



**WINSOR PROPERTIES HOLDINGS LIMITED**

Incorporated in the Cayman Islands with limited liability

**南聯地產控股有限公司**

開曼群島註冊成立之有限公司

Stock Code 股份代號: 1036



Interim Report **2012**

for the six months ended 30 June 2012

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# Corporate Information

## BOARD OF DIRECTORS

CHENG Wai Chee, Christopher, GBS, JP <sup>★△</sup> *Chairman*

CHOW Wai Wai, John *Managing Director*

Christopher Patrick LANGLEY, OBE <sup>★</sup>

LO Ka Shui, GBS, JP <sup>★</sup>

Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP <sup>★</sup>

CHENG Wai Sun, Edward, SBS, JP <sup>★△</sup>

CHEN CHOU Mei Mei, Vivien

AU Hing Lun, Dennis

ZHANG Xu

QUE Dong Wu

WANG Wen Jin <sup>★</sup>

CHAN Chi Yu <sup>★</sup>

<sup>★</sup> *Independent Non-Executive Director*

<sup>★</sup> *Non-Executive Director*

<sup>△</sup> *Alternate: FUNG Ching Man, Janet*

## AUDIT COMMITTEE

Christopher Patrick LANGLEY, OBE *Chairman*

Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP

CHENG Wai Chee, Christopher, GBS, JP <sup>▲</sup>

<sup>▲</sup> *Alternate: FUNG Ching Man, Janet*

## REMUNERATION COMMITTEE

Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP *Chairman*

Christopher Patrick LANGLEY, OBE

CHOW Wai Wai, John

## NOMINATION COMMITTEE

LO Ka Shui, GBS, JP *Chairman*

Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP <sup>^</sup>

CHENG Wai Chee, Christopher, GBS, JP

<sup>^</sup> *Alternate: Christopher Patrick LANGLEY, OBE*

## COMPANY SECRETARY

LAI Ivy

## AUDITOR

PricewaterhouseCoopers

## SOLICITORS

Reed Smith Richards Butler

## REGISTERED OFFICE

P. O. Box 309, Ugland House,  
Grand Cayman KY1-1104, Cayman Islands.

## PRINCIPAL PLACE OF BUSINESS

55/F., Bank of China Tower,

No. 1 Garden Road,

Central, Hong Kong.

Telephone: (852) 2810 8008

Fax: (852) 2810 0664

Website: <http://www.wklandinv.com>

## HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited,

Shops 1712–1716, 17th Floor, Hopewell Centre,

183 Queen's Road East, Wanchai, Hong Kong.

Telephone: (852) 2862 8555

Fax: (852) 2865 0990/2829 6087

Website: <http://www.computershare.com.hk>

# Condensed Consolidated Income Statement

For the six months ended 30 June 2012

## INTERIM RESULTS

The Board of Directors of Winsor Properties Holdings Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012.

|  |      | <b>Unaudited</b>        |                |
|--|------|-------------------------|----------------|
|  |      | <b>Six months ended</b> |                |
|  | Note | <b>30 June 2012</b>     | 30 June 2011   |
|  |      | <b>HK\$'000</b>         | HK\$'000       |
|  |      |                         | (Re-presented) |
| <b>Continuing operations:</b>                      |      |                         |                |
| <b>Revenue</b>                                     | 4    | <b>38,138</b>           | 31,938         |
| Cost of sales                                      |      | <b>(8,182)</b>          | (8,671)        |
| <b>Gross profit</b>                                |      | <b>29,956</b>           | 23,267         |
| Other income                                       | 4    | <b>62</b>               | 826            |
| Administrative expenses                            |      | <b>(12,197)</b>         | (3,606)        |
| Increase in fair value of investment properties    |      | <b>-</b>                | 51,510         |
| Gain on disposals of investment properties         |      | <b>-</b>                | 1,312          |
| <b>Operating profit</b>                            | 5    | <b>17,821</b>           | 73,309         |
| Finance costs                                      |      | <b>(609)</b>            | (641)          |
| <b>Profit before taxation</b>                      |      | <b>17,212</b>           | 72,668         |
| Taxation charge                                    | 6    | <b>(4,891)</b>          | (3,835)        |
| Profit for the period from continuing operations   |      | <b>12,321</b>           | 68,833         |
| <b>Discontinued operations:</b>                    |      |                         |                |
| Profit for the period from discontinued operations | 7    | <b>323,133</b>          | 1,675,679      |
| <b>Profit for the period</b>                       |      | <b>335,454</b>          | 1,744,512      |
| <b>Attributable to:</b>                            |      |                         |                |
| Shareholders of the Company                        |      | <b>334,309</b>          | 1,740,995      |
| Non-controlling interests                          |      | <b>1,145</b>            | 3,517          |
|  |      | <b>335,454</b>          | 1,744,512      |
|  |      | <b>HK\$</b>             | HK\$           |
| <b>Earnings per share</b>                          | 8    |                         |                |
| For continuing operations                          |      | <b>0.04</b>             | 0.25           |
| For discontinued operations                        |      | <b>1.24</b>             | 6.45           |
|  |      | <b>HK\$'000</b>         | HK\$'000       |
| <b>Interim dividend</b>                            | 9    | <b>-</b>                | 49,340         |

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

|  | Unaudited       |              |
|--|-----------------|--------------|
|  | 30 June 2012    | 30 June 2011 |
|  | HK\$'000        | HK\$'000     |
| <b>Profit for the period</b>   | <b>335,454</b>  | 1,744,512    |
| <b>Other comprehensive income/(loss)</b>   |                 |              |
| Exchange translation differences   | <b>3,296</b>    | 10,658       |
| Exchange differences released upon repayment of loans from an associated company                           | <b>–</b>        | (34,108)     |
| Fair value gains on available-for-sale financial assets  | <b>81,997</b>   | 15,029       |
| Cash flow hedges   |                 |              |
| – Fair value losses  | <b>(7,010)</b>  | (23,565)     |
| – Realised upon settlement   | <b>21,415</b>   | 21,948       |
| Investment revaluation reserve released upon return of investment of an available-for-sale financial asset | <b>(79,073)</b> | –            |
| Share of hedging reserve of an associated company  | <b>(1,774)</b>  | –            |
| <b>Other comprehensive income/(loss) for the period, net of tax</b>  | <b>18,851</b>   | (10,038)     |
| <b>Total comprehensive income for the period</b>   | <b>354,305</b>  | 1,734,474    |
| <b>Total comprehensive income for the period attributable to:</b>  |                 |              |
| Shareholders of the Company  | <b>353,160</b>  | 1,730,957    |
| Non-controlling interests  | <b>1,145</b>    | 3,517        |
|  | <b>354,305</b>  | 1,734,474    |
| <b>Total comprehensive income for the period attributable to shareholders of the Company arising from:</b> |                 |              |
| Continuing operations  | <b>11,238</b>   | 65,576       |
| Discontinued operations  | <b>341,922</b>  | 1,665,381    |
|  | <b>353,160</b>  | 1,730,957    |

# Condensed Consolidated Balance Sheet

At 30 June 2012

|   | Note | Unaudited<br>At 30 June<br>2012<br>HK\$'000 | Audited<br>At 31 December<br>2011<br>HK\$'000 |
|---|------|---|---|
| <b>Non-current assets</b>   |      |   |   |
| Property, plant and equipment                                       |      | 96  | 9,031   |
| Investment properties   | 12   | 1,129,350                                   | 12,167,930                                    |
| Interests in associated companies                                   | 13   | –   | 696,144                                       |
| Amounts and loans receivable from associated companies              | 13   | –   | 39,369  |
| Available-for-sale financial assets                                 |      | –   | 319,402                                       |
| Held-to-maturity investments  |      | –   | 65,835  |
| Deferred tax assets   |      | 2,212                                       | 4,020   |
| Derivative financial instruments                                    |      | –   | 179   |
|   |      | <b>1,131,658</b>                            | 13,301,910                                    |
| <b>Current assets</b>   |      |   |   |
| Inventories   |      | –   | 362   |
| Trade and other receivables   | 14   | 5,692                                       | 40,676  |
| Held-to-maturity investments  |      | –   | 29,252  |
| Tax recoverable   |      | –   | 435   |
| Bank balances and cash  |      | 924   | 647,478                                       |
|   |      | <b>6,616</b>                                | 718,203                                       |
| Assets of a disposal group classified as held for distribution      | 11   | 12,966,228                                  | –   |
|   |      | <b>12,972,844</b>                           | 718,203                                       |
| <b>Current liabilities</b>  |      |   |   |
| Trade and other payables and accruals                               | 15   | 27,235                                      | 215,567                                       |
| Other long-term loans   | 16   | 32,498                                      | –   |
| Short-term bank loans, secured                                      | 17   | 80,000                                      | 561,682                                       |
| Derivative financial instruments                                    |      | –   | 42,130  |
| Tax payable   |      | 3,694                                       | 26,334  |
|   |      | <b>143,427</b>                              | 845,713                                       |
| Liabilities of a disposal group classified as held for distribution | 11   | 2,345,955                                   | –   |
|   |      | <b>2,489,382</b>                            | 845,713                                       |
| <b>Net current assets/(liabilities)</b>                             |      | <b>10,483,462</b>                           | (127,510)                                     |
| <b>Total assets less current liabilities</b>                        |      | <b>11,615,120</b>                           | 13,174,400                                    |
| <b>Non-current liabilities</b>                                      |      |   |   |
| Long-term bank loans, secured                                       | 18   | –   | 1,630,100                                     |
| Other long-term loans   | 16   | –   | 32,498  |
| Amounts and loans payable to associated companies                   | 13   | –   | 23,552  |
| Derivative financial instruments                                    |      | –   | 62,942  |
| Deferred tax liabilities  |      | 25,684                                      | 68,125  |
|   |      | <b>25,684</b>                               | 1,817,217                                     |
| <b>Net assets</b>   |      | <b>11,589,436</b>                           | 11,357,183                                    |
| Share capital   |      | 2,596                                       | 2,596   |
| Reserves  |      | 11,547,579                                  | 11,316,471                                    |
| <b>Equity attributable to shareholders of the Company</b>           |      | <b>11,550,175</b>                           | 11,319,067                                    |
| <b>Non-controlling interests</b>                                    |      | <b>39,261</b>                               | 38,116  |
| <b>Total equity</b>   |      | <b>11,589,436</b>                           | 11,357,183                                    |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

