determines that the fair value of the services received are amounting to approximately HK$15,850,000, which is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve. The Group would record an expense based on the fair value of services received and would not be required to determine the fair value of the share options granted to the Grantees since the fair value of the services could be reliably measured.

During the six months ended June 30, 2011, share-based payment expenses of approximately HK$3,286,000 (six months ended June 30, 2010: Nil) is recognized in the profit or loss.

21. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2011, the Group had material transactions with Pacific Concord Holding Limited ("PCH"), a company in which Mr. Wong (the controlling shareholder of the Company) has controlling interests, and its subsidiary as follows:

	Six months ended June 30,	
Nature of transactions	**2011**	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Office premises expenses (Note)	**19**	19

Note: On July 31, 2008, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of PCH of which ultimate shareholder is Mr. Wong, and the Group. The Tenancy Agreement is effective from August 1, 2008 to July 31, 2011.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

The Company has extended the tenancy by signing a new tenancy agreement (the "New Tenancy Agreement") with the landlord on July 22, 2011 for a further term of three years from August 1, 2011 to July 31, 2014. On the same date, the Company also entered into the new sharing agreement with the subsidiary of PCH to specify their respective rights and liabilities under the New Tenancy Agreement.

Compensation of key management personnel

The directors of the Company considered that the directors are the key management personnel of the Group. The remuneration of key management personnel of the Group during the period was as follows:

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short term benefits	**767**	765

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors.