China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

Interim Report 2012

POWER VISION

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2 CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

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

COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael

AUTHORIZED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Yu Ling Ling

STOCK CODE

1838

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY'S WEBSITE

cpg-group.com

BUSINESS REVIEW AND OUTLOOK

The world economy in the second half of 2012 went well beyond all economic theories and economists' comprehension. As political leaders of all countries are bound by their political affiliations, interest groups and stakeholders with all kinds of economic interests, it has become impossible for them to tackle the economic reality and correct past errors in the face of immense political conflicts even if they have the way to do so. If we continue to apply conventional theories and knowledge of the market economy to anticipate the development of the current socialist-dominated global economy, the most obvious and probable result will be that all individuals, corporations and countries may experience difficulties.

Therefore, the Group is no longer simple-mindedly concerned with whether there will be any quantitative easing measures (QE) in its decision-making process. Instead, the Group is now focused on accumulating cash in the fluctuating market through selling its residential properties on a sizeable scale at reasonable prices for cash. In such a chaotic world, the Group's success will depend on its ability to grow safely and sustainably, and safeguard its quality assets against the odds brought by the biggest, most influential and longest financial crisis in memory.

Of course, the Group still has hopes of the Chinese economy achieving success. Such hopes are squarely based on the rise of the Chinese economy and living standards subsequent to its economic reforms, which was in turn wholly attributable to the endorsement of the core values of the free market by the Chinese government. State-owned enterprises ceased to dominate the national economy and started to share the potential for profits with the people. This action has released and boosted productivity. If this trend in China is able to continue, the aggregate imports and exports of China will rank first in the world in the next 5 years, while its GDP will become the highest in the world in the next 10 years. As a result, the rental income and value of the street-front shops along the 1-km-long commercial streets located respectively at Nanjing Road in Shanghai, Jiefangbei in Chongqing and Nanbin Road in Chongqing owned by the Group, as well as the 1-km-long commercial street located at Xidan in Beijing (of which the Group has an option to acquire 50% interest) will be more likely to benefit from the rapid growth of the Chinese economy and rise to an exceptional value. They will certainly follow the cases of Fifth Avenue in New York, Avenue des Champs-Élysées in Paris and Oxford Street in London!

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China's economy continued to slow down as declining exports in the first half of 2012. The economic growth of China was 7.6% in the second quarter and 8.1% in the first quarter respectively with an average of 7.8% in the first half of 2012, only slightly above the central government's full year target of 7.5%.

The growth of residential property prices in China were flat in the first half of 2012, amid the central government's tightening measures implemented since later 2010 and the wait-and-see attitude was still being adopted by the potential buyers. According to the statistics of National Bureau of Statistics of China, in June 2012, the sale prices of newly constructed residential properties among 70 medium and large-sized cities recorded an average growth of 1.2% year-on-year. In the same period, sale prices of second-hand residential properties dropped in 58 cities and the average growth of second-hand residential property prices recorded 2.6% year-on-year.

In the first half of 2012, the total retail sales reached RMB9,822 billion, up 14.4% year-on-year. The prime retail property sector of China remained strong. Most cities saw retail rents trending upward steadily, as the international fashion retailers and luxury brands continue to open their stores actively in second and third tier cities.

The office market especially the Grade A sector of the major cities such as Beijing and Shanghai recorded slow growth in the first half of 2012. The leasing activities in some of the first and second tier cities such as Shenzhen, Guangzhou, Ningbo and Qingdao, have been slowed down due to the uncertainty of economy and slowing demand. However, some of the cities such as Chengdu, Chongqing and Dalian have recorded growth in office rentals due to the demand in local markets.

Overview of the Shanghai's Property Market

Economic restructuring has slowed down growth in Shanghai. Shanghai's economy grew by 7.2% in the first half of 2012, slightly lower than the national average growth rate of 7.8%.

Shanghai's residential market experienced a recovery as the central government continued to ease monetary policy by cutting the required reserve ratio and benchmark lending rate. In the second quarter of 2012, commodity housing sales volume in the first-hand market rebounded by 72.3% quarter-on-quarter. Sale prices of first-hand commodity residential properties in Shanghai recorded an increase of 7.5% quarter-on-quarter.

Shanghai's second quarter retail market was characterized by brisk transaction activities. The demand was mainly derived from luxury and fast-fashion brands. Shanghai's five key retail sub-markets saw rental in prime ground floor retail space, increase by 1.03% quarter-on-quarter, while the overall market vacancy rates remained almost unchanged at a low of 6.0%.

In the second quarter of 2012, the Grade A office market once again saw a modest rise in rents after two consecutive quarters of flat growth. Lack of new supply contributes to falling vacancy. The second quarter saw no new supply delivered to Shanghai's major sub-markets. As a result, Grade A office vacancy reduced to 4.3%.

Overview of the Chongqing's Property Market

Chongqing's economy grew steadily in the first half of 2012. The GDP grew by 14.0% year-on-year to RMB530 billion in the second quarter of 2012. The growth rate has surpassed the national average.

Due to the improvement in market sentiment coupled with the interest rate cut, Chongqing developers began to withdraw promotion campaigns. The average luxury apartment price rose by 2.2% quarter-on-quarter to about RMB11,145 per square meter. However, the price increase led to a further decline in the sales volume. The sales volume of luxury residential properties in the second quarter amounted to 2,571, down 22.2% quarter-on-quarter.