|  | Unaudited  |                                 |  |  |                             |                               |                       |                   |                                       |                          |
|--|--|---------------------------------|--|--|-----------------------------|-------------------------------|-----------------------|-------------------|---------------------------------------|--------------------------|
|  | Equity attributable to shareholders of the Company |                                 |  |  |                             |                               |                       |                   |                                       |                          |
|  | Share capital<br>HK\$'000                          | Contributed surplus<br>HK\$'000 | Investment revaluation reserve<br>HK\$'000 | Exchange fluctuation account<br>HK\$'000 | Hedging reserve<br>HK\$'000 | Retained earnings<br>HK\$'000 | Dividends<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 1 January 2012  | 2,596  | 519,151                         | 211,431                                    | 17,629                                   | (100,952)                   | 10,547,160                    | 122,052               | 11,319,067        | 38,116                                | 11,357,183               |
| Comprehensive income   |  |                                 |  |  |                             |                               |                       |                   |                                       |                          |
| Profit for the period  | -  | -                               | -  | -  | -                           | 334,309                       | -                     | 334,309           | 1,145                                 | 335,454                  |
| Other comprehensive income/(loss)  |  |                                 |  |  |                             |                               |                       |                   |                                       |                          |
| Exchange translation differences   | -  | -                               | -  | 3,296                                    | -                           | -                             | -                     | 3,296             | -                                     | 3,296                    |
| Fair value gains on available-for-sale financial assets  | -  | -                               | 81,997                                     | -  | -                           | -                             | -                     | 81,997            | -                                     | 81,997                   |
| Fair value losses on cash flow hedges  | -  | -                               | -  | -  | (7,010)                     | -                             | -                     | (7,010)           | -                                     | (7,010)                  |
| Realised upon settlement of interest rate swap contracts   | -  | -                               | -  | -  | 21,415                      | -                             | -                     | 21,415            | -                                     | 21,415                   |
| Investment revaluation reserve released upon return of investment of an available-for-sale financial asset | -  | -                               | (79,073)                                   | -  | -                           | -                             | -                     | (79,073)          | -                                     | (79,073)                 |
| Share of hedging reserve of an associated company  | -  | -                               | -  | -  | (1,774)                     | -                             | -                     | (1,774)           | -                                     | (1,774)                  |
| Total other comprehensive income   | -  | -                               | 2,924                                      | 3,296                                    | 12,631                      | -                             | -                     | 18,851            | -                                     | 18,851                   |
| Total comprehensive income   | -  | -                               | 2,924                                      | 3,296                                    | 12,631                      | 334,309                       | -                     | 353,160           | 1,145                                 | 354,305                  |
| Transactions with owners   |  |                                 |  |  |                             |                               |                       |                   |                                       |                          |
| Final dividend paid  | -  | -                               | -  | -  | -                           | -                             | (122,052)             | (122,052)         | -                                     | (122,052)                |
| Total transactions with owners   | -  | -                               | -  | -  | -                           | -                             | (122,052)             | (122,052)         | -                                     | (122,052)                |
| <b>At 30 June 2012</b>   | <b>2,596</b>                                       | <b>519,151</b>                  | <b>214,355</b>                             | <b>20,925</b>                            | <b>(88,321)</b>             | <b>10,881,469</b>             | <b>-</b>              | <b>11,550,175</b> | <b>39,261</b>                         | <b>11,589,436</b>        |

# Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six months ended 30 June 2012

|  | Unaudited  |                     |                                |                              |                 |                   |           |            |          |                           |              |
|--|--|---------------------|--------------------------------|------------------------------|-----------------|-------------------|-----------|------------|----------|---------------------------|--------------|
|  | Equity attributable to shareholders of the Company |                     |                                |                              |                 |                   |           |            |          | Non-controlling interests | Total equity |
|  | Share capital                                      | Contributed surplus | Investment revaluation reserve | Exchange fluctuation account | Hedging reserve | Retained earnings | Dividends | Total      |          |                           |              |
| HK\$'000   | HK\$'000   | HK\$'000            | HK\$'000                       | HK\$'000                     | HK\$'000        | HK\$'000          | HK\$'000  | HK\$'000   | HK\$'000 |                           |              |
| At 1 January 2011  | 2,596  | 519,783             | 339,616                        | 67,378                       | (108,557)       | 8,253,314         | 368,753   | 9,442,883  | 30,851   | 9,473,734                 |              |
| Comprehensive income   |  |                     |                                |                              |                 |                   |           |            |          |                           |              |
| Profit for the period  | -  | -                   | -                              | -                            | -               | 1,740,995         | -         | 1,740,995  | 3,517    | 1,744,512                 |              |
| Other comprehensive income/(loss)  |  |                     |                                |                              |                 |                   |           |            |          |                           |              |
| Exchange translation differences   | -  | -                   | -                              | 10,658                       | -               | -                 | -         | 10,658     | -        | 10,658                    |              |
| Exchange differences released upon repayment of loans from an associated company | -  | -                   | -                              | (34,108)                     | -               | -                 | -         | (34,108)   | -        | (34,108)                  |              |
| Fair value gains on available-for-sale financial assets                          | -  | -                   | 15,029                         | -                            | -               | -                 | -         | 15,029     | -        | 15,029                    |              |
| Fair value losses on cash flow hedges  | -  | -                   | -                              | -                            | (23,565)        | -                 | -         | (23,565)   | -        | (23,565)                  |              |
| Realised upon settlement of interest rate swap contracts                         | -  | -                   | -                              | -                            | 21,948          | -                 | -         | 21,948     | -        | 21,948                    |              |
| Total other comprehensive income/(loss)  | -  | -                   | 15,029                         | (23,450)                     | (1,617)         | -                 | -         | (10,038)   | -        | (10,038)                  |              |
| Total comprehensive income/(loss)  | -  | -                   | 15,029                         | (23,450)                     | (1,617)         | 1,740,995         | -         | 1,730,957  | 3,517    | 1,734,474                 |              |
| Transactions with owners   |  |                     |                                |                              |                 |                   |           |            |          |                           |              |
| Special dividend paid  | -  | -                   | -                              | -                            | -               | -                 | (259,685) | (259,685)  | -        | (259,685)                 |              |
| Final dividend paid  | -  | -                   | -                              | -                            | -               | -                 | (109,068) | (109,068)  | -        | (109,068)                 |              |
| Interim dividend declared  | -  | -                   | -                              | -                            | -               | (49,340)          | 49,340    | -          | -        | -                         |              |
| Total transactions with owners   | -  | -                   | -                              | -                            | -               | (49,340)          | (319,413) | (368,753)  | -        | (368,753)                 |              |
| At 30 June 2011  | 2,596  | 519,783             | 354,645                        | 43,928                       | (110,174)       | 9,944,969         | 49,340    | 10,805,087 | 34,368   | 10,839,455                |              |



# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012

|  | Unaudited        |              |
|--|------------------|--------------|
|  | Six months ended |              |
|  | 30 June 2012     | 30 June 2011 |
|  | HK\$'000         | HK\$'000     |
| <b>Net cash from operating activities</b>  | <b>146,212</b>   | 100,397      |
| <b>Net cash from/(used in) investing activities</b>                                      | <b>110,553</b>   | (83,719)     |
| <b>Net cash used in financing activities</b>   | <b>(296,852)</b> | (325,168)    |
| <b>Net decrease in cash and cash equivalents</b>   | <b>(40,087)</b>  | (308,490)    |
| Cash and cash equivalents at beginning of the period                                     | <b>647,478</b>   | 595,167      |
| Effect of foreign exchange rate changes  | <b>(810)</b>     | (693)        |
| <b>Cash and cash equivalents at end of the period</b>                                    | <b>606,581</b>   | 285,984      |
| <b>Analysis of cash and cash equivalents</b>   |                  |              |
| Bank balances and cash   | <b>924</b>       | 345,984      |
| Bank balances and cash of a disposal group classified as held for distribution           | <b>605,657</b>   | –            |
| Non-pledged time deposits with original maturity of more than three months when acquired | –                | (60,000)     |
|  | <b>606,581</b>   | 285,984      |

# Notes to the Interim Financial Information

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is P.O. Box 309, Uglan House, Grand Cayman KY1-1104, Cayman Islands and the address of its principal office in Hong Kong is 55/F, Bank of China Tower, No. 1 Garden Road, Central, Hong Kong.

On 13 May 2012, Wing Tai Properties Limited (“Wing Tai”) entered into an agreement (the “Share Sale Agreement”) relating to the sale of 191,935,845 shares of the Company held by Wing Tai and its subsidiary and the sale of 13,900,000 shares of the Company that might be acquired by Wing Tai before the completion of the Share Sale Agreement to Vanke Property (Hong Kong) Company Limited (“Vanke”) or Wkland Investments Company Limited (“Wkland Investments”), a wholly-owned subsidiary of Vanke, at a price of HK\$5.6197 per share. Pursuant to the terms of the Share Sale Agreement, the Company was required, among other things, to carry out a group reorganisation (the “Group Reorganisation”), to effect a distribution in specie of shares in a wholly-owned subsidiary of the Company (the “Privateco”) (the “Distribution In Specie”) and to pay a special cash dividend of HK\$0.7803 per share to the shareholders of the Company (the “Special Cash Dividend”). The transactions contemplated under the Share Sale Agreement (the “Transactions”) were approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 9 July 2012. Upon satisfaction of other conditions, completion of the Share Sale Agreement took place on 16 July 2012. For details, please refer to the joint announcements of the Company, Wing Tai and Wkland Investments dated 14 May 2012 and 16 July 2012 and the circular of the Company dated 20 June 2012.

Pursuant to the Group Reorganisation, the Company, among other things, reorganised its subsidiaries into two sub-groups, the Remaining Group and the Privateco Group. The Remaining Group is engaged in the business of holding or relating to all those units and car park podium in Regent Centre owned by the Group prior to the Group Reorganisation (excluding Units 505–510, 5/F, Tower B of Regent Centre, which is owned by a member of the Privateco Group) (the “Retained Businesses”). The Privateco Group is engaged in all businesses of the Group prior to the Group Reorganisation, other than the Retained Businesses (the “Distributed Businesses”).

Upon completion of the Share Sale Agreement, Wkland Investments became the registered shareholder of 205,835,845 shares of the Company, representing approximately 79.26% of the issued share capital of the Company. The Privateco Group with an estimated net asset value of approximately HK\$10,600,000,000 as at 16 July 2012 was distributed to the shareholders of the Company by way of the Distribution In Specie and the Special Cash Dividend totaling HK\$202,632,430 was made to the shareholders of the Company.

An offer was subsequently made by CITIC Securities Corporate Finance (HK) Limited on behalf of Wkland Investments to acquire all the issued shares in the Company other than those already owned or agreed to be acquired by Vanke, Wkland Investments and parties acting in concert with any of them. For details, please refer to the joint announcement of the Company and Wkland Investments dated 23 July 2012 and the composite offer document dated 23 July 2012.

China Vanke Co., Ltd., a joint stock company with limited liability company incorporated in the People’s Republic of China and the issued shares of which are listed on the Shenzhen Stock Exchange, has become the ultimate holding company of the Company upon completion of the Share Sale Agreement.

The Company is an investment holding company. Following the completion of the Distribution In Specie, the principal subsidiaries of the Company are engaged in property investment and management.

