



北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

*(Incorporated in Bermuda with limited liability)*

Stock Code: 925

Interim  
Report  
**2014**

# CONTENTS

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<b>2</b>	<b>Corporate Information</b>
<b>3</b>	<b>Group Structure</b>
<b>4</b>	<b>Management Discussion and Analysis</b>
<b>11</b>	<b>Condensed Consolidated Statement of Profit or Loss</b>
<b>12</b>	<b>Condensed Consolidated Statement of Comprehensive Income</b>
<b>13</b>	<b>Condensed Consolidated Statement of Financial Position</b>
<b>15</b>	<b>Condensed Consolidated Statement of Changes in Equity</b>
<b>16</b>	<b>Condensed Consolidated Statement of Cash Flows</b>
<b>17</b>	<b>Notes to Condensed Consolidated Financial Statements</b>
<b>34</b>	<b>Discloseable Information</b>
<b>43</b>	<b>Corporate Governance Report</b>

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. YU Li (*Vice Chairman*)  
Mr. QIAN Xu (*Chief Executive Officer*)  
Mr. SIU Kin Wai (*Chief Financial Officer*)  
Mr. JIANG Xinhao  
Ms. MENG Fang  
Mr. YU Luning  
Mr. LIU Xueheng  
Mr. ANG Renyi  
Mr. XU Taiyan (resigned on 10 July 2014)

### Independent Non-Executive Directors

Mr. GOH Gen Cheung  
Mr. MA Chiu Cheung, Andrew  
Mr. NG Tang Fai, Ernesto  
Mr. ZHU Wuxiang  
Mr. James CHAN

## AUDIT COMMITTEE

Mr. MA Chiu Cheung, Andrew (*Chairman*)  
Mr. GOH Gen Cheung  
Mr. NG Tang Fai, Ernesto  
Mr. ZHU Wuxiang  
Mr. James CHAN

## INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mr. LIU Xueheng (*Chairman*)  
Mr. QIAN Xu  
Mr. JIANG Xinhao  
Ms. MENG Fang  
Mr. SIU Kin Wai  
Mr. YU Luning  
Mr. ZHU Wuxiang  
Mr. ANG Renyi

## NOMINATION COMMITTEE

Mr. NG Tang Fai, Ernesto (*Chairman*)  
Mr. GOH Gen Cheung  
Mr. MA Chiu Cheung, Andrew  
Mr. QIAN Xu  
Ms. MENG Fang  
Mr. YU Luning  
Mr. James CHAN

## REMUNERATION COMMITTEE

Mr. GOH Gen Cheung (*Chairman*)  
Mr. MA Chiu Cheung, Andrew  
Mr. NG Tang Fai, Ernesto  
Mr. YU Luning  
Mr. James CHAN

## COMPANY SECRETARY

Mr. SIU Kin Wai

## STOCK CODE

925

## AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu  
Mr. SIU Kin Wai

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

66th Floor,  
Central Plaza,  
18 Harbour Road,  
Wanchai, Hong Kong  
Tel: (852) 2511 6016  
Fax: (852) 2598 6905

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited  
Clarendon House, 2 Church Street,  
Hamilton, HM11,  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

## AUDITORS

Ernst & Young

## WEBSITE

[www.bphl.com.hk](http://www.bphl.com.hk)

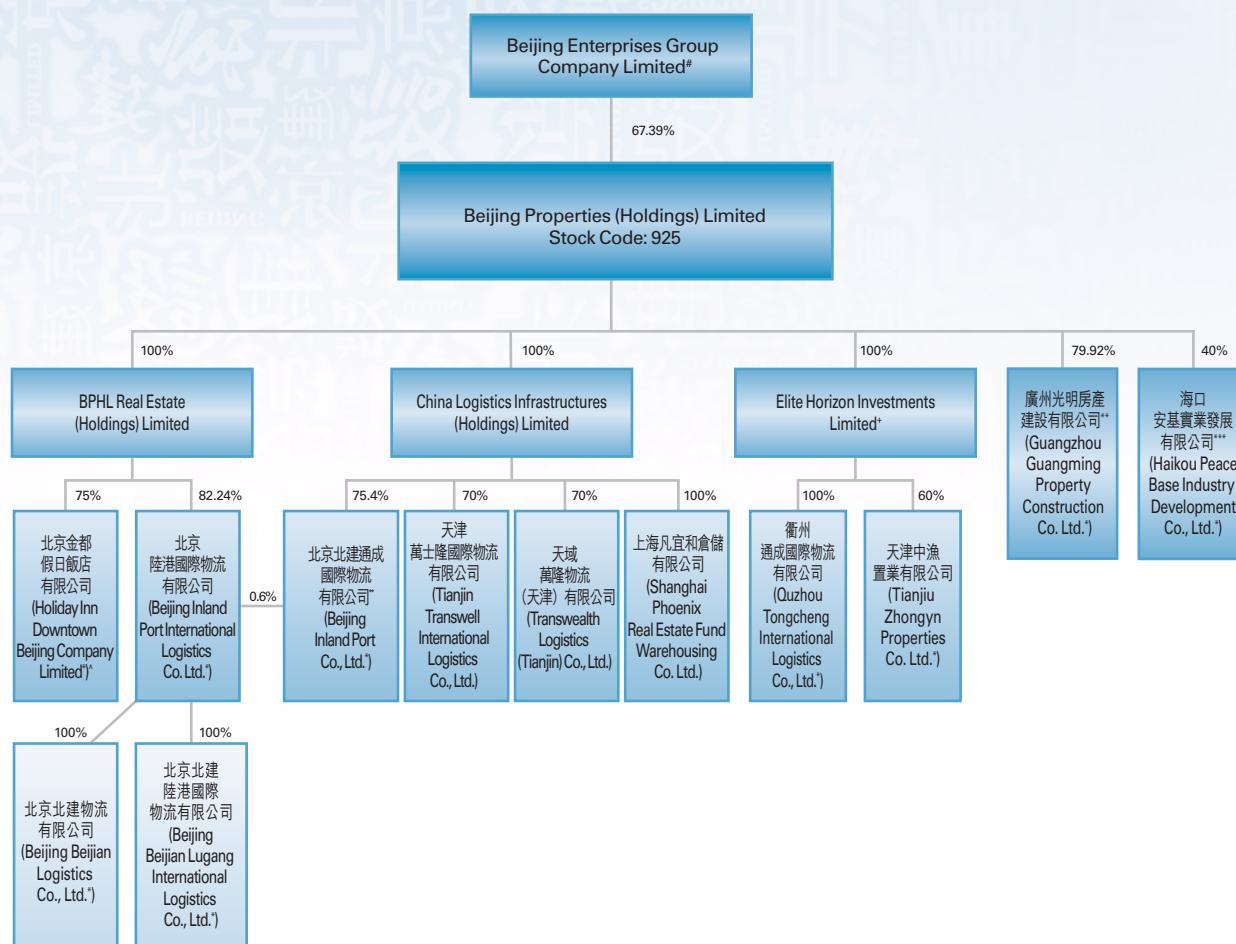
## PRINCIPAL BANKERS

China CITIC Bank International Ltd  
Shanghai Pudong Development Bank Co., Ltd.  
Beijing Chaoyang Sub-Branch  
Bank of China Limited. Tianjin Airport Branch  
Agricultural Bank of China. Tianjin Airport Industrial  
Park Sub-branch.  
CITIC Bank International (China) Limited. Shanghai Branch  
Agricultural Bank of China. Sanyuanqiao Sub-branch.



# GROUP STRUCTURE

As at 30 June 2014



# Beijing Enterprises Group Company Limited indirect held 67.39% of the issued share capital of the Company through its wholly-owned subsidiaries

\* for identification purpose only

\*\* Joint Venture Company

\*\*\* Associate Company

^ The acquisition transaction has been completed on 7 August 2014

+ Elite Horizon Investments Limited has been renamed to China Hui Ying Food (Holdings) Co., Limited (中國匯盈食品(控股)有限公司\*) on 11 August 2014

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business review

The Group has implemented all of its development plans in an orderly manner and this has been well-recognised by the market. In 2014 January, PA Broad Opportunity VI Limited ("PAG") became our strategic shareholder through the subscription of our convertible bonds. In 2014 July, Mitsui & Co., Ltd. and Mitsubishi Estate Co., Ltd, through MJQ Investment Limited, their joint venture, acquired stake in China Logistics Infrastructures (Holdings) Limited (a subsidiary of the Company, "China Logistics"), with a view to make China Logistics as their sole platform to develop logistics properties in China. With the ample resources pooled by the parties in respect of management, customer base and shareholders, it is believed that China Logistics will see a striking growth, thereby bringing the Group into one of the top three logistics property providers in China. Another exciting news is the completion of planning adjustment of the Majuqiao Logistics Park (a logistic base owned by 北京北建通成國際物流有限公司 (Beijing Inland Port Co., Ltd.\*), a joint venture of the Group) by the Beijing Municipal Government. It is anticipated that the land can be acquired during the second half of the year and the construction will commence in the first half of next year. Following the completion, the total rentable area of our e-commerce and port related logistics properties segment will substantially increase.