Prime retail rent rose slightly by 1.8% quarter-on-quarter in the second quarter of 2012, reached RMB650 per square meter per month. Market absorption remained brisk and the average vacancy rate recorded a quarter-on-quarter drop by 1.1% point to 10.9%. Looking ahead, more and more international retail brands such as ZARA, UNIQLO, GUCCI and OMEGA, etc. will move in Chongqing to occupy some prime retail premises.

The office market remained strong in the second quarter of 2012. The office rent recorded growth of 6.4% quarter-on-quarter. A total of approximately 200,000 square meters new Grade A office spaces will be launched in Chongqing, the vacancy rate is expected to rise in the second half of 2012. The average rent of Grade A offices rose 10% in the second quarter of 2012.

Outlook of the Mainland Property Market

Although in the global economic crisis and China's economic downtrend, it is expected that China will remain one of the fastest growing economic bodies over the world. The commercial property market would continue to grow under robust foreign and domestic demand, in particular of the domestic banks and corporations. The domestic capital has now become a formidable force in local commercial markets and retail markets are expected to be positive as supported by rising incomes and urbanization. It is optimistic that the retail market will remain strong in the forthcoming quarters of 2012. The International brands including fast fashion and luxury brands continue to seek new opportunities in China as domestic business and leisure travel are growing at a rapid pace.

FINANCIAL REVIEW

The Group's profit attributable to equity holders for the first half of 2012 amounted to HK$952 million (six months ended June 30, 2011: HK$414 million), an increase of 130% when compared to the same period of 2011. The profit before taxation, excluding change in fair value of investment properties, amounted to HK$58 million (six months ended June 30, 2011: loss of HK$19 million).

Earnings per share were HK$0.53 (six months ended June 30, 2011: HK$0.23), an increase of 130%, in line with the general market conditions with the increase in rate of investment property appreciation.

Total assets increased to HK$59,123 million from HK$58,067 million as at December 31, 2011, as the Group continues its investment in premium property developments with attendant appreciation in fair values. Net assets, the equivalent of shareholders' funds, similarly continued to grow to HK$38,931 million (December 31, 2011: HK$37,735 million), reflecting the solid investment value to shareholders. In terms of value per share, net assets value per share is HK$21.52 as at the statement of financial position date, as compared to HK$20.86 as at December 31, 2011.

The Group's revenue of HK$286 million (six months ended June 30, 2011: HK$12 million) increased by 23 times when compared with the corresponding period last year which was mainly resulted from the increase in revenue from sales of residential properties of Chongqing Manhattan City.

The revenue from sales of residential properties amounted to HK$274 million (six months ended June 30, 2011: HK$Nil), increased by 100% as compared with the corresponding period last year. The Group delivered a gross floor area ("GFA") of approximately 597,387 sq. ft. in the six months ended June 2012 while there was no revenue from sales of development properties in the corresponding period last year as prime development properties were under construction in the first half of 2011.

Gross profit margin for sales of development properties was 39% (six months ended June 30, 2011: Nil).

Income from property leasing decreased slightly by 9% to HK$10 million (six months ended June 30, 2011: HK$11 million). The decrease was attributable to the termination of certain tenancies for the future upgrade construction of the mall development. On the other hand, property management income increased to HK$1 million (six months ended June 30, 2011: HK$0.7 million) following the delivery of residential properties.

The construction of Chongqing Manhattan City, Lijiu Road with total GFA of approximately 21 million sq. ft. continues. During the six months ended June 30, 2012, the Group generated income of HK$274 million from sales of residential properties of Chongqing Manhattan City Phase I and Phase II. Deposits received on sales of properties decreased to HK$1,549 million from HK$1,707 million as at December 31, 2011 due to the recognition of deposits on sales of Chongqing Manhattan City Phase I and Phase II as revenue upon delivery.

Other income, gains and losses were HK$13 million (six months ended June 30, 2011: HK$15 million), a decrease of 13%, mainly representing the net exchange gain of HK$9 million (six months ended June 30, 2011: HK$13 million).

During the period under review, selling expenses were HK$10 million (six months ended June 30, 2011: HK$1 million), increased by 9 times. Increase in advertising and promotion expenses were generally in line with the increase in sales of the residential properties.

Administrative expenses during the first half of 2012 were HK$63 million (six months ended June 30, 2011: HK$43 million) which increased by 47% compared to the same period of 2011. The increase was mainly attributed to more property related expenses were paid as property construction activities reached a higher level during the period.

Finance costs represent mainly interest expenses and other borrowing costs in relation to bank borrowings and the fixed rate senior notes (the "Note") issued in April 2007. Since all finance costs equivalent to HK$145 million (six months ended June 30, 2011: HK$149 million) were wholly capitalized on various projects, the finance costs charged to the profit and loss were nil (six months ended June 30, 2011: Nil).

The changes in fair value of investment properties were HK$1,207 million (six months ended June 30, 2011: HK$578 million). Although the transaction volume of the property market was shrinking with the launch of new real estate tightening measures in recent years, the property price remained steady during the period because the underlying demand remained strong. On the other hand, the central government's blueprint that advocates Shanghai to become an international financial hub in 2020 also benefited local businesses including the retail and office property markets. Combining these factors, the valuation of investment properties in the first half of 2012 is still appreciating. The changes in fair value of investment properties in Shanghai experienced an increase of HK$1,002 million (June 30, 2011: HK$296 million). Economic performance in Chongqing, which enjoys one of the highest GDP growth cities in the PRC, was also robust. The changes in fair value of investment properties in Chongqing experienced an increase of HK$205 million (June 30, 2011: HK$282 million).