# Notes to the Interim Financial Information *(continued)*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### (a) Basis of preparation

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

Except for the adoption of the new accounting policy and the new or revised accounting standards as described below, the accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2011.

Following the completion of the Group Reorganisation and the Distribution In Specie as described in Note 1 above, the Distributed Businesses constitute discontinued operations under Hong Kong Financial Reporting Standard 5 “Non-current Assets Held for Sale and Discontinued Operations”, certain comparative figures were re-presented so as to reflect the results of the continuing operations and discontinued operations.

### (b) Significant accounting policies

The Group has applied the following accounting policies to account for the non-current assets classified as held for distribution and discontinued operations occurred during the period.

#### (i) *Non-current assets classified as held for distribution*

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders’ approval (if required in the jurisdiction) should be considered as part of the assessment of whether the distribution is highly probable.

A non-current asset (or disposal group) classified as held for distribution to owners is measured at the lower of its carrying amount and fair value less costs to distribute.

A non-current asset (or disposal group) classified as held for distribution is presented separately from other assets in the balance sheet. The liabilities of the disposal group classified as held for distribution are presented separately from other liabilities in the balance sheet. Those assets and liabilities are not offset and presented as a single amount.

#### (ii) *Discontinued operations*

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a part of a single coordinated plan to dispose of a separate major line business or geographical area of operations, or is a subsidiary acquired exclusively with a view of sale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale or distribution, if earlier. It also occurs if the operation is abandoned.

# Notes to the Interim Financial Information *(continued)*

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

### (c) Adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

- (i) During the period, the Group has adopted the following amendments to existing standards which are effective for the period.

|                     |  |
|---------------------|--|
| HKFRS 1 (Amendment) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| HKFRS 7 (Amendment) | Disclosures — Transfers of Financial Assets                              |

The adoption of the amendments to existing standards has no significant impact on the Group’s results and financial position for the current or prior periods.

- (ii) The Group has not early adopted the following new and revised standards and amendments to existing standards that have been issued but are not yet effective for the period:

|                                  |   | <b>Effective for<br/>accounting<br/>period beginning<br/>on or after</b> |
|----------------------------------|---|--|
| HKAS 1 (Amendment)               | Presentation of Items of Other Comprehensive Income                 | 1 July 2012  |
| HKAS 19 (Revised 2011)           | Employee Benefits   | 1 January 2013   |
| HKAS 27 (Revised 2011)           | Separate Financial Statements                                       | 1 January 2013   |
| HKAS 28 (Revised 2011)           | Investments in Associates and Joint Ventures                        | 1 January 2013   |
| HKAS 32 (Amendment)              | Offsetting Financial Assets and Financial Liabilities               | 1 January 2014   |
| HKFRS 7 (Amendment)              | Disclosures — Offsetting Financial Assets and Financial Liabilities | 1 January 2013   |
| HKFRS 9                          | Financial Instruments   | 1 January 2015   |
| HKFRS 7 and HKFRS 9 (Amendments) | Mandatory Effective Date and Transition Disclosures                 | 1 January 2015   |
| HKFRS 10                         | Consolidated Financial Statements                                   | 1 January 2013   |
| HKFRS 11                         | Joint Arrangements  | 1 January 2013   |
| HKFRS 12                         | Disclosure of Interests in Other Entities                           | 1 January 2013   |
| HKFRS 13                         | Fair Value Measurement  | 1 January 2013   |

The Group is in the process of making an assessment on the impact of these new and revised standards and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on the Group’s results and financial position.

# Notes to the Interim Financial Information *(continued)*

## 3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to various types of financial risk which include equity price risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk. The Group's overall risk management programme seeks to minimise the potential adverse effects it may have on the Group's financial performance.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011. There have been no changes in the risk management programme or in any risk management policies since 31 December 2011.

There are no significant changes in fair value measurement hierarchy of the financial instruments of the Group for the six months ended 30 June 2012. There is no significant transfer between the different levels of fair value measurement hierarchy of financial instruments for the six months ended 30 June 2012. There is no reclassification of financial assets during the period.

## 4. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue and other income recognised during the period are as follows:

|                                | <b>Six months ended</b>         |  |
|--------------------------------|---------------------------------|--|
|                                | <b>30 June 2012</b><br>HK\$'000 | 30 June 2011<br>HK\$'000<br>(Re-presented) |
| <b>Continuing operations:</b>  |                                 |  |
| Revenue                        |                                 |  |
| Rental and property management | <b>38,138</b>                   | 31,938                                     |
|                                | <b>38,138</b>                   | 31,938                                     |
| Other income                   |                                 |  |
| Others                         | <b>62</b>                       | 826  |
|                                | <b>62</b>                       | 826  |
|                                | <b>38,200</b>                   | 32,764                                     |

# Notes to the Interim Financial Information *(continued)*

## 4. REVENUE, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

|  | Six months ended         |  |
|--|--------------------------|--|
|  | 30 June 2012<br>HK\$'000 | 30 June 2011<br>HK\$'000<br>(Re-presented) |
| <b>Discontinued operations:</b>                          |                          |  |
| Revenue  |                          |  |
| Rental and property management                           | <b>227,674</b>           | 189,537                                    |
| Warehousing  | <b>5,866</b>             | 7,524                                      |
|  | <b>233,540</b>           | 197,061                                    |
| <hr style="border-top: 1px dashed black;"/>              |                          |  |
| Other income   |                          |  |
| Dividend income from available-for-sale financial assets | <b>9,739</b>             | 8,492                                      |
| Interest income on loans to associated companies         | <b>–</b>                 | 2,509                                      |
| Others   | <b>791</b>               | 1,751                                      |
|  | <b>10,530</b>            | 12,752                                     |
|  | <b>244,070</b>           | 209,813                                    |

The Group has determined the following operating segments for the purpose of assessing performance and allocating resources between segments:

### Continuing operations

- Rental and property management

### Discontinued operations

- Rental and property management
- Warehousing
- Investment
- Others

Management assesses the performance of the operating segments primarily based on segment profit. Segment profit represents the profit earned by each segment and excludes changes in fair value of derivative financial instruments, provision for impairment of amounts receivable from an associated company, investment revaluation reserve released upon return of investment of an available-for-sale financial asset, exchange differences released upon repayment of loans from an associated company, unallocated income less expenses, finance income, finance costs, share of profits less losses of associated companies, gain on bargain purchase and taxation charge.

# Notes to the Interim Financial Information *(continued)*

## 4. REVENUE, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

### Operating segments

The segment results are as follows:

|  | Continuing operations                      | Discontinued operations                    |                         |                        |                    | Total<br>HK\$'000 |
|--|--|--|-------------------------|------------------------|--------------------|-------------------|
|  | Rental and property management<br>HK\$'000 | Rental and property management<br>HK\$'000 | Warehousing<br>HK\$'000 | Investment<br>HK\$'000 | Others<br>HK\$'000 |                   |
| <b>Six months ended 30 June 2012</b>   |  |  |                         |                        |                    |                   |
| Revenue  | 38,138                                     | 227,674                                    | 5,866                   | -                      | -                  | 233,540           |
| Segment results before change in fair value of investment properties                                       | 29,887                                     | 178,205                                    | 257                     | 16,051                 | -                  | 194,513           |
| Increase in fair value of investment properties  | -  | 36,626                                     | -                       | -                      | -                  | 36,626            |
| Segment results  | 29,887                                     | 214,831                                    | 257                     | 16,051                 | -                  | 231,139           |
| Fair value losses on derivative financial instruments  | -  | (1,574)                                    | -                       | -                      | -                  | (1,574)           |
| Provision for impairment of amounts receivable from an associated company                                  | -  | -  | (2,537)                 | -                      | -                  | (2,537)           |
| Investment revaluation reserve released upon return of investment of an available-for-sale financial asset | -  |  |                         |                        |                    | 79,073            |
| Unallocated income less expenses   | (12,066)                                   |  |                         |                        |                    | (13,363)          |
| Operating profit   | 17,821                                     |  |                         |                        |                    | 292,738           |
| Finance income   | -  | 3,206                                      | -                       | -                      | -                  | 3,206             |
| Finance costs  | (609)                                      | (34,557)                                   | -                       | (289)                  | -                  | (34,846)          |
|  | 17,212                                     |  |                         |                        |                    | 261,098           |
| Share of profits less losses of associated companies   | -  | 9,993                                      | (40)                    | -                      | 72,891             | 82,844            |
| Profit before taxation   | 17,212                                     |  |                         |                        |                    | 343,942           |
| Taxation charge  | (4,891)                                    |  |                         |                        |                    | (20,809)          |
| Profit for the period  | 12,321                                     |  |                         |                        |                    | 323,133           |

# Notes to the Interim Financial Information *(continued)*

## 4. REVENUE, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

### Operating segments *(continued)*

|  | Continuing operations                      | Discontinued operations                    |                         |                        |                    | Total<br>HK\$'000 |
|--|--|--|-------------------------|------------------------|--------------------|-------------------|
|  | Rental and property management<br>HK\$'000 | Rental and property management<br>HK\$'000 | Warehousing<br>HK\$'000 | Investment<br>HK\$'000 | Others<br>HK\$'000 |                   |
| Six months ended 30 June 2011<br>(Re-presented)  |  |  |                         |                        |                    |                   |
| Revenue  | 31,938                                     | 189,537                                    | 7,524                   | –                      | –                  | 197,061           |
| Segment results before change in fair value and gain on disposals of investment properties | 23,984                                     | 147,313                                    | 938                     | 12,969                 | –                  | 161,220           |
| Increase in fair value of investment properties  | 51,510                                     | 1,390,188                                  | –                       | –                      | –                  | 1,390,188         |
| Gain on disposals of investment properties   | 1,312                                      | –  | –                       | –                      | –                  | –                 |
| Segment results  | 76,806                                     | 1,537,501                                  | 938                     | 12,969                 | –                  | 1,551,408         |
| Fair value gain/(loss) on derivative financial instruments                                 | –  | 1,148                                      | –                       | (6,000)                | –                  | (4,852)           |
| Exchange differences released upon repayment of loans from an associated company           | –  | –  | –                       | –                      | –                  | 34,108            |
| Unallocated income less expenses   | (3,497)                                    | –  | –                       | –                      | –                  | (12,511)          |
| Operating profit   | 73,309                                     | –  | –                       | –                      | –                  | 1,568,153         |
| Finance income   | –  | 2,583                                      | –                       | 105                    | –                  | 2,688             |
| Finance costs  | (641)                                      | (34,737)                                   | –                       | (68)                   | –                  | (34,805)          |
|  | 72,668                                     | –  | –                       | –                      | –                  | 1,536,036         |
| Share of profits less losses of associated companies                                       | –  | 211  | (1,075)                 | –                      | 86,618             | 85,754            |
| Gain on bargain purchase   | –  | –  | –                       | –                      | 69,387             | 69,387            |
| Profit before taxation   | 72,668                                     | –  | –                       | –                      | –                  | 1,691,177         |
| Taxation charge  | (3,835)                                    | –  | –                       | –                      | –                  | (15,498)          |
| Profit for the period  | 68,833                                     | –  | –                       | –                      | –                  | 1,675,679         |