## Business prospect

In relation to the commercial properties and real estate segment, the Group entered into an agreement with Mr. Wang, the then largest shareholder of Genvon Group Limited (SEHK: 2389, "Genvon Group") on 1 June 2014 for the acquisition of a 21.83% stake in the enlarged share capital of Genvon Group. Following the acquisition, the Group shall become the single largest shareholder of Genvon Group. The transaction was approved at the Group's special general meeting convened on 29 July 2014. Looking forward, the Group will lead Genvon Group to develop a unique brand name in PRC and will expand into regions where the development of commercial properties and real estate are mature, with an aim to constantly contribute profit and cash flow for the Group through its operation and development. We believe that the recent adjustment of the Chinese commercial property and real estate market is temporary but essential as it creates a more fair, healthy and stable market development. Acknowledging that owning a property is always something that a lot of Chinese wish to, the Group will maintain a proper balance between making profit and fulfilling our social responsibilities so as to be beneficial to the long-term growth of the country and of the Group.

In relation to the cold chain logistics segment, Elite Horizon Investments Limited was formally renamed as China Hui Ying Food (Holdings) Co., Limited and became the Group's strategic platform for the development of cold chain logistics, trading market and supply chain for safe food products. The Group strives to establish an industrial chain for safe food products covering food sourcing, further processing, storage and transportation to end-users. As part of such initiative, the Group invested in 衢州通成國際物流有限公司 and 天津中漁置業有限公司 for the development of storage facilities and the trading platform of agricultural and aquatic products respectively, and will continue to make related investments in cold storage facilities. Meanwhile, in order to speed up the growth of this segment, the Group signed an agreement with 北京對外經貿控股有限責任公司 (Beijing Foreign Economic & Trade Holding Corporation Ltd, "BFET") on 18 July 2014 for the acquisition of 50% equity interest in 北京北糧國際經貿有限公司 (BCOF International Trading Co., Ltd, "BCOF"), which previously was a subsidiary of BFET. BCOF principally engages in the import and processing of quality meat for sale to international hotel chains in Beijing, and it will serve as one of the quality suppliers in this segment following the Group's continuous investments in its capacity expansion. BCOF will also expand its foothold to the e-commerce sector for selling its products to household customers, so as to boost its income and profit. On the other hand, the Group has made efforts in establishing third-party logistics business, which will form an integral part of this segment, and is actively seeking opportunities for acquisition. A further announcement will be made when any acquisition is finalised. We believe that the development prospect of this segment will be very promising after the construction of the whole industrial chain of cold chain logistics is completed in the foreseeable future. The proposed third party logistics business will also benefit to our e-commerce and port-related logistics properties segment by expanding services provided to customers.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the six months ended 30 June 2014 (the "2014 Period"), the consolidated net loss of the Group was approximately HK\$94.73 million, which represented an increase of approximately HK\$28.24 million, or 42.47% from approximately HK\$66.49 million for the six months ended 30 June 2013 (the "2013 Period"). The consolidated net loss was mainly caused by non-cash expenses and from financing activities including: (i) approximately HK\$56.82 million (2013 Period: approximately HK\$36.82 million) of equity-settled share option expenses arising from issue of options to management, staffs and consultants on 31 March 2014; (ii) approximately HK\$33.05 million (2013 Period: approximately HK\$2.96 million) interest on bank loans to finance our previous acquisitions; and (iii) approximately HK\$9.39 million (2013 Period: nil) coupon interest on convertible bonds issued to PA Broad Opportunity VI Limited (the "PAG Convertible Bonds") during the 2014 Period. On the other side, projects acquired during the fiscal year 2013 had contributed significant growth in revenue and gross profit to the Group during the 2014 Period. Approximately HK\$65.9 million of revenue was recorded for the 2014 Period, representing a significant increase of approximately HK\$61.45 million, or 1,380.9%, from approximately HK\$4.45 million of the 2013 Period. Accordingly, a gross profit of approximately HK\$61.68 million was resulted, representing the same significant increase of approximately HK\$58.92 million, or 2,134.78%, from approximately HK\$2.76 million of the 2013 Period. Simultaneously, our gross profit margin was improved remarkably from 62.02% of the 2013 Period to 93.60% of the 2014 Period.

### Logistics Business

Logistics business, including the e-commerce and port-related logistics properties segment and the cold chain logistics segment, is always our core business to be developed.

#### *Shanghai*

The acquisition of the warehouse situated at the Waigaoqiao Pilot Free Trade Zone was completed in November 2013. The revenue (net of business tax) contribution of it for the 2014 Period amounted to approximately HK\$52.35 million and its gross profit margin was approximately 96.93%. Efforts had been made by management to improving occupancy rate from approximately 78.98% as at 31 December 2013 to approximately 80.17% as at 30 June 2014.

#### *Tianjin*

The acquisition of the warehouse situated at the Tianjin Binhai International Airport was completed in August 2013, the revenue (net of business tax) contribution of it for the 2014 Period amounted to approximately HK\$8.5 million and its gross profit margin was approximately 87.72%. The occupancy rate of the warehouse was approximately 87.87% as at 30 June 2014, representing an increase of approximately 0.32%, from approximately 87.55% as at 31 December 2013.

#### *Beijing*

During the 2014 Period, the revenue of 北京陸港國際物流有限公司 ("Lugang") amounted to approximately HK\$5.05 million, which represented an increase of approximately HK\$0.6 million, or 13.48%, from approximately HK\$4.45 million of the 2013 Period. The improvement was due to the increase in occupancy rate of warehouses and offices. The occupancy rate of warehouse and office was approximately 85.68% as at 30 June 2014 and approximately 79.65% as at 31 December 2013. The gross profit margin of Lugang was approximately 69.06% for the 2014 Period, representing an increase of approximately 6.98%, from approximately 62.08% of the 2013 Period. The mild improvement of the gross margin was mainly attributable to improved control on direct costs.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Other income and gains, net

The other income and gains has decreased by approximately HK\$20.31 million, or 56.09%, from approximately HK\$36.21 million of the 2013 Period to approximately HK\$15.9 million of the 2014 Period. The amount of the 2014 Period included other interest income of approximately HK\$11.36 million (2013 Period: approximately HK\$10.43 million) and bank interest income of approximately HK\$4.52 million (2013 Period: approximately HK\$16.1 million). The decrease in bank interest income is mainly due to decrease in cash balances deposited in bank as a result of the cash used for acquisitions. In addition, the decrease in total other income and gains (net) was due to the absent of foreign exchange differences, which turned from a gain of approximately HK\$9.68 million for the 2013 Period to a loss of approximately HK\$15.09 million for the 2014 Period, which is recognised as “other expenses”.

### Administrative expenses

During the 2014 Period, the administrative expenses was approximately HK\$86.12 million, representing an increase of approximately HK\$25.95 million or 43.13%, from approximately HK\$60.17 million of the 2013 Period. The increase in administrative expenses was mainly attributable to: (i) the increase in staff costs of approximately HK\$2.62 million, as a result of new staffs included after acquisitions for e-commerce and port-related logistics properties segment in August 2013 and November 2013; (ii) the increase in legal and other professional fees of approximately HK\$4.69 million, which are incurred for assessing and investigating potential projects during the 2014 Period; and (iii) the increase in the equity-settled share option expense of approximately HK\$15.26 million (2014 Period: approximately HK\$45.12 million; 2013 Period: approximately HK\$29.86 million) for share options granted to staffs and directors of the Company.

### Other expenses

During the 2014 Period, the other expenses was approximately HK\$28.02 million, representing an increase of approximately HK\$21.06 million, or 302.59%, from approximately HK\$6.96 million of the 2013 Period. The amount of the 2014 Period mainly included equity-settled share option expenses of approximately HK\$11.69 million (2013 Period: approximately HK\$6.96 million) for share options granted to consultants and a net foreign exchange loss of approximately HK\$15.09 million (2013 Period: gain of approximately HK\$9.68 million included in “other income and gains, net”).

### Finance costs

During the 2014 Period, finance costs amounted to approximately HK\$55.54 million, representing an increase of approximately HK\$36.44 million, or 190.79%, from approximately HK\$19.1 million of the 2013 Period. The amount of the 2014 Period mainly included: (i) imputed interest and coupon interest on convertible bonds of approximately HK\$13.06 million and approximately HK\$9.4 million respectively (2013 Period: approximately HK\$11.54 million and nil respectively), due to the new issue of the PAG Convertible Bonds during the 2014 Period; and (ii) interest on bank and other loans of approximately HK\$33.05 million. The interests on bank and other loans were increased by approximately HK\$30.09 million, or 1,016.55%, from approximately HK\$2.96 million in the 2013 Period, which is in line with the increase in bank and other borrowings from approximately HK\$64.43 million as at 30 June 2013 to approximately HK\$1.51 billion as at 30 June 2014. As at 30 June 2014, the average funding cost of the bank and other loans for the Group was approximately 4.38%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Share of losses of joint ventures

During the 2014 Period, the share of losses of joint ventures was approximately HK\$1.41 million, representing a decrease of approximately HK\$7.69 million, or 84.51%, from approximately HK\$9.1 million of the 2013 Period. The amount of the 2014 Period included the share of loss of approximately HK\$3.16 million in 北京北建通成國際物流有限公司 (Beijing Inland Port Co., Ltd.) ("BIPL") and the share of profit of approximately HK\$1.75 million in 廣州光明房產建設有限公司 (Guangzhou Guangming Property Construction Co. Ltd., "GZGM", which was acquired by the Group on 31 December 2013). The share of loss in BIPL decreased by approximately HK\$5.94 million, or 65.27%, from approximately HK\$9.1 million of the 2013 Period, as a result of the increase in foreign exchange gains and interest income on bank deposits.