Income tax expense was HK$313 million (six months ended June 30, 2011: HK$145 million), an increase of 116%. The Group's effective income tax rate was 24.7% (six months ended June 30, 2011: 25.9%). The increase in income tax expenses was brought by the changes in fair value of investment properties for the first half of 2012.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowing when appropriate. During the period, the Group raised net new bank loans totaling of approximately HK$157 million (six months ended June 30, 2011: HK$74 million). On the other hand, the Group net repaid the advance from a shareholder of approximately HK$436 million (six months ended June 30, 2011: net received the advance of HK$26 million).

As at the statement of financial position date, the Group's senior notes, bank loans and amount due to a shareholder amounted to approximately HK$793 million, HK$3,874 million and HK$1,351 million respectively, and the Group's total borrowings were HK$6,018 million, a decrease of HK$286 million when compared to December 31, 2011. HK$3,590 million is repayable within one year whilst the remaining is repayable in the second to fifth year inclusive.

The gearing ratio of the Group as at June 30, 2012 was 14.1% (as at December 31, 2011: 13.4%), determined as proportion of the Group's net borrowings (after deducting bank balances and bank deposits) to the shareholder's funds.

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

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

TREASURY POLICIES

As at the statement of financial position date, approximately 64.3% of the Group's borrowings were in RMB with the balance in US$ and HK$. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in HK$, US$ and RMB.

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

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

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

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

CHARGE ON ASSETS

As at the statement of financial position date, certain subsidiaries of the Group pledged assets with an aggregated carrying value of HK$24,807 million (December 31, 2011: HK$23,019 million) to secure bank loan facilities utilized.

CONTINGENT LIABILITIES

As at the statement of financial position date, we guaranteed mortgage loans to purchasers of our properties in the aggregate outstanding principal amount of HK$1,754 million (December 31, 2011: HK$1,918 million). During the first half of 2012, there was no default case. The guarantees were secured by the Group's pledged bank deposits of HK$Nil (December 31, 2011: HK$1 million).

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend for the period.

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2012, the Group had approximately 354 employees (June 30, 2011: 275 employees) in Hong Kong and the PRC. There is no significant change in the Group's emolument policies.

8 ADDITIONAL INFORMATION REQUIRED UNDER LISTING RULES

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

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

As at June 30, 2012, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

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

As at June 30, 2012, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	*Note*
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,556,611,570 shares	86.04%	*(i) & (ii)*

Note:

(i) Of these shareholding interests, 1,350,000,000 shares of the Company are directly held by Hillwealth Holdings Limited ("Hillwealth") whose entire issued share capital is owned by Mr. Wong.

(ii) Such shareholding interests also included deemed interests in 206,611,570 shares of the Company to be issued upon the exercise of the conversion rights under the convertible note of HK$500 million of the Company agreed to be subscribed for by Hillwealth pursuant to the conditional subscription agreement dated January 27, 2012 entered into between the Company and Hillwealth (as amended by a supplemental agreement dated February 21, 2012).

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

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

Notes:

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

(iv) As Hillwealth directly holds approximately 74.62% of the total issued share capital of the Company and thus being the holding company of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at June 30, 2012, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

Save as disclosed herein, as at June 30, 2012, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and Chief Executives' Interests in Shares and Underlying Shares and Debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at June 30, 2012.

SHARE OPTION SCHEME

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

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the six months ended June 30, 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The directors have confirmed that, following specific enquiry by the Company, they have complied with the required standards set out in Model Code during the six months ended June 30, 2012.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has fully complied with all code provisions in the Code on Corporate Governance Practices ("CG Practices") set out in Appendix 14 to the Listing Rules throughout the six months ended June 30, 2012.

AUDIT COMMITTEE

The Company has established the Audit Committee and has formulated its written terms of reference in accordance with the provisions set out in the Code on CG Practices. The Audit Committee comprises five Independent Non-executive Directors, namely Mr. Warren Talbot Beckwith (Chairman of the Audit Committee), Mr. Luk Koon Hoo, Mr. Garry Alides Willinge, Mr. Cheng Chaun Kwan, Michael and Mr. Wu Zhi Gao. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal controls procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company. The Audit Committee and the external auditor, Messrs Deloitte Touche Tohmatsu, Certified Public Accountants, have reviewed the unaudited interim results of the Group for the six months ended June 30, 2012.