# Notes to the Interim Financial Information *(continued)*

## 4. REVENUE, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

### Operating segments *(continued)*

The segment assets are as follows:

|  | At 30 June 2012                            |                         |                        |                    |                   |
|--|--|-------------------------|------------------------|--------------------|-------------------|
|  | Rental and property management<br>HK\$'000 | Warehousing<br>HK\$'000 | Investment<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
| Segment assets   | 1,136,062                                  | -                       | -                      | -                  | 1,136,062         |
| Assets of a disposal group classified as held for distribution |  |                         |                        |                    | 12,966,228        |
| Other assets   |  |                         |                        |                    | 2,212             |
| <b>Total assets</b>  |  |                         |                        |                    | <b>14,104,502</b> |

  

|  | At 31 December 2011                        |                         |                        |                    |                   |
|--|--|-------------------------|------------------------|--------------------|-------------------|
|  | Rental and property management<br>HK\$'000 | Warehousing<br>HK\$'000 | Investment<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
| Segment assets   | 12,847,600                                 | 13,902                  | 419,078                | -                  | 13,280,580        |
| Interests in associated companies                      | 14,867                                     | 181                     | -                      | 681,096            | 696,144           |
| Amounts and loans receivable from associated companies | 11,557                                     | 22,355                  | -                      | 5,457              | 39,369            |
| Other assets   |  |                         |                        |                    | 4,020             |
| <b>Total assets</b>                                    |  |                         |                        |                    | <b>14,020,113</b> |

### Geographical information

|                                 | Revenue   |   | Non-current assets other than financial instruments and deferred tax assets |   | Total assets                      |   |
|---------------------------------|---|---|---|---|-----------------------------------|---|
|                                 | Six months ended<br>30 June<br>2012<br>HK\$'000 | Six months ended<br>30 June<br>2011<br>HK\$'000<br>(Re-presented) | At<br>30 June<br>2012<br>HK\$'000   | At<br>31 December<br>2011<br>HK\$'000<br>(Re-presented) | At<br>30 June<br>2012<br>HK\$'000 | At<br>31 December<br>2011<br>HK\$'000<br>(Re-presented) |
| <b>Continuing operations:</b>   |   |   |   |   |                                   |   |
| Hong Kong                       | 38,138  | 31,938  | 1,129,446   | 1,129,966   | 1,138,274                         | 1,138,490   |
| <b>Discontinued operations:</b> |   |   |   |   |                                   |   |
| Hong Kong                       | 233,540   | 197,061   | 11,479,221  | 11,410,786  | 12,257,177                        | 12,190,499  |
| Singapore                       | -   | -   | 294,048   | 327,484   | 668,089                           | 646,886   |
| Mainland China                  | -   | -   | 40,962  | 44,238  | 40,962                            | 44,238  |
|                                 | <b>233,540</b>                                  | 197,061   | <b>11,814,231</b>   | 11,782,508  | <b>12,966,228</b>                 | 12,881,623  |

# Notes to the Interim Financial Information *(continued)*

## 5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

|   | Six months ended         |  |
|---|--------------------------|--|
|   | 30 June 2012<br>HK\$'000 | 30 June 2011<br>HK\$'000<br>(Re-presented) |
| <b>Continuing operations:</b>   |                          |  |
| <b>Crediting:</b>   |                          |  |
| Gross rental income from investment properties  | <b>38,138</b>            | 31,938                                     |
| <b>Charging:</b>  |                          |  |
| Depreciation of property, plant and equipment   | <b>20</b>                | 7  |
| Staff costs (including Directors' emoluments)   | <b>1,801</b>             | 1,689                                      |
| Legal and professional fees directly attributable to the Transactions                 | <b>8,800</b>             | –  |
| Direct operating expenses arising from investment properties generating rental income | <b>8,030</b>             | 7,908                                      |
| <b>Discontinued operations:</b>   |                          |  |
| <b>Crediting:</b>   |                          |  |
| Gross rental income from investment properties  | <b>225,484</b>           | 187,157                                    |
| Amortised income from held-to-maturity investments                                    | <b>6,312</b>             | 4,477                                      |
| Gain on return of investment of an available-for-sale financial asset                 | <b>79,073</b>            | –  |
| <b>Charging:</b>  |                          |  |
| Depreciation of property, plant and equipment   | <b>1,127</b>             | 1,231                                      |
| Staff costs (including Directors' emoluments)   | <b>26,339</b>            | 27,458                                     |
| Direct operating expenses arising from investment properties generating rental income | <b>44,795</b>            | 38,233                                     |
| Direct operating expenses for generating warehousing income                           | <b>2,188</b>             | 3,021                                      |
| Fair value losses on derivative financial instruments                                 | <b>1,574</b>             | 4,852                                      |
| Operating leases rentals in respect of land and buildings                             | <b>1,658</b>             | 1,797                                      |

# Notes to the Interim Financial Information *(continued)*

## 6. TAXATION CHARGE

|                                 | Six months ended         |  |
|---------------------------------|--------------------------|--|
|                                 | 30 June 2012<br>HK\$'000 | 30 June 2011<br>HK\$'000<br>(Re-presented) |
| <b>Continuing operations:</b>   |                          |  |
| Current taxation                |                          |  |
| Hong Kong profits tax           | <b>(3,625)</b>           | (2,822)                                    |
| Over-provision in prior years   | -                        | 27   |
|                                 | <b>(3,625)</b>           | (2,795)                                    |
| Deferred taxation               |                          |  |
| Temporary differences           | <b>(1,266)</b>           | (1,040)                                    |
|                                 | <b>(4,891)</b>           | (3,835)                                    |
| <b>Discontinued operations:</b> |                          |  |
| Current taxation                |                          |  |
| Hong Kong profits tax           | <b>(7,542)</b>           | (5,978)                                    |
| Overseas taxation               | -                        | (94)                                       |
| Over-provision in prior years   | -                        | 1,871                                      |
|                                 | <b>(7,542)</b>           | (4,201)                                    |
| Deferred taxation               |                          |  |
| Temporary differences           | <b>(13,267)</b>          | (11,297)                                   |
|                                 | <b>(20,809)</b>          | (15,498)                                   |

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period. Overseas taxation has been provided on the estimated assessable profits for the period at rates prevailing in the countries in which the subsidiaries operate.

# Notes to the Interim Financial Information *(continued)*

## 7. DISCONTINUED OPERATIONS

As described in Note 1 to the Interim Financial Information, the Privateco Group was distributed to the shareholders of the Company on 16 July 2012. The Privateco Group is engaged in the Distributed Businesses, which results are presented herein as discontinued operations. The results of the Distributed Businesses for the six months ended 30 June 2012 and 2011 are set out below.

|   | Note | Six months ended         |                          |
|---|------|--------------------------|--------------------------|
|   |      | 30 June 2012<br>HK\$'000 | 30 June 2011<br>HK\$'000 |
| Revenue   | 4    | <b>233,540</b>           | 197,061                  |
| Cost of sales   |      | <b>(49,213)</b>          | (43,811)                 |
| <b>Gross profit</b>                                       |      | <b>184,327</b>           | 153,250                  |
| Other income  | 4    | <b>10,530</b>            | 12,752                   |
| Leasing and marketing expenses                            |      | <b>(3,947)</b>           | (4,603)                  |
| Administrative expenses                                   |      | <b>(16,548)</b>          | (18,260)                 |
| Increase in fair value of investment properties           |      | <b>36,626</b>            | 1,390,188                |
| Other gains, net  |      | <b>81,750</b>            | 34,826                   |
| <b>Operating profit</b>                                   | 5    | <b>292,738</b>           | 1,568,153                |
| Finance income  |      | <b>3,206</b>             | 2,688                    |
| Finance costs   |      | <b>(34,846)</b>          | (34,805)                 |
|   |      | <b>261,098</b>           | 1,536,036                |
| Share of profits less losses of associated companies      |      | <b>82,844</b>            | 85,754                   |
| Gain on bargain purchase                                  |      | <b>–</b>                 | 69,387                   |
| <b>Profit before taxation</b>                             |      | <b>343,942</b>           | 1,691,177                |
| Taxation charge   | 6    | <b>(20,809)</b>          | (15,498)                 |
| <b>Profit for the period from discontinued operations</b> |      | <b>323,133</b>           | 1,675,679                |

# Notes to the Interim Financial Information *(continued)*

## 7. DISCONTINUED OPERATIONS *(continued)*

The net cash flows of the discontinued operations for the six months ended 30 June 2012 and 2011 were as follows:

|  | Six months ended         |                          |
|--|--------------------------|--------------------------|
|  | 30 June 2012<br>HK\$'000 | 30 June 2011<br>HK\$'000 |
| Net cash from operating activities                                       | 145,220                  | 315,945                  |
| Net cash from/(used in) investing activities                             | 110,553                  | (100,041)                |
| Net cash used in financing activities                                    | (295,798)                | (364,465)                |
| Net decrease in cash and cash equivalents of the discontinued operations | (40,025)                 | (148,561)                |

## 8. EARNINGS PER SHARE

The calculation of earnings per share for the continuing operations is based on profit from the continuing operations attributable to shareholders of the Company of HK\$11,238,000 (2011: HK\$65,576,000) and 259,685,288 shares (2011: 259,685,288 shares) in issue during the period.

The calculation of earnings per share for the discontinued operations is based on profit from the discontinued operations attributable to shareholders of the Company of HK\$323,071,000 (2011: HK\$1,675,419,000) and 259,685,288 shares (2011: 259,685,288 shares) in issue during the period.

Diluted earnings per share for the continuing operations and discontinued operations equals to the basic earnings per share for the continuing operations and discontinued operations as the Company had no dilutive potential shares in issue during the period (2011: Nil).

# Notes to the Interim Financial Information *(continued)*

## 9. INTERIM DIVIDEND

|  | Six months ended         |                          |
|--|--------------------------|--------------------------|
|  | 30 June 2012<br>HK\$'000 | 30 June 2011<br>HK\$'000 |
| Declared of HK\$0.19 per share for the six months ended 30 June 2011 | –                        | 49,340                   |

As described in Note 1 to the Interim Financial Information, the Company distributed all the issued shares in the Privateco and a special cash dividend of HK\$0.7803 per share to the Company's shareholders on 16 July 2012. No interim dividend was declared by the Directors for the six months ended 30 June 2012.