### Share of loss of an associate

During the 2014 Period, the loss of an associate shared by the Group amounted to approximately HK\$0.71 million, representing a decrease of approximately HK\$0.82 million, or 53.59%, from approximately HK\$1.53 million in the 2013 Period. The losses incurred by the associate in the 2014 Period was attributable to Haikou Peace Base Industry Development Co., Ltd., a 40% associate. The project in Haikou relates to the investment, development and operation of a complex of commercial, manufacturing, retail and warehouse buildings in the Haikou Integrated Free Trade Zone and currently it is still under construction. The loss of associate shared for the 2013 Period represented loss contributed by Beijing Jing-Jin Ports International Logistics Co., Ltd. and 31.04% equity interest of which had been disposed of by the Group on 18 December 2013. The remaining 2.33% equity interest held by the Group had been reclassified as an available-for-sale investment in the condensed consolidated statement of financial position.

### Total assets

The total assets of the Group as at 30 June 2014 were approximately HK\$6,664.78 million, representing an increase of approximately HK\$1,216.55 million, or 22.33%, from approximately HK\$5,448.23 million as at 31 December 2013. The increase was mainly attributable to: (i) the cash of approximately RMB490.51 million (equivalent to approximately HK\$628.2 million) received as the gross proceeds upon issuance of the PAG Convertible Bonds; (ii) the deposit of approximately RMB75.79 million (equivalent to approximately HK\$98.92 million) paid for the office acquired in Beijing, (iii) the deposit of approximately RMB295.62 million (equivalent to approximately HK\$372.54 million) paid for the acquisition of Holiday Inn BJ; and (iv) the increase of approximately HK\$273.52 million being receivables due from GZGM.

### Total liabilities

The total liabilities of the Group as at 30 June 2014 were approximately HK\$2,660.28 million, representing an increase of approximately HK\$709.48 million, or 36.37%, from approximately HK\$1,950.8 million as at 31 December 2013. The increase was mainly attributable to the liability component of approximately HK\$372.85 million related to the PAG Convertible Bonds and additional bank loans of approximately HK\$448.13 million borrowed during the 2014 Period.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Total equity

The total equity attributable to shareholders of the Company as at 30 June 2014 was approximately HK\$3,885.58 million, representing an increase of approximately HK\$455.38 million, or 13.28%, from approximately HK\$3,430.2 million as at 31 December 2013. The increase was mainly attributable to: (i) the equity component of approximately HK\$247.32 million related to the PAG Convertible Bonds and (ii) issuance of 487,166,195 shares, which amounted to approximately HK\$331.72 million, as consideration paid for the acquisitions of receivables from Beijing Holdings Ltd. ("BHL") and one of its subsidiaries during the period.

### Cash flows

As at 30 June 2014, the cash and bank balances of the Group were approximately HK\$955.57 million (31 December 2013: approximately HK\$468.15 million), of which approximately HK\$209.71 million were restricted cash (31 December 2013: approximately HK\$199.63 million). During the 2014 Period, the Group had a net cash inflow of approximately HK\$505.48 million which mainly included (i) a cash inflows from the net proceeds upon the issuance of the PAG Convertible Bonds of approximately HK\$616.29 million and new bank loans of approximately HK\$448.13 million; and (ii) cash outflows for the deposit paid for the acquisition of Holiday Inn BJ of approximately HK\$372.54 million and the acquisition of a subsidiary of approximately HK\$39.66 million; and deposit paid for the office in Beijing of approximately HK\$98.92 million.

### Liquidity and financial resources

As at 30 June 2014, for accounting purposes, the Group had total borrowings of approximately HK\$1,881.93 million (31 December 2013: approximately HK\$1,114.22 million) which included approximately HK\$1,509.08 million from bank and other borrowings and approximately HK\$372.85 million from convertible bonds. The Group's gearing ratio, which was defined as total borrowings as a percentage of total assets, was approximately 28.24% (31 December 2013: approximately 20.45%). The increase in the gearing ratio as at 30 June 2014 was mainly due to the issuance of the PAG Convertible Bonds in February 2014 and the new bank loans for financing the acquisition of Holiday Inn BJ and the Beijing office. As at 30 June 2014, the Group's bank and other borrowing balance amounted to approximately HK\$1,509.08 million, which was denominated in United States dollars ("USD"), Hong Kong dollars ("HK\$") and Renminbi ("RMB") as to 59.89%, 38.16% and 1.95%, respectively. As at 30 June 2014, the Group's cash and bank balance amounted to approximately HK\$955.57 million, which was denominated in USD, HK\$ and RMB as to 20.92%, 6.95% and 72.13%, respectively. All of the bank and other borrowings bear interest at floating rates and the PAG Convertible Bonds bears coupon rate of 4% per annum. The cash and bank balances, together with the unutilised banking facilities, are able to finance the Group's businesses at the moment. As at 30 June 2014, the Group's current ratio and quick ratio were both approximately 198.39% (31 December 2013: both were approximately 124.64%). As at 30 June 2014, all the financial covenants stipulated in the loan facility agreements and subscription agreement of the PAG Convertible Bonds have been complied with.

### Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

### Capital expenditures

During the 2014 Period, the Group spent approximately HK\$105.12 million (2013 Period: approximately HK\$2.67million) as capital expenditures, which consists of property, plant and equipment and investment properties, including assets acquired through acquisitions of subsidiary during the 2014 Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital commitments

As at 30 June 2014, the Group had outstanding contracted capital commitments aggregated to approximately HK\$2,330.45 million which comprised of commitments for:

- (i) the outstanding capital injection of approximately RMB1,140 million (equivalent to approximately HK\$1,424.09 million) to be contributed into BIPL by the Group based on 76% of the total investment amount of RMB2 billion of BIPL (assumed all total investment are contributed by capital injections by shareholders at the moment);
- (ii) the outstanding construction cost of approximately RMB68.77 million (equivalent to approximately HK\$85.91 million) committed for warehouse facilities of 衢州通成國際物流有限公司, a wholly-owned subsidiary of the Group;
- (iii) the outstanding construction cost of approximately RMB222.19 million (equivalent to approximately HK\$277.56 million) committed for the cold storage warehouse facilities of 天津中漁置業有限公司, a 60% subsidiary of the Group; and
- (iv) the outstanding consideration of approximately HK\$472.5 million payable for the acquisition of approximately 21.83% equity interest in Genvon Group Limited.

In addition, the Group had authorised but not contracted capital commitments of approximately RMB56.35 million (equivalent to approximately HK\$70.39 million) in respects of the estimated construction cost of a new warehouse for 天域萬隆物流(天津)有限公司, a 70% subsidiary of the Group.

As at 30 June 2014, the Group's share of a joint venture's own capital commitment, which is contracted but not provided for and is not included in the above, amounted to approximately HK\$27.72 million.

### Treasury policies

The Group adopts conservative treasury and risk management policies and controls tightly over its cash. The Group's cash and cash equivalents are held mainly in Hong Kong dollars, RMB and USD. Surplus cash is generally placed in short term deposits denominated in these currencies.

### Foreign exchange exposure

Majority of the subsidiaries of the Company operates in the PRC with most of the transactions denominated and settled in RMB or USD. Currently, the Group has not used derivative financial instruments to hedge its foreign currency risk.

### Charges on assets

As at 30 June 2014, the Group had bank loans with principal amounts of approximately USD118.85 million (equivalent to approximately HK\$921 million), approximately HK\$581.62 million and approximately RMB14.85 million (equivalent to approximately HK\$18.55 million) being secured by certain investment properties, cash and bank balances, trade receivables, deposits paid for the acquisition of a business and an office premise and equity interests in certain subsidiaries and a joint venture of the Group and all of which were guaranteed by the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group had a total of 162 (six months ended 30 June 2013: 115) employees. Total staff cost incurred during the 2014 Period amounted to approximately HK\$60.63 million (six months ended 30 June 2013: approximately HK\$42.83 million) (including staff cost, directors' remuneration and equity settled option expenses). The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

### SIGNIFICANT INVESTMENTS AND ACQUISITIONS

#### **Proposed acquisition of approximately 21.83% of the issued share capital of Genvon Group Limited**

Pursuant to the sale and purchase agreement dated 1 June 2014, the Group proposed to acquire approximately 21.83% of the issued share capital of Genvon Group Limited, which was incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange of Hong Kong Limited (SEHK: 2389), for a cash consideration HK\$472,500,000. The acquisition constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules. The transaction was approved by the shareholders of the Company at the special general meeting convened on 29 July 2014. As at the date of this report, the transaction has not been completed. Further details of the acquisition were set out in the Company's announcement and circular to shareholders dated 2 June 2014 and 8 July 2014, respectively. Genvon Group Limited is principally engaged in the property development in the PRC and the manufacturing and trading of power tools.

### Appreciation

The Board would like to express our appreciation to our shareholders, customers, banks and business partners for their continuous trust and support, and also to all of our staff for their dedicated efforts in facilitating the Group's business restructuring and perseverance in face of challenges.