REMUNERATION COMMITTEE

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

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

APPRECIATION

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

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

Hong Kong, August 27, 2012

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA PROPERTIES GROUP LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 12 to 34, which comprise the condensed consolidated statement of financial position as of June 30, 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements which indicates that, as of June 30, 2012, the Group's current liabilities exceeded its current assets by approximately HK$1,407,314,000. In addition, the Group had other commitments contracted for but not provided in the condensed consolidated financial statements of approximately HK$720,342,000 as disclosed in note 17 to the condensed consolidated financial statements. The directors of the Company are taking several measures as disclosed in note 1 to the condensed consolidated financial statements, some of which have already been implemented, to improve the financial position of the Group and after taking into account these steps, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due. The condensed consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 1 to the condensed consolidated financial statements.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 27, 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2012

	NOTES	Six months ended June 30, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Revenue	3 & 4	**285,846**	11,732
Cost of sales		**(167,698)**	(2,021)
Gross profit		**118,148**	9,711
Other income, gains and losses	4	**12,838**	15,230
Selling expenses		**(10,087)**	(1,216)
Administrative expenses		**(63,011)**	(43,095)
Finance costs	5	**—**	—
		57,888	(19,370)
Changes in fair value of investment properties		**1,207,397**	577,568
Profit before tax		**1,265,285**	558,198
Income tax expense	6	**(313,152)**	(144,542)
Profit for the period attributable to owners of the Company	7	**952,133**	413,656
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**206,278**	846,016
Total comprehensive income for the period attributable to owners of the Company		**1,158,411**	1,259,672
Earnings per share			
— Basic (HK dollar)	8	**0.53**	0.23
— Diluted (HK dollar)	8	**0.53**	0.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2012

	NOTE	**June 30, 2012 HK$'000 (unaudited)**	December 31, 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**299,119**	283,852
Prepaid lease payments		**161,037**	163,707
Investment properties	10	**53,617,728**	51,963,171
		54,077,884	52,410,730
Current assets			
Properties under development for sales		**3,457,791**	3,601,495
Properties held for sales, at cost		**680,245**	447,258
Trade and other receivables, deposits and prepayments	11	**370,887**	325,220
Tax recoverable		**17,682**	18,145
Pledged bank deposits		**257,577**	72,207
Bank balances and cash		**260,984**	1,192,134
		5,045,166	5,656,459
Current liabilities			
Deposits received on sales of properties		**1,548,906**	1,706,686
Other payables and accruals	12	**619,167**	688,438
Amount due to a shareholder	21	**885,107**	1,456,696
Tax payable		**694,095**	679,895
Bank loans — due within one year	13	**2,705,205**	988,583
		6,452,480	5,520,298
Net current (liabilities) assets		**(1,407,314)**	136,161
Total assets less current liabilities		**52,670,570**	52,546,891
Non-current liabilities			
Bank loans — due after one year	13	**1,168,575**	2,716,642
Fixed rate senior notes	14	**793,747**	791,966
Deferred tax liabilities		**11,311,123**	10,953,515
Loan from a shareholder	21	**465,901**	350,000
		13,739,346	14,812,123
Net assets		**38,931,224**	37,734,768
Capital and reserves			
Share capital	15	**180,907**	180,907
Share premium and reserves		**38,750,317**	37,553,861
Total equity		**38,931,224**	37,734,768

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2012

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Revaluation reserve HK$'000	Special reserve HK$'000 (Note a)	Other reserve HK$'000 (Note b)	General reserve HK$'000 (Note c)	Shareholder contribution reserve HK$'000 (Note d)	Share option reserve HK$'000 (Note 20)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At January 1, 2011 (audited)	180,907	1,378,443	6,410	778,662	2,455,562	53,015	—	—	3,331,718	26,101,303	34,286,020
Profit for the period	—	—	—	—	—	—	—	—	—	413,656	413,656
Other comprehensive income for the period	—	—	—	—	—	—	—	—	846,016	—	846,016
Total comprehensive income for the period	—	—	—	—	—	—	—	—	846,016	413,656	1,259,672
Recognition of share-based payment	—	—	—	—	—	—	—	3,286	—	—	3,286
At June 30, 2011 (unaudited)	180,907	1,378,443	6,410	778,662	2,455,562	53,015	—	3,286	4,177,734	26,514,959	35,548,978
At January 1, 2012 (audited)	**180,907**	**1,378,443**	**6,410**	**778,662**	**2,455,562**	**53,015**	**—**	**7,567**	**4,773,460**	**28,100,742**	**37,734,768**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**952,133**	**952,133**
Other comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**206,278**	**—**	**206,278**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**206,278**	**952,133**	**1,158,411**
Recognition of share-based payment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,946**	**—**	**—**	**3,946**
Deemed contribution	**—**	**—**	**—**	**—**	**—**	**—**	**34,099**	**—**	**—**	**—**	**34,099**
At June 30, 2012 (unaudited)	**180,907**	**1,378,443**	**6,410**	**778,662**	**2,455,562**	**53,015**	**34,099**	**11,513**	**4,979,738**	**29,052,875**	**38,931,224**

Notes:

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

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

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

(d) Shareholder's contribution reserve represents the deemed contribution arising from loan from a shareholder, Mr. Wong, amounted to HK$500,000,000, which is interest free, unsecured and repayable after one year from the end of reporting period. The details of the loan from a shareholder are set out in note 21.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2012

	Six months ended June 30,	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(292,344)**	(271,014)
Net cash used in investing activities		
Purchase of property, plant and equipment	**(5,919)**	(5,438)
Additions to investment properties	**(34,569)**	(27,789)
Placement of pledged bank deposits	**(186,552)**	(155,380)
Withdrawal of pledged bank deposits	**1,268**	—
Interest received	**1,066**	2,116
	(224,706)	(186,491)
Net cash used in financing activities		
New bank loans raised	**221,675**	197,664
Repayment of bank loans	**(65,148)**	(123,689)
(Repayment to) advance from a shareholder	**(435,837)**	26,028
Interest paid	**(142,904)**	(142,929)
Loan raising expenses	**—**	(4,632)
	(422,214)	(47,558)
Net decrease in cash and cash equivalents	**(939,264)**	(505,063)
Cash and cash equivalents at beginning of the period	**1,192,134**	796,730
Effect of foreign exchange rate changes	**8,114**	14,445
Cash and cash equivalents at end of the period, represented by bank balances and cash	**260,984**	306,112