## 10. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period.

|   | Six months ended         |                          |
|---|--------------------------|--------------------------|
|   | 30 June 2012<br>HK\$'000 | 30 June 2011<br>HK\$'000 |
| Interest income from associated companies (Note i)                | –                        | 2,509                    |
| Rental and management fee income from related companies (Note ii) | <b>8,362</b>             | 5,194                    |
| Dividend income from associated companies                         | <b>87,232</b>            | 168,082                  |
| Repayment/advances from associated companies                      | <b>13,087</b>            | 196,260                  |
| Key management compensation (Note iii)                            | <b>(4,652)</b>           | (5,091)                  |

- (i) There was no outstanding interest-bearing advance to the associated companies during the period. In the prior period, interest was charged on certain amounts and loans receivable from associated companies at rates agreed between the mutual parties. All interest-bearing advances were fully repaid by the associated companies during the year ended 31 December 2011.
- (ii) The rental and management fee income was charged at rates pursuant to the agreements entered into between the Group and the related companies.
- (iii) Key management personnel represent the directors of the Company.

# Notes to the Interim Financial Information *(continued)*

## 10. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

- (b) As part of the Group Reorganisation, the Group was required to purchase the outstanding approximately 4.76% minority interest in Winsor Properties Financial Services Limited (“WPFSL”) held by Parex International Limited (“Parex”), so that WPFSL would be indirectly wholly-owned by the Company and remain as part of the Group afterwards. Contemporaneously with completion of the acquisition of such minority interest, the Group was required (1) to procure repayment of the entire outstanding shareholders’ loans that were owed to Parex by WPFSL, as well as (2) to declare and pay all the distributable reserves in Chericourt Company Limited, a wholly-owned subsidiary of WPFSL, as dividends to WPFSL, and to declare and pay all the distributable reserves in WPFSL (including the reserves distributed to it by Chericourt Company Limited) as dividends to its shareholders, i.e. Parex and Future Best Developments Limited (“Future Best”, a wholly-owned subsidiary of the Company within the Group before and after the Group Reorganisation). A share transfer agreement dated 18 June 2012 was entered into between Parex as vendor, Future Best as purchaser and WPFSL in this regard. Parex is a company wholly-owned by Dr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Keung and Mr. Cheng Wai Wing, Edmund. Dr. Cheng Wai Chee, Christopher is a Director and was beneficially interested in the shares of the Company at the time of entering into the agreement. Mr. Cheng Wai Keung and Mr. Cheng Wai Wing, Edmund are brothers of Dr. Cheng Wai Chee, Christopher. The entering into of the agreement constituted a connected transaction under the Listing Rules and a special deal under the Takeovers Code and was approved by the independent shareholders of the Company on 9 July 2012.
- (c) On 18 June 2012, a management agreement was entered into between Cherrytime Investments Limited, the holding company of the Privateco Group, and Future Best in relation to the provision of administrative, property management, staffing, brokerage, agency and leasing services by group companies within the Privateco Group to the Group in a manner and on terms consistent with the provision of such services over the twelve months immediately preceding the date of the Share Sale Agreement. The Privateco Group remains as part of the Wing Tai Group after the completion of the Distribution In Specie. Dr. Cheng Wai Chee, Christopher, Mr. Chow Wai Wai, John, Mr. Au Hing Lun, Dennis and Mr. Cheng Wai Sun, Edward are directors of and have beneficial interests in Wing Tai. The entering into of the agreement constituted a special deal under the Takeovers Code and was approved by the independent shareholders of the Company on 9 July 2012.
- (d) On 18 June 2012, six new tenancy agreements (the “New Tenancy Agreements”) were entered into for the purpose of (i) renewing certain existing tenancy agreements between the Group as landlord and Wing Tai Group or a related party of the Company as tenant and (ii) granting certain tenancies between the Remaining Group as landlord and the Privateco Group as tenant. The entering into of the New Tenancy Agreements constituted continuing connected transactions of the Company under the Listing Rules and/or special deals under the Takeovers Code, and each of the New Tenancy Agreements was approved by the independent shareholders of the Company on 9 July 2012.

For details of (b), (c) and (d), please refer to the announcement of the Company dated 19 June 2012 and the circular of the Company dated 20 June 2012.

# Notes to the Interim Financial Information *(continued)*

## 11. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR DISTRIBUTION

As described in Note 1 to the Interim Financial Information, the Privateco Group was distributed to the shareholders of the Company on 16 July 2012. The Privateco Group is engaged in the Distributed Businesses, which results are presented herein as discontinued operations. The assets and liabilities of the Distributed Businesses as at 30 June 2012 are set out below.

|   | <b>At 30 June 2012</b> |
|---|------------------------|
|   | <b>HK\$'000</b>        |
| Property, plant and equipment                                       | 7,888                  |
| Investment properties   | 11,075,580             |
| Interests in associated companies                                   | 694,363                |
| Amounts and loans receivable from associated companies              | 36,400                 |
| Available-for-sale financial assets                                 | 374,041                |
| Held-to-maturity investments  | 131,575                |
| Deferred tax assets   | 2,085                  |
| Derivative financial instruments                                    | 179                    |
| Inventories   | 362                    |
| Trade and other receivables   | 37,972                 |
| Tax recoverable   | 126                    |
| Bank balances and cash  | 605,657                |
|   | <b>12,966,228</b>      |
| Assets of a disposal group classified as held for distribution      | <b>12,966,228</b>      |
| Trade and other payables and accruals                               | 189,574                |
| Bank loans, secured   | 1,936,901              |
| Derivative financial instruments                                    | 92,241                 |
| Tax payable   | 33,676                 |
| Amounts and loans payable to associated companies                   | 36,312                 |
| Deferred tax liabilities  | 57,251                 |
|   | <b>2,345,955</b>       |
| Liabilities of a disposal group classified as held for distribution | <b>2,345,955</b>       |
| Net assets of a disposal group classified as held for distribution  | <b>10,620,273</b>      |



# Notes to the Interim Financial Information *(continued)*

## 12. INVESTMENT PROPERTIES

|  | At 30 June 2012<br>HK\$'000 |
|--|-----------------------------|
| Beginning of the period  | 12,167,930                  |
| Additions  | 374                         |
| Transfer to assets of a disposal group classified as held for distribution (Note 11) | (11,075,580)                |
| Fair value gain  | 36,626                      |
| End of the period  | <b>1,129,350</b>            |

The investment properties of the Group were revalued based on professional valuation at 30 June 2012 on an open market value basis. The fair values have been determined with reference to the direct comparison approach which involves the analysis of recent sale transactions that have occurred within the properties and comparable properties in recent times and the income capitalisation approach which involves capitalisation of income derived from the properties and assumptions about future leases in light of current market conditions and reversionary income potential.

As at 30 June 2012, certain investment properties with a carrying amount of HK\$12,114,660,000 (31 December 2011: HK\$12,022,180,000) have been pledged to secure the Group's banking facilities.

## 13. ASSOCIATED COMPANIES

|                              | At 30 June 2012<br>HK\$'000 | At 31 December 2011<br>HK\$'000 |
|------------------------------|-----------------------------|---------------------------------|
| Share of net assets          | –                           | 696,144                         |
| Amounts and loans receivable | –                           | 39,369                          |
| Amounts and loans payable    | –                           | (23,552)                        |
|                              | –                           | 711,961                         |

# Notes to the Interim Financial Information *(continued)*

## 14. TRADE AND OTHER RECEIVABLES

|                            | At 30 June 2012<br>HK\$'000 | At 31 December 2011<br>HK\$'000 |
|----------------------------|-----------------------------|---------------------------------|
| Trade receivables          | 1,124                       | 6,975                           |
| Amortised rent receivables | –                           | 15,568                          |
| Other receivables          | 1,680                       | 4,351                           |
| Deposits                   | 2,493                       | 9,100                           |
| Prepayments                | 395                         | 4,682                           |
|                            | <b>5,692</b>                | 40,676                          |

The trade and other receivables relating to assets of a disposal group classified as held for distribution is disclosed in Note 11.

Trade receivables represent mainly rent receivables from tenants of the Group's properties. The Group maintains a defined policy in respect of rent collection. The credit quality of a new lease or customer is assessed based on a defined policy set by the Group. Reminders are issued half-monthly when rents are overdue for 15 days, and legal actions will be taken when rents are overdue for two months. The ageing analysis of trade receivables is as follows:

|                    | At 30 June 2012<br>HK\$'000 | At 31 December 2011<br>HK\$'000 |
|--------------------|-----------------------------|---------------------------------|
| Current to 30 days | 970                         | 1,650                           |
| 31 to 90 days      | 123                         | 5,033                           |
| Over 90 days       | 31                          | 292                             |
|                    | <b>1,124</b>                | 6,975                           |

The trade receivables of HK\$1,124,000 (31 December 2011: HK\$6,975,000) were past due but not impaired. These relate to a number of independent customers having good track records and there is no recent history of default, and the majority of the debts are covered by the rental deposits received as set out in Note 15.

# Notes to the Interim Financial Information *(continued)*

## 15. TRADE AND OTHER PAYABLES AND ACCRUALS

|                   | At 30 June 2012<br>HK\$'000 | At 31 December 2011<br>HK\$'000 |
|-------------------|-----------------------------|---------------------------------|
| Trade payables    | 4                           | 8,570                           |
| Other payables    | 2,070                       | 71,392                          |
| Deposits received | 16,354                      | 123,380                         |
| Accruals          | 8,807                       | 12,225                          |
|                   | <b>27,235</b>               | 215,567                         |

The ageing analysis of trade payables is as follows:

|                    | At 30 June 2012<br>HK\$'000 | At 31 December 2011<br>HK\$'000 |
|--------------------|-----------------------------|---------------------------------|
| Current to 30 days | 4                           | 6,181                           |
| 31 to 90 days      | -                           | 1,070                           |
| Over 90 days       | -                           | 1,319                           |
|                    | <b>4</b>                    | 8,570                           |

The trade and other payables and accruals relating to liabilities of a disposal group classified as held for distribution is disclosed in Note 11.

## 16. OTHER LONG-TERM LOANS

Other long-term loans due to a non-controlling shareholder of a subsidiary are unsecured, interest-free and expected to be repaid within one year from the balance sheet date.

## 17. SHORT-TERM BANK LOANS, SECURED

|  | At 30 June 2012<br>HK\$'000 | At 31 December 2011<br>HK\$'000 |
|--|-----------------------------|---------------------------------|
| Bank loans repayable on demand or within one year, secured | -                           | 278,682                         |
| Current portion of long-term bank loans (Note 18)          | 80,000                      | 283,000                         |
|  | <b>80,000</b>               | 561,682                         |

# Notes to the Interim Financial Information *(continued)*

## 18. LONG-TERM BANK LOANS, SECURED

|  | At 30 June 2012<br>HK\$'000 | At 31 December 2011<br>HK\$'000 |
|--|-----------------------------|---------------------------------|
| Bank loans, secured  | <b>80,000</b>               | 1,913,100                       |
| Less: Amounts repayable within one year included under current liabilities (Note 17) | <b>(80,000)</b>             | (283,000)                       |
|  | <b>-</b>                    | 1,630,100                       |
| The bank loans are repayable as follows:   |                             |                                 |
| Within one year  | <b>80,000</b>               | 283,000                         |
| In the second year   | -                           | 991,600                         |
| In the third to fifth years inclusive  | -                           | 638,500                         |
|  | <b>80,000</b>               | 1,913,100                       |

The bank loans as at 30 June 2012 are denominated in Hong Kong dollars except for an amount of HK\$58,201,000 (31 December 2011: HK\$48,682,000) which is denominated in United States dollars. The bank loans have an effective average rate of 1.38% (31 December 2011: 1.35%) per annum.