By order of the Board  
**Beijing Properties (Holdings) Limited**  
**Yu Li**  
*Vice Chairman*

Hong Kong, 27 August 2014



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	4	65,896	4,451
Cost of sales and services		(4,214)	(1,688)
Gross profit		61,682	2,763
Other income and gains, net	4	15,896	36,208
Selling expenses		(10)	–
Administrative expenses		(86,123)	(60,166)
Provision for litigations		–	(8,243)
Other expenses		(28,023)	(6,964)
Finance costs	5	(55,544)	(19,099)
Share of losses of:			
Joint ventures		(1,405)	(9,099)
An associate		(710)	(1,532)
LOSS BEFORE TAX	6	(94,237)	(66,132)
Income tax	7	(495)	(354)
LOSS FOR THE PERIOD		(94,732)	(66,486)
Attributable to:			
Shareholders of the Company		(92,321)	(61,593)
Non-controlling interests		(2,411)	(4,893)
		(94,732)	(66,486)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	9	HK(1.42) cents	HK(1.33) cents

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(94,732)</b>	(66,486)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>(77,049)</b>	22,841
Share of other comprehensive income/(loss) of:		
Joint ventures	<b>(22,868)</b>	–
An associate	<b>165</b>	–
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX OF NIL</b>	<b>(99,752)</b>	22,841
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(194,484)</b>	(43,645)
Attributable to:		
Shareholders of the Company	<b>(189,959)</b>	(38,377)
Non-controlling interests	<b>(4,525)</b>	(5,268)
	<b>(194,484)</b>	(43,645)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

		<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>15,264</b>	20,925
Investment properties	10	<b>2,956,213</b>	2,919,061
Prepaid land lease payments		<b>253,921</b>	263,614
Goodwill		<b>168,619</b>	149,881
Investments in joint ventures		<b>918,822</b>	943,187
Investments in associates		<b>49,145</b>	50,578
Available-for-sale equity investment		<b>3,541</b>	3,630
Deposits paid for acquisitions of a business and an additional interest in a joint venture		<b>573,453</b>	200,912
Deposit paid for acquisition of a building		<b>140,544</b>	41,625
Prepayments, deposits and other receivables		<b>24,984</b>	25,614
		<b>5,104,506</b>	4,619,027
Total non-current assets		<b>5,104,506</b>	4,619,027
<b>CURRENT ASSETS</b>			
Trade receivables	11	<b>5,922</b>	16,118
Prepayments, deposits and other receivables		<b>20,823</b>	32,986
Due from joint ventures		<b>577,821</b>	311,932
Due from related parties		<b>137</b>	10
Restricted cash		<b>209,714</b>	199,633
Cash and cash equivalents		<b>745,853</b>	268,521
		<b>1,560,270</b>	829,200
Total current assets		<b>1,560,270</b>	829,200
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>634</b>	659
Other payables and accruals		<b>102,875</b>	80,807
Due to a joint venture		<b>48,705</b>	48,291
Due to related parties		<b>129,249</b>	322,521
Bank and other borrowings		<b>503,145</b>	207,722
Convertible bonds	13	–	1,832
Income tax payables		<b>1,860</b>	3,418
		<b>786,468</b>	665,250
Total current liabilities		<b>786,468</b>	665,250
<b>NET CURRENT ASSETS</b>		<b>773,802</b>	163,950
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,878,308</b>	4,782,977



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
<i>Notes</i>		
<b>NON-CURRENT LIABILITIES</b>		
Loan from a non-controlling shareholder	<b>30,370</b>	30,395
Due to a related party	<b>122,796</b>	–
Bank and other borrowings	<b>1,005,940</b>	904,669
Convertible bonds	<b>372,845</b>	–
Deferred tax liabilities	<b>341,860</b>	350,481
	<hr/>	<hr/>
Total non-current liabilities	<b>1,873,811</b>	1,285,545
	<hr/>	<hr/>
Net assets	<b>4,004,497</b>	3,497,432
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Equity attributable to shareholders of the Company</b>		
Issued capital	<b>674,999</b>	624,312
Reserves	<b>3,210,576</b>	2,805,887
	<hr/>	<hr/>
	<b>3,885,575</b>	3,430,199
<b>Non-controlling interests</b>	<b>118,922</b>	67,233
	<hr/>	<hr/>
Total equity	<b>4,004,497</b>	3,497,432
	<hr/>	<hr/>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to shareholders of the Company												
	Notes	Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Convertible bonds equity reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	PRC statutory reserves (unaudited) HK\$'000	Retained profits/(accumulated losses) (unaudited) HK\$'000	Total (unaudited) HK\$'000	Non-controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
<b>At 1 January 2014</b>		<b>624,312</b>	<b>1,400,021</b>	<b>367,278</b>	<b>115,318</b>	<b>5</b>	<b>258</b>	<b>127,788</b>	<b>2,705</b>	<b>792,514</b>	<b>3,430,199</b>	<b>67,233</b>	<b>3,497,432</b>
Loss for the period		-	-	-	-	-	-	-	-	(92,321)	(92,321)	(2,411)	(94,732)
Other comprehensive income/(loss) for the period													
Exchange differences													
- Translation of foreign operations		-	-	-	-	-	-	(74,935)	-	-	(74,935)	(2,114)	(77,049)
- Share of other comprehensive loss of joint ventures		-	-	-	-	-	-	(22,868)	-	-	(22,868)	-	(22,868)
- Share of other comprehensive income of associates		-	-	-	-	-	-	165	-	-	165	-	165
Total comprehensive loss for the period		-	-	-	-	-	-	(97,638)	-	(92,321)	(189,959)	(4,525)	(194,484)
Issue of shares upon conversion of shares option	14(a)	1,770	10,379	-	(3,906)	-	-	-	-	-	8,243	-	8,243
Issue of shares upon conversion of convertible bonds	14(b)	200	1,204	-	-	-	(172)	-	-	-	1,232	-	1,232
Acquisition of receivables	14(c), (d)	48,717	283,007	-	-	-	-	-	-	-	331,724	-	331,724
Acquisition of a subsidiary	15	-	-	-	-	-	-	-	-	-	-	56,214	56,214
Equity-settled share option arrangements		-	-	-	56,815	-	-	-	-	-	56,815	-	56,815
Issue of convertible bonds	13	-	-	-	-	-	247,321	-	-	-	247,321	-	247,321
Transfer of equity component of convertible bonds upon early redemption of convertible bonds		-	-	-	-	-	(86)	-	-	86	-	-	-
Transfer to reserves		-	-	-	-	-	-	(1,197)	1,197	-	-	-	-
<b>At 30 June 2014</b>		<b>674,999</b>	<b>1,694,611*</b>	<b>367,278*</b>	<b>168,227*</b>	<b>5*</b>	<b>247,321*</b>	<b>30,150*</b>	<b>1,508*</b>	<b>701,476*</b>	<b>3,885,575</b>	<b>118,922</b>	<b>4,004,497</b>
At 1 January 2013		383,779	-	367,278	174,952	78,535	65,815	-	5	86,503	1,156,867	(15,455)	1,141,412
Loss for the period		-	-	-	-	-	-	-	-	(61,593)	(61,593)	(4,893)	(66,486)
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations		-	-	-	-	-	23,216	-	-	-	23,216	(375)	22,841
Total comprehensive income (loss) for the period		-	-	-	-	-	23,216	-	-	(61,593)	(38,377)	(5,268)	(43,645)
Issue of shares upon conversion of share option		30	93	-	-	(38)	-	-	-	38	123	-	123
Issue of shares upon conversion of convertible bonds		90,300	522,769	-	(66,070)	-	-	-	-	-	546,999	-	546,999
Equity-settled share option arrangements		-	-	-	-	36,820	-	-	-	-	36,820	-	36,820
Transfer of equity component of convertible bonds upon early redemption of convertible bonds		-	-	-	(7,755)	-	-	-	-	7,755	-	-	-
Share of reserves of a joint venture		-	-	-	-	-	-	-	3	-	3	-	3
At 30 June 2013		474,109	522,862	367,278	101,127	115,317	89,031	-	8	32,703	1,702,435	(20,723)	1,681,712

\* These reserve accounts comprise the consolidated reserves of HK\$3,210,576,000 (unaudited) (31 December 2013: HK\$2,805,887,000) in the condensed consolidated statement of financial position as at 30 June 2014.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

		For the six months ended 30 June	
	Notes	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(94,237)	(66,132)
Adjustments for:			
Bank interest income		(4,518)	(16,100)
Other interest income		(11,357)	(10,433)
Depreciation	6	1,093	1,235
Amortisation of prepaid land lease payments	6	3,607	3,513
Provision for litigations		–	8,243
Equity-settled share option expense	6	56,815	36,820
Finance costs	5	55,544	19,099
Share of losses of joint ventures		1,405	9,099
Share of losses of associates		710	1,532
		<u>9,062</u>	<u>(13,124)</u>
Operating profit/(loss) before working capital changes			
Net movements in items of working capital		20,330	(15,712)
Income tax paid		(2,053)	–
		<u>27,339</u>	<u>(28,836)</u>
<b>Net cash flows from/(used in) operating activities</b>			
<b>Cash flows from investing activities</b>			
Interest received		17,331	26,533
Acquisition of a subsidiary	15	(39,656)	–
Investment in a joint venture		–	(149,500)
Deposits paid for the acquisition of a business		(372,541)	(68,542)
Deposit paid for the acquisition of an office		(98,919)	–
Net advance from a joint venture		–	43,055
Other investing activities		(1,186)	35,650
		<u>(494,971)</u>	<u>(112,804)</u>
<b>Net cash flows used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Issue of convertible bonds	13	616,286	–
New bank loans		448,130	–
Redemption of convertible notes		(650)	(61,158)
Interest paid		(32,575)	(46)
Other financing activities		(58,082)	(3,784)
		<u>973,109</u>	<u>(64,988)</u>
<b>Net cash flows from/(used in) in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>505,477</b>	<b>(206,628)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>468,154</b>	<b>1,769,367</b>
<b>Effect of foreign exchange rate changes</b>		<b>(18,064)</b>	<b>29,098</b>
		<u>955,567</u>	<u>1,591,837</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		745,853	1,591,837
Add: Restricted cash		209,714	–
		<u>955,567</u>	<u>1,591,837</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		955,567	1,591,837



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies and basis of preparation adopted in the preparation of these interim condensed financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013 except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which became effective for the first time for the current period's financial statements, as further detailed in note 2 below.