For the six months ended June 30, 2012

1. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that, as of June 30, 2012, the Group's current liabilities exceeded its current assets by approximately HK$1,407,314,000 and the Group had other commitments contracted for but not provided in the condensed consolidated financial statements of approximately HK$720,342,000.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(1) The Group is currently in the process of re-financing or renewing the loan facilities of approximately HK$1,135,775,000, which are to be matured in the next twelve months from the end of the reporting period. As at June 30, 2012, these bank loans were secured by certain of the Group's property, plant and equipment, investment properties, properties under development for sales and pledged bank deposits. In addition, the Group planned to obtain new long term fundings and borrowings from the capital market and banks of approximately HK$2,051,282,000.

(2) The Group has issued a convertible note of HK$500,000,000 on August 14, 2012. Details of the issuance are set out in note 22.

(3) The Group has committed marketing plan to stimulate sales or pre-sales of its properties held for sales and properties under development for sales upon completion.

(4) The Group has committed leasing plan for leasing of the northern portion of Phase 2 of Shanghai Concord City ("Phase 2 North Portion"), of which construction is scheduled to be completed in the second half of 2012.

The directors of the Company consider that after taking into account the above measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKAS 12 — Deferred tax: Recovery of underlying assets; and
- amendments to HKFRS 7 — Financial instruments: Disclosures — Transfer of financial assets.

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

Under the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to HKAS 12 have to be applied retrospectively.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolios and concluded that the Group has a business model for its investment properties whose objective is to hold all its investment properties so as to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

As the Group has previously recognized deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use, the directors of the Company considered that the application of the above amendments has had no material impact on these condensed consolidated financial statements.

Amendments to HKFRS 7 Financial instruments: Disclosures — Transfer of financial assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. Based on an analysis of the financial instruments held by the Group as at June 30, 2012, the directors of the Company considered that the application of the above amendments has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Six months ended June 30, 2012 (unaudited)

	Property development		Property investment			
	Shanghai HK$'000	Chongqing HK$'000	Shanghai HK$'000	Chongqing HK$'000	Others HK$'000	Total HK$'000
Revenue						
External sales	—	274,703	10,105	—	1,038	285,846
Segment profit (loss)	—	103,684	1,011,129	205,204	(4,559)	1,315,458
Other income, gains and losses						12,838
Unallocated expenses						(63,011)
Profit before tax						1,265,285

Six months ended June 30, 2011 (unaudited)

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

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

3. SEGMENT INFORMATION — continued

The following is an analysis of the Group's assets by reportable and operating segments which is also the information presented to the Group's Chief Executive Officer:

	June 30, 2012 HK$'000 (unaudited)	December 31, 2011 HK$'000 (audited)
Segment assets		
Property development		
— Shanghai	**832,928**	793,961
— Chongqing	**3,307,853**	3,257,522
Property investment		
— Shanghai	**44,715,616**	43,469,855
— Chongqing	**8,902,112**	8,493,316
Others	**396,573**	381,839
Segment total	**58,155,082**	56,396,493
Unallocated assets	**967,968**	1,670,696
Consolidated assets	**59,123,050**	58,067,189

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

4. REVENUE AND OTHER INCOME, GAINS AND LOSSES

	Six months ended June 30, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Revenue		
Sales of residential properties	**274,703**	—
Property rental income	**10,105**	11,029
Property management income	**1,038**	703
	285,846	11,732
Other income, gains and losses		
Net exchange gain	**8,677**	12,847
Interest on bank deposits	**1,066**	2,116
Loss on disposal of property, plant and equipment	—	(141)
Others	**3,095**	408
	12,838	15,230
Total revenue and other income, gains and losses	**298,684**	26,962

5. FINANCE COSTS

	Six months ended June 30, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Interest on:		
Bank loans wholly repayable within five years	**106,389**	110,266
Effective interest expense on fixed rate senior notes	**38,296**	39,077
Total finance costs	**144,685**	149,343
Less: Amount capitalized in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales	**(144,685)**	(149,343)
	—	—

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

6. INCOME TAX EXPENSE

	Six months ended June 30,	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Enterprise income tax in the PRC	**4,668**	151
Land appreciation tax ("LAT") in the PRC	**6,635**	—
	11,303	151
Deferred tax:		
Current period	**301,849**	144,391
	313,152	144,542

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately HK$18,011,979,000 (December 31, 2011: HK$17,034,153,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. PROFIT FOR THE PERIOD

	Six months ended June 30, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	**767**	767
Other staff costs		
— Salaries and other benefits	**14,636**	12,517
— Contribution to retirement benefits schemes	**3,025**	2,075
Total staff costs	**18,428**	15,359
Less: Amount capitalized in investment properties under construction and properties under development for sales	**(5,154)**	(6,271)
	13,274	9,088
Share-based payment expenses	**3,946**	3,286
Amortization of prepaid lease payments	**3,541**	2,254
Less: Amount capitalized in construction in progress under property, plant and equipment	**(3,514)**	(2,227)
	27	27
Depreciation of property, plant and equipment	**2,168**	2,291
Less: Amount capitalized in construction in progress under property, plant and equipment	**(864)**	(830)
	1,304	1,461
Cost of properties sold (included in cost of sales)	**161,662**	—
Compensation to purchasers of properties (included in administrative expenses)	**16,705**	2,460
Gross rental income from investment properties	**(10,105)**	(11,029)
Less: Direct operating expenses from investment properties that generated rental income during the period	**443**	954
	(9,662)	(10,075)

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended June 30, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**952,133**	413,656
	'000	'000
Number of shares		
Number of ordinary shares in issue during the period for the purposes of basic and diluted earnings per share	**1,809,077**	1,809,077

The computation of diluted earnings per share for both periods did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for both periods.