## 19. FINANCIAL GUARANTEE CONTRACTS

The Group has executed a guarantee in favour of a bank in respect of facilities granted to an associated company amounting to HK\$228,000,000 as at 30 June 2012. The guarantee was fully released on 16 July 2012.

# Notes to the Interim Financial Information *(continued)*

## 20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (i) The Group Reorganisation, the Distribution In Specie and the Special Cash Dividend are non-adjusting events after the reporting period which has no financial impact on the Group for the six months ended 30 June 2012.
- (ii) On 9 July 2012, the ordinary resolutions on the Group Reorganisation, the Distribution In Specie and the Special Cash Dividend were passed by the independent shareholders of the Company at an extraordinary general meeting of the Company.
- (iii) On 16 July 2012, the Group Reorganisation was completed and the Distribution In Specie and the Special Cash Dividend were made. On the same date, the Share Sale Agreement was completed. As a result, a total of 205,835,845 shares of the Company (including 13,900,000 shares of the Company acquired by Wing Tai from Standard Chartered Bank pursuant to the terms of an option agreement dated 22 October 2010) were transferred from Wing Tai and Twin Dragon Investments Limited to Wkland Investments at a price of HK\$5.6197 per share.
- (iv) On 23 July 2012, CITIC Securities Corporate Finance (HK) Limited (“CITIC”) on behalf of Wkland Investments made an unconditional mandatory cash offer for all the issued shares in the Company other than those shares already owned or agreed to be acquired by Vanke, Wkland Investments and parties acting in concert with any of them at a price of HK\$5.6197 per share (the “Listco Offer”).
- (v) The Listco Offer in (iv) above was closed on 13 August 2012 with valid acceptance of a total 15,935,988 shares representing 6.14% of the total issued share capital of the Company. Upon completion of the Listco Offer, Wkland Investments was interested in 221,771,833 shares of the Company, representing approximately 85.4% of the issued share capital of the Company.
- (vi) On 21 August 2012, Wkland Investments entered into a placing agreement with CITIC pursuant to which CITIC agreed to place on a fully underwritten basis, 27,007,867 shares of the Company held by Wkland Investments to independent placees at a price of HK\$5.6197 per share. Completion of the placing took place on 24 August 2012. Immediately after completion of the placing, Wkland Investments is interested in 194,763,966 shares of the Company, representing 75% of the issued share capital of the Company.

# Management Discussion and Analysis

## CHANGE OF CONTROLLING SHAREHOLDER

On 13 May 2012, Wing Tai Properties Limited (“Wing Tai”) entered into an agreement (the “Share Sale Agreement”) with Vanke Property (Hong Kong) Company Limited (“Vanke”) pursuant to which Wing Tai agreed to sell and Vanke agreed to purchase or procure Wkland Investments Company Limited (“Wkland Investments”) to purchase Wing Tai’s entire direct and indirect shareholding interest in the Company at a cash consideration of HK\$5.6197 per share. The transactions contemplated under the Share Sale Agreement (the “Transactions”) included sale and purchase of up to 205,835,845 shares of the Company, a group reorganisation (the “Group Reorganisation”), a distribution in specie by the Company of shares in a private company holding premium investment properties of the Group (the “Distribution In Specie”) and the payment of a special cash dividend of HK\$0.7803 per share (the “Special Cash Dividend”).

The Transactions were approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 9 July 2012. Completion of the Share Sale Agreement (the “Share Sale Completion”) took place immediately following completion of the Group Reorganisation, completion of the Distribution In Specie and payment of the Special Cash Dividend on 16 July 2012. As a result, Wkland Investments became the registered shareholder of 205,835,845 shares of the Company and was required to make an unconditional mandatory cash offer to acquire all the shares of the Company not already owned by it, Vanke and their respective concerted parties at a price of HK\$5.6197 per share (the “Listco Offer”). Upon the close of the Listco Offer on 13 August 2012, Wkland Investments became interested in 221,771,833 shares of the Company, representing approximately 85.4% of the issued share capital of the Company.

On 21 August 2012, Wkland Investments as the seller entered into an agreement with CITIC Securities Corporate Finance (HK) Limited as the placing agent, pursuant to which 27,007,867 shares of the Company were placed to independent placees at a price of HK\$5.6197 per share. Completion of the placing took place on 24 August 2012 and thereupon the public float of the Company has been restored to 75%.

China Vanke Co., Ltd., a joint stock company with limited liability incorporated in the People’s Republic of China and the issued shares of which are listed on the Shenzhen Stock Exchange, has become the ultimate holding company of the Company with effect from 16 July 2012. Wkland Investments is a wholly-owned subsidiary of Vanke, which in turn is a wholly-owned subsidiary of China Vanke Co., Ltd.

## BUSINESS REVIEW

Following completion of the Group Reorganisation and the Distribution In Specie, the Group is only engaged in the business of holding, and the operation and management of, various portions of Regent Centre in Kwai Chung (the “Continuing Operations”). Other assets and businesses comprising (i) the rental business in relation to Landmark East in Kwun Tong, W Square in Wan Chai, Winner Godown Building in Tsuen Wan, Shui Hing Centre in Kowloon Bay and Units 505–510, 5/F, Tower B of Regent Centre in Kwai Chung and the property management business, (ii) the warehousing business, (iii) investment holding and (iv) property development activities undertaken by the Group (collectively, the “Discontinued Operations”) were distributed to the shareholders of the Company on 16 July 2012.

Given that the Discontinued Operations were committed to be distributed to the shareholders of the Company according to the Share Sale Agreement and the Transactions were highly probable as at 30 June 2012, the results relating to the Discontinued Operations for the six months ended 30 June 2012 (the “Period”) have been presented as a single amount in the Group’s condensed consolidated income statement in accordance with Hong Kong Financial Reporting Standards and the comparatives have been re-presented to conform with the current period’s presentation. Assets and liabilities relating to the Discontinued Operations as at 30 June 2012 have also been presented as a single asset and a single liability in the Group’s condensed consolidated balance sheet, respectively.

The Group’s unaudited revenue for the Period was HK\$38 million (2011: HK\$32 million), comprising revenue from Regent Centre (other than Units 505–510, 5/F, Tower B of Regent Centre). The Group’s unaudited profit for the Period was HK\$335 million (2011: HK\$1,745 million), comprising profit from Continuing Operations of HK\$12 million (2011: HK\$69 million) and profit from Discontinued Operations of HK\$323 million (2011: HK\$1,676 million).

# Management Discussion and Analysis *(continued)*

## Continuing operations

The Group owns certain units and the carpark podium in Regent Centre (the “Property”) situated at 63 Wo Yi Hop Road and 70 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong with a gross floor area of approximately 657,000 square feet, representing approximately 64% of the total gross floor area of Regent Centre. The Property was fair valued at HK\$1,129 million as at 30 June 2012 (31 December 2011: HK\$1,129 million).

Revenue from the Property for the Period was HK\$38 million (2011: HK\$32 million). Excluding the change in fair value of investment properties and gain on disposals of investment properties in the prior period, segment profit for the Period was HK\$30 million (2011: HK\$24 million). The increase in revenue and segment profit was mainly due to increase in average occupancy rate and monthly passing rent during the Period. Occupancy for the Property was approximately 94% as at 30 June 2012.

Excluding the change in fair value of investment properties and gain on disposals of investment properties in the prior period, net profit for the Period was HK\$12 million (2011: HK\$16 million). The drop in net profit was mainly due to legal and professional fees incurred in relation to the Transactions.

## Discontinued operations

### *Rental and property management*

The Group’s investment properties classified as assets held for distribution were fair valued at HK\$11,076 million as at 30 June 2012 (31 December 2011: HK\$11,039 million), resulting in a fair value gain of HK\$37 million (2011: HK\$1,390 million) for the Period.

The rental and property management businesses recorded revenue of HK\$228 million for the Period (2011: HK\$190 million). The increase in revenue was mainly due to increase in average occupancy rate and monthly passing rent at Landmark East during the Period. Occupancy for the Group’s properties was approximately 96% as at 30 June 2012.

Excluding the change in fair value of investment properties, segment profit for the Period was HK\$178 million (2011: HK\$147 million). The increase was in line with the growth in revenue.

### *Warehousing*

The warehousing business recorded revenue of HK\$6 million (2011: HK\$8 million) and a segment profit of HK\$0.3 million (2011: HK\$0.9 million) for the Period. The drop in revenue has dragged down the profitability of this business.

### *Investment*

The investment activities reported a segment profit of HK\$16 million (2011: HK\$13 million) for the Period. Profit from this segment comprised mainly dividend income from available-for-sale financial assets and income from held-to-maturity investments.

The Group’s available-for-sale financial assets were fair valued at HK\$374 million as at 30 June 2012 (31 December 2011: HK\$319 million). The increase was mainly attributable to increase in market value of the financial assets at period end, which resulted in an unrealised gain of HK\$82 million being taken up in “Investment Revaluation Reserve” in equity during the Period. An investee company, in which the Group has an approximately 5% interest, underwent a capital reduction by distributing its assets to the shareholders on a proportionate basis and this resulted in a release of HK\$79 million from the “Investment Revaluation Reserve” in equity to the income statement during the Period.

The Group’s held-to-maturity investments were measured at amortised cost of HK\$132 million as at 30 June 2012 (31 December 2011: HK\$95 million). The increase was mainly attributable to purchase of treasury products for investment purpose during the Period.

# Management Discussion and Analysis *(continued)*

## *Associated companies*

The Group's major associated companies are (i) Fore Prosper Limited ("Fore Prosper"), the owner of Lanson Place Hotel in Hong Kong, in which the Group has a 40% interest; (ii) Winqest Investment Pte. Ltd., the developer of Belle Vue Residences in Singapore; in which the Group has a 30% interest, and (iii) Pangold Development Limited, the developer of Forfar in Hong Kong, in which the Group has a 20% interest.

The Group's investments in associated companies amounted to HK\$694 million as at 30 June 2012 (31 December 2011: HK\$712 million). The decrease was mainly due to surplus cash advanced by an associated company during the Period.