These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company's audit committee.

## 2. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's condensed consolidated financial statements:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments</i> : <i>Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of these new and revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the properties business segment engages in the development and leasing of commercial properties in Mainland China and provision of related management services; and
- (b) the logistics business segment engages in the provision of logistics services, including leasing of warehouse facilities and provision of related management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax, except that bank and other interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 3. OPERATING SEGMENT INFORMATION (Continued)

Segment assets excluded amounts due from joint ventures and related parties, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

The following tables present revenue, profit or loss and assets information for the Group's reportable operating segments during the period.

	Properties business		Logistics business		Total	
	For the six months ended 30 June 2014 (Unaudited) HK\$'000	For the six months ended 30 June 2013 (Unaudited) HK\$'000	For the six months ended 30 June 2014 (Unaudited) HK\$'000	For the six months ended 30 June 2013 (Unaudited) HK\$'000	For the six months ended 30 June 2014 (Unaudited) HK\$'000	For the six months ended 30 June 2013 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	-	-	65,896	4,451	65,896	4,451
<b>Reconciliation:</b>						
Bank interest income					4,518	16,100
Other interest income					11,357	10,433
Unallocated gains					21	9,675
Revenue, other income and gains, net					81,792	40,659
<b>Segment results:</b>						
The Group	(397)	-	39,941	(19,077)	39,544	(19,077)
Share of losses of:						
Joint ventures	1,751	-	(3,156)	(9,099)	(1,405)	(9,099)
An associate	(710)	-	-	(1,532)	(710)	(1,532)
	644	-	36,785	(29,708)	37,429	(29,708)
<b>Reconciliation:</b>						
Bank interest income					4,518	16,100
Other interest income					11,357	10,433
Unallocated gains					21	9,675
Corporate and unallocated expenses					(92,018)	(53,533)
Finance costs					(55,544)	(19,099)
Loss before tax					(94,237)	(66,132)

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 3. OPERATING SEGMENT INFORMATION (Continued)

	Properties business		Logistics business		Total	
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
<b>Segment assets</b>	<b>567,195</b>	578,699	<b>4,421,467</b>	3,890,830	<b>4,988,662</b>	4,469,529
<b>Reconciliation:</b>						
Corporate and other unallocated assets					<b>1,676,114</b>	978,698
Total assets					<b>6,664,776</b>	5,448,227

### Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets (other than financial assets) of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of the interim condensed financial statements.

### Information about major customers

During the six months ended 30 June 2014, the Group had no transactions with customer which contributed over 10% of the Group's total revenue (six months ended 30 June 2013: one customer from the logistics business segment with sales amounting to HK\$1,657,000).



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, mainly represents the gross rental income received and receivable from investment properties, net of business tax and government surcharges.

An analysis of other income and gains, net is as follows:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Bank interest income	4,518	16,100
Other interest income	11,357	10,433
Foreign exchange differences, net	–	9,675
Others	21	–
	<u>15,896</u>	<u>36,208</u>

### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interests on bank loans and other loans wholly repayable within five years	33,053	2,961
Imputed interest on convertible bonds (note 13)	13,056	11,539
Interest on convertible bonds	9,396	–
Loss on early redemption of convertible bonds	39	4,599
	<u>55,544</u>	<u>19,099</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Direct cost of rental income	3,681	1,149
Cost of services provided	533	539
Depreciation	1,093	1,235
Amortisation of prepaid land lease payments	3,607	3,513
Equity-settled share option expenses <sup>#</sup>	56,815	36,820
Foreign exchange differences, net	15,091	(9,675)

<sup>#</sup> Equity-settled share option expenses amounting to HK\$45,123,000 (six months ended 30 June 2013: HK\$29,863,000) and HK\$11,692,000 (six months ended 30 June 2013: HK\$6,957,000) are included in "Administrative expenses" and "Other expenses" on the face of the condensed consolidated statement of profit or loss, respectively.

### 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during both periods.

The People's Republic of China (the "PRC") corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Mainland China:		
Current	495	–
Deferred	–	354
	495	354

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 8. INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

### 9. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount for the period is based on the unaudited loss for the period attributable to shareholders of the Company of HK\$92,321,000 (six months ended 30 June 2013: HK\$61,593,000) and the weighted average number of 6,479,136,425 (six months ended 30 June 2013: 4,621,340,434) ordinary shares in issue during the period.

In respect of the diluted loss per share amount, no adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2014 and 2013 as the impact of the share options and convertible bonds outstanding during these periods had anti-dilutive effects on the basic loss per share amounts presented.

### 10. INVESTMENT PROPERTIES

The fair value of investment properties as at 30 June 2014 was arrived at the quoted open market value by reference to observable prices in recent market transactions in comparable properties in the PRC, which was comparable to the fair value of investment properties as at 31 December 2013. The directors of the Company do not consider there was any material change in the fair value of investment properties during the six months ended 30 June 2014. The increase in carrying amount of investment properties was due to the net effect of additions and negative exchange realignment during the period.

### 11. TRADE RECEIVABLES

Trade receivables of the Group as at 30 June 2014 and 31 December 2013 represented rental income receivable from tenants of the Group's investment properties. Overdue trade receivables were not impaired as they were fully collateralised by the security deposits paid by the relevant tenants.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one month	<b>5,906</b>	4,751
One to three months	–	10,744
Four to six months	–	607
Over six months	<b>16</b>	16
	<b>5,922</b>	16,118



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one month	–	102
Two to three months	<b>634</b>	557
	<b>634</b>	659

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

### 13. CONVERTIBLE BONDS

The Company had two batches of convertible bonds outstanding during the six months ended 30 June 2014, the summary information of which is set out as follows:

	<b>Placing Convertible Bonds*</b> <i>(note (a))</i>	<b>PAG Convertible Bonds</b> <i>(note (b))</i>
Issuance date	3 December 2010	12 February 2014
Maturity date	2 December 2015	11 February 2019
Redemption option of the convertible bonds holders	Any day after the first anniversary of the issuance date	Any day after the third anniversary of the issuance date
Original principal amount	HK\$499,850,000	RMB490,510,000
Coupon rate	Zero	4%
Conversion price per ordinary share of the Company (HK\$)	0.65	0.74

\* As defined in the circular of the Company dated 16 August 2010 in connection with issuance of the convertible bonds.

Notes:

- (a) The Placing Convertible Bonds were issued to certain independent third parties on 3 December 2010 by a placing agent pursuant to a placing agreement dated 25 June 2010 for the purpose of financing future investments in property and logistics business operations in the PRC and providing additional working capital to the Group.
- (b) The convertible bonds were issued to PA Broad Opportunity VI Limited (the "PAG Convertible Bonds") pursuant to a subscription agreement dated 24 January 2014 for the purpose of enhancement working capital and strengthening capital base and financial position of the Group.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 13. CONVERTIBLE BONDS (Continued)

Further details of the Placing Convertible Bonds are set out in the Company's circular dated 16 August 2010 and announcements dated 25 June 2010, 29 June 2010, 29 October 2010 and 3 December 2010, respectively. Details of the PAG Convertible Bonds is set out in the Company's announcements dated 26 January 2014 and 12 February 2014.

Each batch of these convertible bonds was bifurcated into a liability component and an equity component for accounting purposes. The following tables summarise the movements in the principal amounts, and liability and equity components of the Company's convertible bonds during the period:

	<b>Placing Convertible Bonds</b>	<b>PAG Convertible Bonds</b>	<b>Total</b>
<i>Note</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Principal amount outstanding</b>			
At 1 January 2014	1,950	–	1,950
Issue of convertible bonds	–	628,196	628,196
Conversion to ordinary shares	(1,300)	–	(1,300)
Redemption	(650)	–	(650)
At 30 June 2014	–	628,196	628,196
<b>Liability component</b>			
At 1 January 2014	1,832	–	1,832
Issue of convertible bonds*	–	368,965	368,965
Transfer to share capital and share premium account upon conversion to ordinary shares	(1,232)	–	(1,232)
Redemption	(611)	–	(611)
Imputed interest expenses	5	13,045	13,056
Exchange realignment	–	(9,165)	(9,165)
At 30 June 2014	–	372,845	372,845
<b>Equity component (included in the convertible bond equity reserve)</b>			
At 1 January 2014	258	–	258
Issue of convertible bonds	–	247,321	247,321
Transfer to share capital and share premium account upon conversion to ordinary shares	(172)	–	(172)
Redemption	(86)	–	(86)
At 30 June 2014	–	247,321	247,321

\* The net liability component at the issuance date was HK\$368,965,000, which was net of direct transaction costs of HK\$4,768,000 and exchange difference of HK\$7,142,000.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 14. SHARE CAPITAL

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.10 each	<b>1,000,000</b>	1,000,000
<i>Issued and fully paid:</i>		
6,749,987,849 (31 December 2013: 6,243,121,654) ordinary shares of HK\$0.10 each	<b>674,999</b>	624,312