9. DIVIDENDS

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

10. INVESTMENT PROPERTIES

	June 30, 2012 HK'000 (unaudited)	December 31, 2011 HK'000 (audited)
At fair value		
Completed properties held for rental purpose (Note a)	**3,043,384**	3,064,922
Leasehold land under and held for construction of properties for rental purpose and investment properties under construction	**46,989,578**	45,240,414
Sub-total	**50,032,962**	48,305,336
At cost		
Investment properties under construction (Note b)	**3,584,766**	3,657,835
Total	**53,617,728**	51,963,171

10. INVESTMENT PROPERTIES — continued

Notes:

(a) As at June 30, 2012, included in the Group's completed properties held for rental purpose balance are properties in Shanghai, namely, Phase 1 of Shanghai Concord City with carrying amount of approximately HK$2,521,665,000 (December 31, 2011: HK$2,517,074,000); of which around 40% (December 31, 2011: 40%) is currently unoccupied and strategically reserved for lease in the future because the Group plans to restructure the mixture of the tenants.

(b) The amount represents the construction costs for the building portion of certain investment property projects under construction. Since the fair value of the investment properties under construction cannot be measured reliably at the end of the reporting period, the amounts are carried at cost until the fair value becomes reliably measurable. The land portion is measured at fair value and grouped under leasehold land under and held for construction of properties for rental purpose and investment properties under construction.

The fair values of certain of the Group's investment properties at June 30, 2012 and December 31, 2011 were arrived at on the basis of a valuation carried out on those dates by Cushman & Wakefield Valuation Advisory Services (HK) Ltd. ("C&W") in respect of the properties situated in Shanghai and Chongqing, the PRC. C&W is independent qualified professional valuer not connected with the Group and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair values of investment properties in Shanghai and Chongqing determined by C&W are approximately HK$41,646,396,000 (December 31, 2011: HK$40,447,549,000) and HK$5,645,607,000 (December 31, 2011: HK$5,131,244,000) respectively as at June 30, 2012. For completed investment properties, the valuations have been arrived at using the capitalization of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalization of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction or development, the valuations have been arrived at by using residual approach by making reference to recent sales transactions of completed properties or rental yield as available in the relevant market to determine the potential sales proceeds or rental income of the completed investment properties, less estimated costs to completion and expected developed profit margin. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies.

In July 2010, the Group has acquired a piece of land with total consideration of RMB818,450,000 (equivalent to approximately HK$963,336,000) which is to be developed together with another piece of land already acquired by the Group in prior year and situated next to this new acquisition. As at June 30, 2012, the development plan on this combined land plot has not yet been approved by the relevant government authority. As at June 30, 2012, the fair values of these two pieces of land in Chongqing amounted to approximately HK$2,740,959,000 (December 31, 2011: HK$2,726,543,000) are determined by the directors of the Company. The directors of the Company have determined that the valuation of these two pieces of land approximated to the fair value of the existing land plot as at December 31, 2009 plus the acquisition cost of the land just acquired during the year ended December 31, 2010.

10. INVESTMENT PROPERTIES — continued

For investment properties located in Shanghai

For the six months ended June 30, 2012, in determining the fair values of the investment properties located in Shanghai, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

a. Annual growth rate of rental income is ranging from 3% to 6% (December 31, 2011: ranging from 3% to 6%)

b. Occupancy rate for the investment properties is ranging from 50% to 98% (December 31, 2011: ranging from 50% to 98%)

c. Expected developer profit is ranging from 10% to 20% (December 31, 2011: ranging from 10% to 20%)

d. Discount rate is ranging from 4% to 9% (December 31, 2011: ranging from 4% to 10%)

e. Rental rate per month per square metre is ranging from HK$200 to HK$1,806 (December 31, 2011: ranging from HK$197 to HK$1,766)

For investment properties located in Chongqing

For the six months ended June 30, 2012, in determining the fair values of the investment properties located in Chongqing, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

a. Annual growth rate of rental income is ranging from 4% to 6% (December 31, 2011: ranging from 4% to 6%)

b. Occupancy rate for the investment properties is ranging from 60% to 85% (December 31, 2011: ranging from 60% to 80%)

c. Expected developer profit is ranging from 25% to 30% (December 31, 2011: ranging from 25% to 30%)

d. Discount rate is ranging from 6% to 11% (December 31, 2011: ranging from 7% to 11%)

e. Rental rate per month per square metre is ranging from HK$140 to HK$977 (December 31, 2011: ranging from HK$134 to HK$950)

All the Group's properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model or carrying at cost for the investment properties (except for leasehold land) under construction and are classified and accounted for as investment properties.