The Group's share of profits less losses of associated companies, arose mainly from sale of remaining units in Belle Vue Residences and Forfar and share of profit in Lanson Place Hotel, amounted to HK\$83 million for the Period (2011: HK\$86 million).

In the prior period, there was an accounting gain of HK\$69 million arising from acquisition of the 40% interest in Fore Prosper at a discount to its asset value. The amount was disclosed as a separate item in the Group's consolidated income statement.

## **EMPLOYEES**

The Group employed 273 employees as at 30 June 2012 (31 December 2011: 259 employees).

The Group aligns its remuneration and benefit packages with pay levels and practices prevailing in the market and recognises individual responsibility and performances. All eligible employees in Hong Kong are enrolled to a defined contribution mandatory provident fund scheme. Other benefits are awarded at the discretion of the Group. Staff training is provided as and when required.

All employees of the Group as at 30 June 2012 are employed by companies within the Discontinued Operations. On 18 June 2012, a management agreement was entered into between Cherrytime Investments Limited, a wholly-owned subsidiary of Wing Tai Properties Investment Limited, and Future Best Developments Limited, a wholly-owned subsidiary of the Group, in relation to the provision of administrative, property management, staffing, brokerage, agency and leasing services by group companies within Cherrytime Investments Limited to the Group in a manner and on terms consistent with the provision of such services over the twelve months immediately preceding the date of the Share Sale Agreement. The agreement, with effect from the date of the Share Sale Completion, is terminable by either party on giving one month's notice.

## **FINANCIAL REVIEW**

### **Gearing**

The Group's shareholders' equity as at 30 June 2012 was HK\$11,550 million (31 December 2011: HK\$11,319 million). The increase was mainly due to the profit for the Period of HK\$334 million, offset by distribution of 2011 final dividend of HK\$122 million. The Group's total equity, including non-controlling interests, was HK\$11,589 million as at 30 June 2012 (31 December 2011: HK\$11,357 million).

The Group's total bank borrowings as at 30 June 2012 were HK\$2,017 million (31 December 2011: HK\$2,192 million). After deducting the bank balances and cash of HK\$607 million (31 December 2011: HK\$647 million), the Group's net borrowings as at 30 June 2012 were HK\$1,410 million (31 December 2011: HK\$1,545 million).

As at 30 June 2012, the gearing ratio of the Group was 12% (31 December 2011: 14%), calculated based on the net borrowings of HK\$1,410 million and total equity of HK\$11,589 million.



# Management Discussion and Analysis *(continued)*

## Treasury policies

The Group principally operates in Hong Kong and, as a result, has minimal exposure to exchange rate fluctuation. Certain investments in associated companies and financial assets held under Discontinued Operations are denominated in Singapore dollars and Renminbi. No forward exchange contracts have been entered to hedge for these foreign currency assets. The bank borrowings are principally denominated in Hong Kong dollars and match with the underlying securities.

In previous years, the Group entered into interest rate swap contracts (the “IRS Contracts”) to hedge its floating interest rate exposure. The purpose of the IRS Contracts was to maintain a balanced portfolio of fixed and floating rate debts so that the Group could guard against any unexpected interest rate hikes. The Group had outstanding IRS Contracts in the notional amount totaling HK\$1,000 million as at 30 June 2012. Against total bank borrowings of HK\$2,017 million which were all on a floating rate basis, the IRS Contracts converted approximately 50% of the total bank borrowings at period end into fixed rate debts.

The IRS Contracts were fair valued at a loss of HK\$92 million as at 30 June 2012 (31 December 2011: HK\$105 million). An unrealised loss of HK\$7 million relating to the hedged portion was transferred to “Hedging Reserve” in equity whereas a realised loss of HK\$21 million relating to the cash settlement portion was transferred from “Hedging Reserve” to the income statement during the Period.

All the IRS Contracts were entered into by members of the Privateco Group.

## Capital commitments

The Group had no significant capital commitments as at 30 June 2012.

## Contingent liabilities

The Company had contingent liabilities of HK\$228 million as at 30 June 2012 (31 December 2011: HK\$228 million) in respect of a guarantee given by the Company for banking facilities granted to an associated company. The guarantee was given severally and in proportion to the Group’s equity interest in the associated company.

Other than the above, the Group had no significant contingent liabilities as at 30 June 2012 (31 December 2011: Nil).

## Pledge of assets

Certain of the Group’s assets with a carrying value of HK\$12,415 million as at 30 June 2012 (31 December 2011: HK\$12,258 million) were pledged to secure banking facilities of the Group.

## Subsequent event

Pursuant to the Group Reorganisation, all corporate guarantees and securities given by the remaining entities within the Group had been released and discharged in full and all banking facilities and other indebtedness relating to the remaining entities within the Group had been repaid in full and cancelled upon Share Sale Completion. As a result, the Group did not have any outstanding borrowings or contingent liabilities as at the date hereof.

## OUTLOOK

After completion of the Distribution In Specie, the Group is currently only engaged in the holding of units and the carpark podium in Regent Centre in Kwai Chung, Hong Kong. The Hong Kong economy is expected to maintain a stable outlook on the back of solid economic development in the Mainland. The Group is therefore optimistic on the Hong Kong’s property investment market and the occupancy of Regent Centre in the second half of 2012.

The Group will look for suitable investment or business opportunities, and it may co-operate with its ultimate controlling shareholder, China Vanke Co., Ltd., with a view of realising its advantages and values for the benefit of the Group and its shareholders as a whole. However, no such opportunities for investment or co-operation have been identified yet.

# Other Information

## DIVIDEND

On 27 April 2012, the Directors proposed a distribution in specie of all the issued shares in a wholly-owned subsidiary of the Company (the "Privateco") and the payment of a special cash dividend to all shareholders on the basis of one Privateco share and HK\$0.7803 in cash for every share of the Company held. As approved by the independent shareholders at the extraordinary general meeting of the Company held on 9 July 2012, the Privateco shares and the Special Cash Dividend were distributed on 16 July 2012 to the shareholders whose names appeared on the register of members of the Company on 13 July 2012.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (FORMERLY KNOWN AS CODE ON CORPORATE PRACTICES)

The Company, save for code provision F.1.3 as explained below, has observed the principles and complied with all code provisions and, to the extent possible having regard to circumstances pertaining to the Company, the recommended best practices of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules throughout the Period.

Code provision F.1.3 of the Corporate Governance Code requires the Company Secretary to report to the Chairman of the Board and/or the Managing Director. There has been no change of the reporting line of the Company Secretary, as the Board believes that the arrangement of requiring the Company Secretary to report to the Chief Financial Officer will facilitate review, supervision, cooperation and coordination of works. The Chief Financial Officer reports directly to the Managing Director.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors and received confirmation from all Directors that they had complied with the required standard set out in the Model Code throughout the Period. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees (as such term is defined in the Corporate Governance Code) in respect of their dealings in the securities of the Company.

## REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial information of the Group for the Period is unaudited, but has been reviewed by the Audit Committee and by PricewaterhouseCoopers, the Company's independent auditor, in accordance with the 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.

Apart from reviewing the interim financial information, the Audit Committee has also considered the significant accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters in respect of this interim report.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

# Other Information *(continued)*

## UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Zhang Xu and Ms. Que Dong Wu have been appointed as Executive Directors and Mr. Wang Wen Jin and Mr. Chan Chi Yu have been appointed as Non-Executive Directors with effect from 24 July 2012, the date immediately after the despatch of the composite offer document jointly issued by the Company and Wkland Investments. Information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules on each of Mr. Zhang, Ms. Que, Mr. Wang and Mr. Chan was set out in the joint announcement of the Company and Wkland Investments dated 23 July 2012.

Dr. Lo Ka Shui, an Independent Non-Executive Director, has ceased to be a non-executive director of The Hongkong and Shanghai Banking Corporation Limited with effect from 22 May 2012.

Mr. Chow Wai Wai, John, Ms. Chen Chou Mei Mei, Vivien and Mr. Au Hing Lun, Dennis have resigned as Executive Directors and Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward have resigned as Non-Executive Directors with effect from 1 September 2012. For details, please refer to the joint announcements of the Company and Wkland Investments dated 23 July 2012 and 13 August 2012.

Apart from the above, there has been no change to the information of the Directors since the date of the issuance of the annual report of the Company for the year ended 31 December 2011, which is required to be disclosed in this interim report pursuant to Rule 13.51B(1) of the Listing Rules.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2012, the interests or short positions of the Directors and the chief executive of the Company 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 (the "SFO")), which were required to be 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 were taken or deemed to have 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 to be notified to the Company and the Stock Exchange, were set out as follows:

### (a) Interests in the Company

| Name of Director                | Number of ordinary shares held     |                          |   |                                | Total interests | Percentage of issued share capital |
|---------------------------------|------------------------------------|--------------------------|---|--------------------------------|-----------------|------------------------------------|
|                                 | Interests held as beneficial owner | Interests held by spouse | Interests held by controlled corporations | Other interests                |                 |                                    |
| Dr. Cheng Wai Chee, Christopher | –                                  | 27,000                   | –   | 205,835,845<br><i>(Note 2)</i> | 205,862,845     | 79.27%                             |
| Mr. Chow Wai Wai, John          | 2,713,000                          | –                        | –   | –                              | 2,713,000       | 1.04%                              |
| Mr. Cheng Wai Sun, Edward       | –                                  | –                        | –   | 205,835,845<br><i>(Note 2)</i> | 205,835,845     | 79.26%                             |
| Ms. Chen Chou Mei Mei, Vivien   | 70,000                             | –                        | –   | –                              | 70,000          | 0.03%                              |

Notes:

1. The total number of ordinary shares of the Company in issue as at 30 June 2012 was 259,685,288.
2. For the purpose of Part XV of the SFO, Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward being beneficiaries of a family trust, were deemed to be interested in (i) 148,944,458 shares of the Company held by Wing Tai; (ii) 42,991,387 shares of the Company held through Twin Dragon Investments Limited, a wholly-owned subsidiary of Wing Tai; and (iii) 13,900,000 shares of the Company which are subject to a put option granted by Wing Tai to Standard Chartered Bank. These interests represented the same interests and were therefore duplicated amongst these two Directors.