A summary of transactions during the period in the Company's issued capital is as follows:

	<i>Notes</i>	<b>Number of issued and fully paid ordinary shares (Unaudited)</b>	<b>Issued share capital (Unaudited) HK\$'000</b>
At 1 January 2014		6,243,121,654	624,312
Share options exercised	<i>(a)</i>	17,700,000	1,770
Shares issued upon conversion of convertible bonds	<i>(b)</i>	2,000,000	200
Issue of consideration shares for acquisition of receivables	<i>(c) &amp; (d)</i>	487,166,195	48,717
At 30 June 2014		<b>6,749,987,849</b>	<b>674,999</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 14. SHARE CAPITAL (Continued)

Notes:

- (a) During the period, the subscription rights attaching to 7,700,000, 4,000,000 and 6,000,000 share options were exercised at the subscription prices of HK\$0.41, HK\$0.574 and HK\$0.465 per share, respectively, for a total cash consideration, before expenses, of HK\$8,243,000.
- (b) During the period, the Placing Convertible Bonds with an aggregate principal amount of HK\$1,300,000 were converted by bondholders into 2,000,000 ordinary shares of the Company at the conversion price of HK\$0.65 per share. The difference between the nominal value of the ordinary shares issued of HK\$200,000 and the then aggregate carrying amounts of the liability and equity components of the Placing Convertible Bonds at the dates of conversions of HK\$1,404,000, amounting to HK\$1,204,000, were transferred to the Company's share premium account.
- (c) On 1 April 2014, the Company allotted and issued 433,199,610 new ordinary shares of the Company as the consideration for the acquisitions receivables in an aggregate amount of HK\$284,876,000 to Beijing Holdings Ltd. ("BHL"), a fellow subsidiary of the Company. Further details of the transactions are set out in the Company's announcements dated 24 January 2014, 14 February 2014 and 1 April 2014, and circular dated 6 March 2014, respectively.
- (d) On 30 May 2014, the Company allotted and issued 53,966,585 new ordinary shares of the Company as part of the consideration for the acquisition of a receivable from a subsidiary of BHL with a principal amount of HK\$46,848,000. Further details of the transaction are set out in the Company's announcements dated 8 April 2014 and 30 May 2014, and circular dated 8 May 2014, respectively.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 15. BUSINESS COMBINATION

On 13 May 2014, the Group completed the acquisition of 60% equity interest in 天津中漁置業有限公司 (Tianjin Zhongyu Properties Co., Ltd. ("TJ Zhongyu")) through a capital contribution of RMB82,500,000 (equivalent to HK\$103,059,000) to TJ Zhongyu by the Group.

The provisional fair values of the identifiable assets and liabilities of the subsidiary acquired at the date of acquisition are as follows:

	<b>Fair value recognised on acquisition</b> (Unaudited) HK\$'000
Net assets acquired:	
Property, plant and equipment	161
Investment properties	80,229
Prepayment, deposits and other receivables	2,992
Prepayments	7,196
Cash and cash equivalents	63,403
Other liabilities	(13,446)
Total identifiable net assets at fair value	140,535
Non-controlling interests	(56,214)
	84,321
Provisional goodwill arising from acquisition	18,738
Total cash consideration	103,059

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	(103,059)
Cash and cash equivalents acquired	63,403
Net outflow of cash and cash equivalents included in cash flows from investing activities	(39,656)

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 15. BUSINESS COMBINATION (Continued)

The transaction costs incurred for this acquisition was immaterial and have been expensed and included in administrative expenses in profit or loss.

The fair value of other receivables, which is also their contractual amounts, is HK\$10,000, which is not expected to be uncollectible.

The provisional goodwill of HK\$18.74 million arising from the acquisition is attributable to its anticipated profitability and the anticipated future operating synergies from the business combination. None of the goodwill arising from this acquisition is expected to be deductible for tax purpose. The goodwill arising from the above acquisition is determined on a provisional basis as the Group is in the process of completing the independent valuation to assess the fair value of the identified assets acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the acquisition date.

During the period ended 30 June 2014, TJ Zhongyu is still under pre-operation status and there was no turnover generated nor loss incurred.

### 16. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Authorised, but not provided for:		
Construction of warehouse	<u>70,392</u>	<u>72,167</u>
Contracted, but not provided for:		
Acquisition of an associate	<b>472,500</b>	–
Acquisition of subsidiaries	–	484,260
Acquisition of an office building	–	97,068
Capital contribution to a joint venture	<b>1,424,088</b>	1,460,004
Construction of warehouses	<b>363,470</b>	14,178
	<u><b>2,260,058</b></u>	<u>2,055,510</u>
Total capital commitments	<u><b>2,330,450</b></u>	<u>2,127,677</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 17. RELATED PARTY DISCLOSURES

(a) The Group entered into the following material transactions with related parties during the period:

Name of the related party	Nature of transaction	Notes	For the six months ended 30 June	
			2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>An associate of the ultimate holding company</b>				
Beijing Leading Edge Container Services Company Limited	Rental income	(i)	1,626	1,657
<b>A fellow subsidiary</b>				
Beijing Holdings Limited	Rental expenses	(ii)	906	893
	Acquisitions of receivables	(iii)	331,724	–
<b>Joint venture</b>				
北京北建通成國際物流有限公司	Interest income	(iv)	11,357	10,433

- (i) The rental income related to the lease of a warehouse, a platform office and an office by the Group to an associate of the ultimate holding company of the Company for its business activities. The transaction also constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Further details of this transaction are set out in the Company's announcement dated 31 December 2012.
- (ii) The rental expenses were charged at a mutually agreed amount of RMB1,441,000 per annum. The transactions also constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the transactions can be found on the websites of the Company and the Stock Exchange.
- (iii) During the period, the Company issued an aggregate of 487,166,195 new ordinary shares to BHL and its subsidiaries (collectively, the "BHL Group") as considerations for the acquisitions of receivables from the BHL Group amounted to HK\$331,724,000. Further details of the transactions are set out in notes 14(c) and (d) to these interim financial statements.
- (iv) The interest income was charged at the rate of the PRC one year's term loan rate as published by the People's Bank of China. The transactions also constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the transactions can be found on the websites of the Company and the Stock Exchange.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 17. RELATED PARTY DISCLOSURES (Continued)

- (b) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "Other SOEs"). During the period, the Group had transactions with the Other SOEs including, but not limited to, bank borrowings and deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are individually or collectively significant related party transactions that require separate disclosure in the financial statements.

- (c) During the period ended 30 June 2014, the Company granted 54,500,000 (2013: 79,000,000) share options to several directors of the Company with the exercise periods from 31 March 2014 to 30 March 2024 (2013: 24 May 2013 to 23 May 2023) at an exercise price of HK\$0.94 (2013: HK\$0.574) per ordinary share.
- (d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	3,845	1,879
Equity-settled share option expenses	11,238	20,667
Total compensation paid to key management personnel	15,083	22,546

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

The following table sets out a comparison, by carrying amount and fair value, of the Group's financial instruments that are carried in the financial statements at other than fair value. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates and the Group's own non-performance risk for the financial liabilities was assessed to be insignificant.

	Carrying amount		Fair value	
	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current financial asset:				
Prepayments, deposits and other receivables	<b>24,984</b>	25,614	<b>24,359</b>	24,749
Non-current financial liabilities:				
Loan from a non-controlling shareholder	<b>30,370</b>	30,395	<b>29,343</b>	29,369
Due to a related party	<b>122,796</b>	–	<b>118,645</b>	–
Bank and other borrowings	<b>1,005,940</b>	904,669	<b>1,005,940</b>	904,669
	<b>1,159,106</b>	935,064	<b>1,153,928</b>	934,038

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 19. EVENTS AFTER THE REPORTING PERIOD

#### (a) Proposed issuance of 35 redeemable shares by a subsidiary

Pursuant to the subscription agreement and the shareholder agreement both dated 11 July 2014, entered into between the Company, China Logistics Infrastructures (Holdings) Limited (a subsidiary of the Company, "China Logistics") and an independent third party (the "Subscriber"), China Logistics agreed to issue 35 redeemable shares to the Subscriber at a total consideration of RMB888,000,000. As at the date of this report, the transaction has not been completed and is subject to fulfilment of certain conditions precedent. Further details of the transaction were set out in the Company's announcements to shareholders dated 11 July 2014, 14 July 2014 and 28 July 2014.

China Logistics is principally engaged in the e-commerce and port related logistics properties business in the PRC.

#### (b) Acquisition of Land Use Rights in Quzhou

On 11 July 2014, Quzhou Tongcheng International Logistics Limited, a wholly-owned subsidiary of the Company, made a successful bid for the land use right for a parcel of land of approximately 227,396 square metres (the "Site") through an open tender auction organised and held by the Quzhou City Public Resources Exchange Center, at a consideration of RMB129,620,000 (equivalent to approximately HK\$163,179,000). The Site is allowed for warehouse development and the land use right is for 40 years. The consideration was fully paid on 15 July 2014.

#### (c) Acquisition of 50% equity interest in JV Company in PRC

On 18 July 2014, the Company entered into a joint venture agreement with an independent third party in relation to the acquisition of 50% equity interest in BCOF International Trading Co., Ltd (北京北糧國際經貿有限公司, the "JV") by a capital injection into the JV, at a consideration of RMB219,782,600. As at the date of this report, the transaction has not been completed and is subject to fulfilment of certain conditions precedent. Further details of the acquisition are set out in the Company's announcements dated 18 July 2014 and 24 July 2014.