As at June 30, 2012, the Group obtained four (December 31, 2011: four) out of seven (December 31, 2011: seven) State-owned Land Use Rights Certificates ("Certificates") for Chongqing projects sites. The Group was in the process of obtaining the remaining three (December 31, 2011: three) Certificates. The carrying amount of the prepaid lease payments, investment properties and properties under development for sales which relate to these remaining three (December 31, 2011: three) Certificates amounted to approximately HK$156,967,000 (December 31, 2011: HK$159,516,000), HK$7,401,758,000 (December 31, 2011: HK$7,115,629,000) and HK$556,663,000 (December 31, 2011: HK$535,724,000) respectively.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	June 30, 2012 HK$'000 (unaudited)	December 31, 2011 HK$'000 (audited)
Trade receivables (Note)	**2,746**	2,731
Prepayment of business taxes and other PRC taxes	**122,599**	131,717
Other receivables, deposits and prepayments	**245,542**	190,772
	370,887	325,220

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

12. OTHER PAYABLES AND ACCRUALS

	June 30, 2012 HK$'000 (unaudited)	December 31, 2011 HK$'000 (audited)
Accruals for construction costs	**510,065**	576,456
Other payables and accruals	**109,102**	111,982
	619,167	688,438

13. BANK LOANS

	June 30, 2012 HK$'000 (unaudited)	December 31, 2011 HK$'000 (audited)
Carrying amounts of the variable-rate bank loans repayable based on contractual term:#		
Within one year	**2,705,205**	988,583
More than one year, but not exceeding two years	**1,162,919**	2,612,068
More than two years, but not exceeding five years	**5,656**	104,574
	3,873,780	3,705,225
Less: Amounts due within one year shown under current liabilities	**(2,705,205)**	(988,583)
Amounts shown under non-current liabilities	**1,168,575**	2,716,642
Secured	**3,836,893**	3,705,225
Unsecured	**36,887**	—
	3,873,780	3,705,225

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

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

Effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans are ranged from 4.74% to 8.83% (December 31, 2011: 4.80% to 7.98%) per annum.

The bank loans outstanding as of June 30, 2012 were secured by the following:

- property, plant and equipment with a net carrying value of approximately HK$88,917,000 (December 31, 2011: HK$88,017,000);
- investment properties under construction carried at cost with a carrying value of approximately HK$526,932,000 (December 31, 2011: HK$708,364,000);
- investment properties (excluding investment properties under construction carried at cost) with a carrying value of approximately HK$20,697,384,000 (December 31, 2011: HK$19,678,096,000);
- properties under development for sales with a carrying value of approximately HK$2,952,649,000 (December 31, 2011: HK$2,190,914,000);
- properties held for sales with a carrying value of approximately HK$283,661,000 (December 31, 2011: HK$281,939,000); and
- pledged bank deposits of approximately HK$257,577,000 (December 31, 2011: HK$70,939,000).

As at December 31, 2011, pledged bank deposits of approximately HK$1,268,000 were pledged for bank loans procured by the purchasers of the Group's properties (see note 16) and the amount was classified as current.

14. FIXED RATE SENIOR NOTES

On April 27, 2007, the Company issued approximately US$300 million (approximately HK$2,340,000,000) in aggregate principal amount of the fixed rate senior notes which contain two components, liability and early redemption options. During the year ended December 31, 2010, the Group repurchased fixed rate senior notes with the carrying amount of US$197,395,000 (approximately HK$1,539,681,000) at the market price.

The notes bear interest at a fixed rate of 9.125% per annum. The interest charged for the period is calculated by applying an effective interest rate of approximately 10.85% (December 31, 2011: 10.85%) per annum. Interest on the notes is payable on May 4 and November 4 of each year. The notes will mature on May 4, 2014. The notes are guaranteed by certain of the Company's subsidiaries other than those established under the laws of the PRC. Details of the fixed rate senior notes are set out in the Company's annual report for the year ended December 31, 2011 dated March 29, 2012.

The directors of the Company consider that the fair values of the redemption options at the date of issuance of the notes and at June 30, 2012 and December 31, 2011 are insignificant.

15. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
At January 1, 2011, June 30, 2011, December 31, 2011, January 1, 2012 and June 30, 2012	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2011, June 30, 2011, December 31, 2011, January 1, 2012 and June 30, 2012	1,809,077,000	180,907

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the period.

16. CONTINGENT LIABILITIES

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

	June 30, 2012	December 31, 2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Notes)	**1,754,333**	1,917,608

Notes:

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

(b) At December 31, 2011, the guarantees were secured by the Group's pledged bank deposits of approximately HK$1,268,000. Such pledged bank deposits were released by June 30, 2012.

17. OTHER COMMITMENTS

	June 30, 2012	December 31, 2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Construction commitment contracted for but not provided	**720,342**	758,962

18. OPERATING LEASE COMMITMENTS

As lessor

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

	June 30, 2012	December 31, 2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Within one year	**11,974**	14,049
In the second to fifth year inclusive	**4,198**	9,801
	16,172	23,850

18. OPERATING LEASE COMMITMENTS — continued

As lessor — continued

Around 40% (December 31, 2011: 40%) of the Group's investment properties in Shanghai, namely, Phase 1 of Shanghai Concord City is currently unoccupied and strategically reserved for lease in the future because the Group plans to restructure the mixture of the tenants. For the Group's marketing strategy, upon the completion of Phase 2 North Portion, the Group will then recruit their target tenants for both Phase 1 and Phase 2 North Portion. The construction of Phase 2 North Portion is anticipated to be completed in the second half of 2012. The properties generated annual rental yields of average 0.68% (December 31, 2011: 0.68%) for the six months ended June 30, 2012. Leased properties have committed tenants from one to four (December 31, 2011: one to five) years.