# Other Information *(continued)*

## (b) Interests in an associated corporation, Wing Tai

| Name of Director                          | Number of ordinary shares held     |                          |   |                                | Number of underlying shares held under equity derivatives<br><i>(Note 4)</i> | Total interests | Percentage of issued share capital |
|---|------------------------------------|--------------------------|---|--------------------------------|--|-----------------|------------------------------------|
|   | Interests held as beneficial owner | Interests held by spouse | Interests held by controlled corporations | Other interests                |  |                 |                                    |
| Dr. Cheng Wai Chee, Christopher           | 7,450,566                          | –                        | –   | 462,488,185<br><i>(Note 2)</i> | 2,211,000  | 472,149,751     | 35.44%                             |
| Mr. Chow Wai Wai, John                    | 200,002                            | –                        | –   | –                              | –  | 200,002         | 0.02%                              |
| Mr. Cheng Wai Sun, Edward                 | 7,349,234                          | –                        | –   | 462,488,185<br><i>(Note 2)</i> | 2,211,000  | 472,048,419     | 35.43%                             |
| Mr. Au Hing Lun, Dennis                   | 2,364,747                          | –                        | –   | –                              | 959,250  | 3,323,997       | 0.25%                              |
| Ms. Fung Ching Man, Janet <i>(Note 3)</i> | 696,718                            | –                        | –   | –                              | 580,500  | 1,277,218       | 0.10%                              |

Notes:

1. The total number of ordinary shares of Wing Tai in issue as at 30 June 2012 was 1,332,257,279.
2. As at 30 June 2012, Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward were beneficiaries of a family trust whose assets included indirect interests in 462,488,185 ordinary shares of Wing Tai. These interests represented the same interests and were therefore duplicated amongst these two Directors.
3. Alternate Director to Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward respectively.
4. These represented interests in shares options or incentive shares granted by Wing Tai to its directors and employees as beneficial owners, details of which are set out in the section headed "Underlying shares in Wing Tai".

## (c) Underlying shares in Wing Tai

Pursuant to a share option scheme of Wing Tai adopted on 10 June 2003 (the "Wing Tai Share Option Scheme"), the board of directors of Wing Tai may in its absolute discretion grant options to directors and employees of Wing Tai and its subsidiaries to subscribe for shares of Wing Tai at an exercise price to be determined by the directors of Wing Tai in accordance with the rules of the scheme.

Pursuant to a share incentive scheme of Wing Tai adopted on 17 June 2005 (the "Wing Tai Share Incentive Scheme"), the board of directors of Wing Tai or a duly authorised committee thereof may in its absolute discretion make offer of awards to selected employees (including executive directors) of Wing Tai and its subsidiaries to subscribe in cash at par for shares of Wing Tai. Funds for subscription of shares of Wing Tai will be provided by Wing Tai when the right to subscribe for the shares is exercised.

## Other Information *(continued)*

There were no outstanding options granted to the Directors as at 30 June 2012 under the Wing Tai Share Option Scheme. Details of the outstanding incentive shares awarded to the Directors under the Wing Tai Share Incentive Scheme are as follows:

| Name of Director                | Exercise period        | Number of<br>incentive shares<br>as at 30 June 2012 |
|---------------------------------|------------------------|---|
| Dr. Cheng Wai Chee, Christopher | 19/1/2013 to 25/6/2020 | 532,000   |
|                                 | 20/1/2013 to 31/3/2021 | 193,000   |
|                                 | 20/1/2014 to 31/3/2021 | 386,000   |
|                                 | 17/1/2013 to 24/5/2022 | 275,000   |
|                                 | 17/1/2014 to 24/5/2022 | 275,000   |
|                                 | 17/1/2015 to 24/5/2022 | 550,000   |
|                                 |                        | 2,211,000   |
| Mr. Cheng Wai Sun, Edward       | 19/1/2013 to 25/6/2020 | 532,000   |
|                                 | 20/1/2013 to 31/3/2021 | 193,000   |
|                                 | 20/1/2014 to 31/3/2021 | 386,000   |
|                                 | 17/1/2013 to 24/5/2022 | 275,000   |
|                                 | 17/1/2014 to 24/5/2022 | 275,000   |
|                                 | 17/1/2015 to 24/5/2022 | 550,000   |
|                                 |                        | 2,211,000   |
| Mr. Au Hing Lun, Dennis         | 19/1/2013 to 25/6/2020 | 255,500   |
|                                 | 20/1/2013 to 31/3/2021 | 81,250  |
|                                 | 20/1/2014 to 31/3/2021 | 162,500   |
|                                 | 17/1/2013 to 24/5/2022 | 115,000   |
|                                 | 17/1/2014 to 24/5/2022 | 115,000   |
|                                 | 17/1/2015 to 24/5/2022 | 230,000   |
|                                 |                        | 959,250   |
| Ms. Fung Ching Man, Janet       | 19/1/2013 to 25/6/2020 | 106,500   |
|                                 | 20/1/2013 to 31/3/2021 | 58,000  |
|                                 | 20/1/2014 to 31/3/2021 | 116,000   |
|                                 | 17/1/2013 to 24/5/2022 | 75,000  |
|                                 | 17/1/2014 to 24/5/2022 | 75,000  |
|                                 | 17/1/2015 to 24/5/2022 | 150,000   |
|                                 |                        | 580,500   |

All the interests in the shares disclosed under this section represent long position in the shares and underlying shares of the Company or its associated corporations. Save as disclosed herein, as at 30 June 2012, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register kept by the Company under section 352 of the SFO or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# Other Information *(continued)*

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Wing Tai Share Option Scheme and the Wing Tai Share Incentive Scheme, at no time during the Period was the Company or any of its subsidiaries or the Company's holding company or a subsidiary of the Company's holding company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The Company did not have any share option scheme in force during the Period.

## SUBSTANTIAL SHAREHOLDERS

Apart from the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors' Interests in Equity or Debt Securities", the register kept under section 336 of the SFO shows that as at 30 June 2012 the Company has been notified of the following interests or short positions in the shares of the Company:

| Name of substantial shareholder  | Nature of interests and capacity in which interests are held |                           |   | Total interests          | Long position/<br>short position | Percentage of issued share capital |
|--|--|---------------------------|---|--------------------------|----------------------------------|------------------------------------|
|  | Interests held as beneficial owner                           | Interests held as trustee | Interests held by controlled corporations |                          |                                  |                                    |
| Deutsche Bank International Trust Co. Limited <i>(Note 1)</i>          | –  | 205,835,845               | –   | 205,835,845              | Long position                    | 79.26%                             |
| Deutsche Bank International Trust Co. (Cayman) Limited <i>(Note 1)</i> | –  | 205,835,845               | –   | 205,835,845              | Long position                    | 79.26%                             |
| Wing Tai Holdings Limited <i>(Note 2)</i>                              | –  | –                         | 205,835,845                               | 205,835,845              | Long position                    | 79.26%                             |
| Wing Tai <i>(Note 3)</i>   | 162,844,458  | –                         | 42,991,387                                | 205,835,845              | Long position                    | 79.26%                             |
| Wing Tai Properties (B.V.I.) Limited <i>(Note 3)</i>                   | –  | –                         | 42,991,387                                | 42,991,387               | Long position                    | 16.56%                             |
| Twin Dragon Investments Limited <i>(Note 3)</i>                        | 42,991,387   | –                         | –   | 42,991,387               | Long position                    | 16.56%                             |
| Standard Chartered PLC <i>(Note 4)</i>                                 | –  | –                         | 13,900,000<br>13,900,000                  | 13,900,000<br>13,900,000 | Long position<br>Short position  | 5.35%<br>5.35%                     |
| Standard Chartered Holdings Limited <i>(Note 4)</i>                    | –  | –                         | 13,900,000<br>13,900,000                  | 13,900,000<br>13,900,000 | Long position<br>Short position  | 5.35%<br>5.35%                     |
| Standard Chartered Bank <i>(Note 4)</i>                                | 13,900,000<br>13,900,000                                     | –                         | –   | 13,900,000<br>13,900,000 | Long position<br>Short position  | 5.35%<br>5.35%                     |
| China Vanke Co., Ltd. <i>(Note 5)</i>                                  | –  | –                         | 191,935,845                               | 191,935,845              | Long position                    | 73.91%                             |

# Other Information *(continued)*

## Notes:

1. *Deutsche Bank International Trust Co. Limited (into which Deutsche Bank International Trust Co.(Jersey) Limited was amalgamated) was the trustee of a family trust (of which Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward were beneficiaries) which held all units of a unit trust (the "Unit Trust"). Deutsche Bank International Trust Co. (Cayman) Limited was the trustee of the Unit Trust. The assets of the Unit Trust included indirect interests in more than one-third of the issued shares of Wing Tai Holdings Limited ("Wing Tai Holdings"). Deutsche Bank International Trust Co. Limited and Deutsche Bank International Trust Co. (Cayman) Limited were deemed (by virtue of the SFO) to be interested in all the shares of the Company in which Wing Tai Holdings was interested. Accordingly, these interests were duplicated with the interests set out in note 2 entirely.*
2. *Wing Tai Holdings held more than one-third of the issued shares of Wing Tai. Under Part XV of the SFO, Wing Tai Holdings was deemed to be interested in all the shares of the Company in which Wing Tai was interested. Accordingly, these interests were duplicated with the interests set out in note 3 entirely.*
3. *Wing Tai was interested in 205,835,845 shares of the Company comprising 162,844,458 shares of the Company held as beneficial owner and 42,991,387 shares of the Company held under Twin Dragon Investments Limited ("Twin Dragon"). The interest in the 162,844,458 shares of the Company included interest in 13,900,000 shares of the Company held through equity derivatives which was duplicated with the interest set out in note 4 entirely. Twin Dragon was a wholly-owned subsidiary of Wing Tai Properties (B.V.I.) Limited, which in turn was a wholly-owned subsidiary of Wing Tai. Under Part XV of the SFO, Wing Tai and Wing Tai Properties (B.V.I.) Limited were deemed to be interested in all the shares of the Company beneficially owned by Twin Dragon.*
4. *On 22 October 2010, Standard Chartered Bank entered into an agreement to acquire 13,900,000 shares of the Company. The transaction was completed on 25 October 2010. Also on 22 October 2010, Wing Tai entered into an option agreement with Standard Chartered Bank pursuant to which Standard Chartered Bank was granted with an option to sell the 13,900,000 shares of the Company to Wing Tai subject to the terms and conditions therein. Standard Chartered Bank was a wholly-owned subsidiary of Standard Chartered Holdings Limited which in turn was a wholly-owned subsidiary of Standard Chartered PLC. Under Part XV of the SFO, Standard Chartered PLC and Standard Chartered Holdings Limited were deemed to be interested in all the shares of the Company in which Standard Chartered Bank was interested.*
5. *Pursuant to the Share Sale Agreement, Vanke agreed to acquire or procure Wkland Investments to acquire 191,935,845 shares of the Company from Wing Tai and its subsidiary, Twin Dragon. China Vanke Co., Ltd. ("China Vanke") was the ultimate holding company of each of Vanke and Wkland Investments. Under Part XV of the SFO, China Vanke was deemed to be interested in all the shares of the Company in which Vanke and Wkland Investments was interested.*

Save as disclosed herein, as at 30 June 2012 the Company had not been notified by any person of any interests or short positions in the shares or underlying shares of the Company which are notifiable to the Company under Divisions 2 and 3 of Part XV of the SFO.

On behalf of the Board  
**Cheng Wai Chee, Christopher**  
Chairman

Hong Kong, 28 August 2012