#### (d) Proposed acquisition of approximately 21.83% equity interest in Genvon Group Limited

Pursuant to a conditional sale and purchase agreement dated 1 June 2014, the Group proposed to acquire approximately 21.83% equity interest of Genvon Group Limited, which is incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange of Hong Kong Limited (SEHK: 2389), for a cash consideration HK\$472,500,000. The transaction was approved by the shareholders of the Company at the special general meeting convened on 29 July 2014. As at the date of this report, the transaction has not been completed and is subject to fulfilment of certain conditions precedent. Further details of the acquisition are set out in the Company's announcement and circular to shareholders dated 2 June 2014 and 8 July 2014, respectively. Genvon Group Limited is principally engaged in the property development in the PRC and the manufacturing and trading of power tools.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 19. EVENTS AFTER THE REPORTING PERIOD (Continued)

**(e) Reclassification of 廣州光明房產建設有限公司 (“GZGM”) from a joint venture to a subsidiary**

According to the memorandum and articles of association of GZGM, unanimous approval from all directors of GZGM is required for any resolution raised at its directors' meeting. As a result, in the opinion of the directors, the Group only has joint control over GZGM, notwithstanding that the Group has 80% equity interest and voting power in GZGM, and had classified the investment in GZGM as a joint venture and using equity method in accordance with HKAS 28 (2011) to account for GZGM.

During the period, the memorandum and articles of association of GZGM was restated (the “Restated M&A”) and pursuant to which, the Group has seven out of nine directors in the board of directors of GZGM and all resolutions raised in the directors' meeting can be passed by two-third of the board members. On 31 July 2014, the Restated M&A and an inherit acquisition of an additional 19% equity interest in GZGM, which had been proposed prior to the Group acquired GZGM on 31 December 2013, were approved by the relevant government authorities. Accordingly, the directors of the Company considered that (i) the Group has control over GZGM and reclassified the investment in GZGM from a joint venture to a subsidiary; (ii) the inherit acquisition of an additional 19% equity interest in GZGM was completed.

**(f) Completion of the acquisition of 75% equity interest in 北京金都假日飯店有限公司 (“Holiday Inn BJ”)**

Pursuant to a conditional sales and purchase agreement dated 28 October 2013, the Group acquired 75% equity interest of Holiday Inn BJ from a third party for a cash consideration of RMB415,620,300 (equivalent to HK\$526,232,000). As at 30 June 2014, the full amount had been paid by the Group to the vendor as a tendering deposit. The transaction was completed on 7 August 2014, and Holiday Inn BJ has become a subsidiary of the Group since then. Further details of this transaction were set out in the Company's announcements dated 28 October 2013 and 7 August 2014 and the Company's circular dated 24 January 2014.

### 20. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2014.

## DISCLOSEABLE INFORMATION

### DISCLOSURES PURSUANT TO RULES 13.22 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the following disclosure is included in respect of financial assistance given to an affiliated company. As at the latest practicable date (i.e. 30 June 2014), the Group has provided to the affiliated company financial assistance and guarantees amounting, in aggregate, to approximately HK\$576,179,000, which exceeded 8% of the assets ratio of the Company, as defined under Rule 14.07(1) of the Listing Rules. The combined statement of financial position of the affiliated company as at 30 June 2014 and the Group's attributable interest therein are as follows:

	<b>Combined statement of financial position</b> (Unaudited) HK\$'000	<b>The Group's attributable interest</b> (Unaudited) HK\$'000
Non-current assets	1,774,991	1,418,573
Current assets	240,433	192,154
Non-current liabilities	(445,394)	(355,959)
Current liabilities	(981,496)	(784,412)
Net assets	<u>588,534</u>	<u>470,356</u>
Paid-up capital	217,745	
Reserves	<u>370,789</u>	
Equity	<u>588,534</u>	

### DIRECTORS' INTERESTS IN CONTRACTS AND CONTRACTS OF SIGNIFICANT

No contracts of significance to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during and at the end of the period.



## DISCLOSEABLE INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the interests and short position 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")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

#### Long position in the ordinary shares of the Company

Name of director	Nature of interest	Number of shares held	Percentage of the Company's issued share capital (%)
Mr. Yu Luning	Beneficial Owner	<u>2,476,000</u>	0.04

#### Long position in underlying shares of the Company

The interests of the directors and chief executive in the share options of the Company are separately disclosed in the section "Share option schemes" below.

Save as disclosed above, as at 30 June 2014, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEMES

On 18 March 2010, the Company has adopted new share option scheme (the "Scheme") to replace the old share option scheme adopted on 18 June 2002 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK\$1 per grant of options.

## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (Continued)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of Offer of the share options; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares. The exercise price of the share options is subject to adjustment in case of right or bonus issues, or other similar changes in the Company's share capital.

Share options do not counter rights on the holders to dividends or to vote at shareholders' meetings.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2014:

Name or category of participant	Number of share options					Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK\$ per share	The closing price of Company's ordinary shares immediately before the date of grant HK\$ per share
	At 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	At 30 June 2014				
<b>Directors:</b>									
Mr. Yu Li	6,000,000	-	-	-	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	4,250,000	-	-	-	4,250,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	11,000,000	-	-	-	11,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	9,000,000	-	-	9,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	21,250,000	9,000,000	-	-	30,250,000				
Mr. Qian Xu	6,000,000	-	-	-	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	6,000,000	-	-	-	6,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	10,000,000	-	-	-	10,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	9,000,000	-	-	9,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	22,000,000	9,000,000	-	-	31,000,000				

## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (Continued)

Name or category of participant	Number of share options					Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK\$ per share	The closing price of Company's ordinary shares immediately before the date of grant HK\$ per share
	At 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	At 30 June 2014				
<b>Directors: (Continued)</b>									
Mr. Xu Taiyan	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	5,000,000	-	-	-	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	6,000,000	-	-	-	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	4,000,000	-	-	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	16,000,000	4,000,000	-	-	20,000,000				
Mr. Jiang Xinhao	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	3,300,000	-	-	-	3,300,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	6,000,000	-	-	-	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	4,000,000	-	-	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	14,300,000	4,000,000	-	-	18,300,000				
Ms. Meng Fang	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	5,000,000	-	-	-	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	6,000,000	-	-	-	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	4,000,000	-	-	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	16,000,000	4,000,000	-	-	20,000,000				
Mr. Siu Kin Wai	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	5,000,000	-	-	-	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	6,000,000	-	-	-	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	5,000,000	-	-	5,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	16,000,000	5,000,000	-	-	21,000,000				
Mr. Yu Luning	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	5,000,000	-	-	-	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	4,000,000	-	-	-	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	4,000,000	-	-	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	14,000,000	4,000,000	-	-	18,000,000				
Mr. Liu Xueheng	5,000,000	-	-	-	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	4,000,000	-	-	-	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	4,000,000	-	-	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	9,000,000	4,000,000	-	-	13,000,000				
Mr. Ang Renyi	4,000,000	-	(4,000,000)	-	-	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	4,000,000	-	-	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	4,000,000	4,000,000	(4,000,000)	-	4,000,000				

## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (Continued)

Name or category of participant	Number of share options					Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK\$ per share	The closing price of Company's ordinary shares immediately before the date of grant HK\$ per share
	At 1 January 2014	Granted during the period	Exercised during the period	Cancelled during the period	At 30 June 2014				
<b>Directors: (Continued)</b>									
Mr. Goh Gen Cheung	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	1,837,700	-	-	-	1,837,700	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	2,000,000	-	-	-	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	1,500,000	-	-	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	5,837,700	1,500,000	-	-	7,337,700				
Mr. Ma Chiu Cheung, Andrew	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	1,837,700	-	-	-	1,837,700	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	2,000,000	-	-	-	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	1,500,000	-	-	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	5,837,700	1,500,000	-	-	7,337,700				
Mr. Ng Tang Fai, Ernesto	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	1,837,700	-	-	-	1,837,700	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	2,000,000	-	-	-	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	1,500,000	-	-	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	5,837,700	1,500,000	-	-	7,337,700				
Mr. Zhu Wuxiang	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	2,000,000	-	-	-	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	1,500,000	-	-	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
		4,000,000	1,500,000	-	-	5,500,000			
Mr. James Chan	2,000,000	-	-	-	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	2,000,000	-	-	-	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	1,500,000	-	-	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
		4,000,000	1,500,000	-	-	5,500,000			
<b>Other employees and consultants in aggregate:</b>	148,000,000	-	(6,000,000)	-	142,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465	0.47
	263,550,000	-	(7,700,000)	-	255,850,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410	0.41
	113,000,000	-	-	-	113,000,000	24-May-13	24-May-13 to 23-May-23	0.574	0.53
	-	135,500,000	-	-	135,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940	0.92
	524,550,000	135,500,000	(13,700,000)	-	646,350,000				
	682,613,100	190,000,000	(17,700,000)	-	854,913,100				



## DISCLOSEABLE INFORMATION

### SHARE OPTION SCHEMES (Continued)

Notes:

- 1 The share options have no vesting period and the exercise price is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- 2 The weighted average closing price of the Company's shares immediately before the exercise dates of the share options during the period was HK\$0.87 per share. The closing price of the Company's shares immediately before the date on which the options were granted during the period was HK\$0.92 per shares.
- 3 Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraphs "Directors' and chief executive's interests in shares and underlying shares" and "Share option schemes", at no time during the six months ended 30 June 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, under the age of 18 or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## DISCLOSEABLE INFORMATION