As lessee

Minimum lease payments paid under operating leases during the period:

	Six months ended June 30,	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Premises	**2,141**	1,733

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

	June 30, 2012	December 31, 2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Within one year	**4,283**	4,113
In the second to fifth year inclusive	**4,462**	6,511
	8,745	10,624

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and are fixed for an average of three (December 31, 2011: three) years.

19. RETIREMENT BENEFITS PLANS

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries (capped at HK$25,000 (six month ended June 30, 2011: HK$20,000)) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

The total contributions incurred in this connection for the period was approximately HK$3,025,000 (six months ended June 30, 2011: HK$2,075,000).

20. SHARE OPTION SCHEME

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

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

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

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

20. SHARE OPTION SCHEME — continued

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

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

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

In the opinion of the directors of the Company, these share options were granted to the consultants for rendering consultancy services in respect of seeking potential investors to acquire a certain sum of the Company's share on or before January 16, 2013 ("Target"). The directors of the Company believe that the strategy to issue share options in return of consultancy services can bring benefits to the Group, without damaging the Group's operating cash flows and liquidity.

The exercise of the share options shall be conditional upon the Target being achieved within the period from January 17, 2011 to January 16, 2013. When the above Target is achieved, the share options will become exercisable within the Exercise Period.

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

During the six months ended June 30, 2012, share-based payment expenses of approximately HK$3,946,000 (six months ended June 30, 2011: HK$3,286,000) is recognized in profit or loss.

The following table discloses movements of the Company's share options held by the Grantees during the period.

	Number of options
Outstanding at January 1, 2011	—
Granted during the six months ended June 30, 2011	20,000,000
Outstanding at June 30, 2011, December 31, 2011, January 1, 2012 and June 30, 2012	20,000,000
Exercisable at June 30, 2011, December 31, 2011, January 1, 2012 and June 30, 2012	—

21. RELATED PARTY TRANSACTIONS

(i) Amount due to a shareholder

Amount due to a shareholder, Mr. Wong, was non-trade in nature, unsecured, interest-free and repayable on demand. In respect of the outstanding amount, an aggregate amount of HK$500,000,000 has been settled by the proceed from the issuance of the convertible note subsequently after the end of the reporting period (see note 22) and an aggregate amount of HK$94,402,000 has been repaid to the shareholder by August 27, 2012.

(ii) Loan from a shareholder

Loan from a shareholder relates to an agreement entered between Mr. Wong and the Company on June 30, 2012, whereby a loan of HK$500,000,000 is provided by Mr. Wong which is interest-free, unsecured and repayable after one year from the end of reporting period. The fair value of the loan from a shareholder is determined based on the effective interest rate of 6.82% per annum at initial recognition. The difference between the principal amounts of the loan of HK$500,000,000 and the fair value determined on June 30, 2012 amounted to approximately HK$34,099,000, which has been credited to equity as deemed contribution from a shareholder.

(iii) Other transactions

During the six months ended June 30, 2012, the Group had the following transactions with Pacific Concord Holding Limited ("PCH"), a company in which Mr. Wong (the controlling shareholder of the Company) has controlling interests, and its subsidiary as follows:

	Six months ended June 30,	
Nature of transactions	**2012**	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Office premises expenses (Note)	**18**	19

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

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

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

21. RELATED PARTY TRANSACTIONS — continued

(iv) Compensation of key management personnel

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

	Six months ended June 30,	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short term benefits	**767**	767

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

22. EVENT AFTER THE REPORTING PERIOD

On January 27, 2012, the Company and Hillwealth Holdings Limited (the "Subscriber"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Wong, entered into a conditional subscription agreement pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for a convertible note of HK$500,000,000 in cash. The convertible note is interest bearing at 5% per annum and matures on the fourth anniversary of the issue date. The conversion price of the convertible note is HK$2.42 per share. The net proceeds from the issue of the convertible note of approximately HK$499,000,000 will be used for general working capital of the Group.

On February 21, 2012, the Company and the Subscriber entered into a supplemental agreement to extend the maturity date and the period for conversion of the convertible note to the sixth anniversary of the issue date. The issuance of the convertible note has been approved at the extraordinary general meeting of the Company held on March 16, 2012. On March 19, 2012, the Listing Committee of the Stock Exchange conditionally granted, subject to (i) approval by the Independent Shareholders of the issue of the convertible note under Rule 13.36 of the Listing Rules and (ii) fulfillment of all other conditions of the subscription agreement, the listing of and permission to deal in the conversion shares. In accordance with the subscription agreement, all of the conditions precedent had been fulfilled on March 19, 2012 and the issue of the convertible note had been agreed between the Company and the Subscriber to fall on August 14, 2012 with settlement against funds previously advanced by Mr. Wong to the Company. Details are set out in the Company's circular dated February 29, 2012.

The convertible note contains the components of liability and embedded derivatives that are required to be separately accounted for in accordance with HKAS 39 "Financial instruments: Recognition and measurement". The Company is in the process of determining the fair value of the components of convertible note and is not yet in a position to disclose the finalized financial effects.