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2014, the following interests and short positions of 5% or more of the issued share capital and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions in shares and underlying shares of the Company:

Name	Notes	Number of shares held, capacity and nature of interest		Number of underlying shares held, capacity and nature of interest		Total	Approximate percentage of the Company's issued share capital
		Directly beneficially owned	Through a controlled corporation	Directly beneficially owned	Through a controlled corporation		
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	23.08%
Beijing Enterprises Real Estate (HK) Limited	(b)	2,417,076,407	1,557,792,500	–	–	3,974,868,907	58.88%
北京北控置業有限責任公司 (Beijing Enterprises Group Real Estate Co., Limited)	(c)	–	3,974,868,907	–	–	3,974,868,907	58.88%
Illumination Holdings Limited	(d)	87,451,458	–	–	–	87,451,458	1.30%
Beijing Holdings Limited	(e)	487,166,195	87,451,458	–	–	574,617,653	8.51%
Beijing Enterprises Group Company Limited	(f)	–	4,549,486,560	–	–	4,549,486,560	67.39%
Thular Limited	(g)	300,000,000	–	–	–	300,000,000	4.44%
Kerry Holdings Limited	(g)	–	300,000,000	–	–	300,000,000	4.44%
Kerry Group Limited	(g)	–	300,000,000	–	–	300,000,000	4.44%
PA Broad Opportunity VI Limited	(h)	–	–	838,573,244	–	838,573,244	12.42%
Pacific Alliance Asia Opportunity Fund L.P.	(h)	–	–	–	838,573,244	838,573,244	12.42%
Pacific Alliance Group Asset Management Limited	(h)	–	–	–	838,573,244	838,573,244	12.42%
Pacific Alliance Group Limited	(h)	–	–	–	838,573,244	838,573,244	12.42%
Pacific Alliance Investment Management Limited	(h)	–	–	–	838,573,244	838,573,244	12.42%
PAG Holdings Limited	(h)	–	–	–	838,573,244	838,573,244	12.42%

## DISCLOSEABLE INFORMATION

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)**

#### **Long positions in shares and underlying shares of the Company: (Continued)**

Notes:

- (a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 Shares.
- (b) Beijing Enterprises Real Estate (HK) Limited ("BEREHK") (i) holds 2,417,076,407 Shares; and (ii) is deemed to be interested in the 1,557,792,500 Shares of Brilliant Bright by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.
- (c) BEREHK is a wholly-owned subsidiary of Beijing Enterprises Group Real-Estate Co., Ltd ("BEGREC"). BEGREC is deemed to be interested in the Shares which BEREHK is interested in.
- (d) Illumination Holdings Limited ("Illumination") holds 87,451,458 Shares.
- (e) Beijing Holdings Limited ("BHL") (i) holds 487,166,195 shares; and (ii) is deemed to be interested in the 87,451,458 Shares by of Illumination virtue of its controlling interests in its wholly-owned subsidiary, Illumination. BHL is deemed to be interested in the Shares which Illumination is interested in.
- (f) BEGREC and BHL are wholly-owned subsidiaries of Beijing Enterprises Group Company Limited ("BEGCL"). BE Group is deemed to be interested in the Shares which BEGREC and BHL are interested in.
- (g) Thular Limited ("Thular") (formerly known as Timekey Limited) is the beneficial owner of 300,000,000 Shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the Shares held by Thular.
- (h) PA Broad Opportunity VI Limited holds 838,573,244 underlying shares through its ownerships in the convertible bonds with principal amount of RMB490,510,000 (equivalent to approximately US\$80,000,000) of the Company which are convertible at HK\$0.74 per Share.

Save as disclosed above, as at 30 June 2014, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### **CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES**

Changes in information of directors since the date of the Annual Report 2013 of the Company up to the date of this report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

On 10 July 2014, Mr. Xu Taiyan resigned as an executive director of the Company.

Directors' updated biographies are available on the Company's website.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## DISCLOSEABLE INFORMATION

### SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount	Final Maturity	Specific performance obligations
31 October 2013	Term loan facility with a syndicate of banks	USD120 million	October 2016	Note 1
24 January 2014	Subscription agreement for issuance of convertible bonds	RMB490.51 million	February 2019	Note 2
21 February 2014	Term loan facility with a bank	HK\$342 million	February 2015	Note 1
7 May 2014	Term loan facility with a bank	HK\$88 million	May 2016	Note 1

Notes:

1. The Company undertakes to the bank(s) that the borrower (which is a subsidiary of the Company) will procure Beijing Enterprises Group Company Limited ("BEGCL") to continue to beneficially own (directly or indirectly) at least 40% of the entire issued share capital of the Company. If the borrower fails to perform or comply with this, the bank is entitled to require, by written notice to the Company to cure such default within the time specified by the bankers. If the Company does not remedy such failure to the bank's satisfaction, the bank is entitled to (a) declare the loan under the Agreement(s), accrued interest and all other sums payable under the Agreement(s) immediately due and payable; and (b) declare the loan facility terminated whereupon the obligation of the bank to make any advance under the loan facility shall immediately cease.
2. The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality does not, directly or indirectly, through BEGCL or other companies under its supervision and control, hold at least 40% of the Company's issued and outstanding capital stock or does not control the Company. If the Company fails to perform or comply with this, the holder(s) of the convertible bonds will have the right at such holder's option, to require the Company to redeem all or some only of such holder's convertible bonds of their early redemption amount together with any interest accrued but unpaid to such date.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2014.



# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CG CODE”)

In the opinion of the Directors, the Company has complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014, except as disclosed herein below.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the six months ended 30 June 2014, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from code provision A.6.7.

Under the revised code provision E.1.2, the Chairman of the Board should attend the Annual General Meeting and invite the chairmen of Audit, Investment and Risk Management, Remuneration, Nomination and any other committees (as appropriate) to attend. Mr. Zhou Si has resigned as a chairman of the Company from 21 January 2014. Until now, the Board still has not elected and appointed chairman of the Company. All the Chairman’s duties and responsibilities is temporary carrying on by the vice-chairman of the Company. However, in the Annual General Meeting held on 13 June 2014 (the “2014 AGM”), our vice-chairman was unable to attend the meeting due to his other business commitments. He appointed Mr. Siu Kin Wai, the Executive Director and Company Secretary of the Company to chair the meeting on his behalf and chairmen of the Audit, Investment and Risk Management, Remuneration and Nomination Committees had also attended the 2014 AGM. The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

## COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SHARE DEALING

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Director’s securities transaction during the six months ended 30 June 2014.

## INVESTMENT AND RISK MANAGEMENT COMMITTEE

The Investment and Risk Management Committee of the Company was established on 4 May 2011, which is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; and (iii) assessing the operating risks of the Company and our subsidiaries and recommending solutions to the Board.

During the six months ended 30 June 2014, the members of the Investment and Risk Management Committee are Mr. Liu Xueheng (Chairman), Mr. Qian Xu, Mr. Jiang Xinhao, Ms. Meng Fang, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Zhu Wuxiang and Mr. Ang Renyi. All members except Mr. Zhu Wuxiang are Executive Directors of the Company as the committee will mostly involve in operational matters of the Group. Mr. Zhu Wuxiang is the representative of Independent Non-Executive Directors to join the committee to provide independent and professional opinion.

## CORPORATE GOVERNANCE REPORT

### AUDIT COMMITTEE

The Audit Committee of the Company was established in accordance with the requirements of the CG Code as set out in Appendix 14 of the Listing Rules. It comprises five Independent Non-Executive Directors of the Company to review on matters regarding internal controls and financial reporting of the Group, including review of the unaudited interim results for the six months ended 30 June 2014 and considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

During the six months ended 30 June 2014, the Audit Committee members are all Independent Non-Executive Directors. Members of the Audit Committee are Mr. Ma Chiu Cheung, Andrew (Chairman), Mr. Goh Gen Cheung, Mr. Ng Tang Fai, Ernesto, Mr. Zhu Wuxiang and Mr. James Chan.

### REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005, which is responsible for formulating and making recommendation to the Board on the Group's policy and structure for all the remunerations of the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

During the six months ended 30 June 2014, the majority of the Remuneration Committee members are Independent Non-Executive Directors. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. Ma Chiu Cheung, Andrew, Mr. Ng Tang Fai, Ernesto, Mr. James Chan and Mr. Yu Luning.

### NOMINATION COMMITTEE

The Nomination Committee was established in 2005, which is responsible for nominating and affirming candidates approved by the Board, reviewing the structure and composition of the Board on a regular basis, ensuring the competitive position of the organisation, evaluating the leadership abilities of Executive and Non-Executive Directors and ensuring fair and transparent procedures for the appointment of directors to the Board.

During the six months ended 30 June 2014, the majority of the Nomination Committee members are Independent Non-Executive Directors. Members of the Nomination Committee are Mr. Ng Tang Fai, Ernesto (Chairman), Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew, Mr. James Chan, Mr. Qian Xu, Mr. Yu Luning and Ms. Meng Fang.

### INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the system of internal controls and reviewing financial, operational, compliance controls and risk management functions within an established framework. In view of strengthening the internal control system to meet with the continuous corporate and business development of the Company, the Board will conduct an internal company-wide study to review and enhance the internal control system.