China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

Interim Report 2015

POWER VISION

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

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

COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORIZED REPRESENTATIVES

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

COMPANY SECRETARY

Ms. Yu Ling Ling

STOCK CODE

1838

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Agricultural Bank of China
China Merchants Bank
China Minsheng Bank
Industrial and Commercial Bank of China

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY'S WEBSITE

cpg-group.com

BUSINESS REVIEW AND OUTLOOK

What we are concerned about are still the effects of turbulent changes on the global economy and the Chinese economy in the operation of the Group, from which we know what measures we shall adopt.

There are two undisputable facts:

The US will continue to be the leading world economic power through the Bretton Woods Agreements. Since 1973, the return for the US from exporting a huge amount of US dollars to the rest of world has reached up to about 3.5% per annum. Apparently, in terms of any needs of either politics or economy, the US dollars will be a powerful weapon for some time across the globe. For the purpose of ending this unreasonable reality, the 'Chinese dream' has come into view. But how far do we still need to go before the dream comes true? In 2015, the Mainland government estimated the growth of the GDP to be about 7%. In June this year, the volume of railway freight decreased by 10%, the consumption of power weakened and a slowdown in credit growth was resulted. The effective growth rate of the Chinese economy in 2015 was about 5% deducing from these actual data. This result was not difficult to understand as the old economic model has entered to the phase of recession while the new economic model is still in a testing stage hoping that the growth of the 'new economy' will compensate the dead end of the 'old economy' and even losses incurred from recession. However, the difficulties of and immature means needed for raising the actual growth of economy from 5% to 7% are beyond questions. Therefore it will take a long time for the 'Chinese dream' to become a reality; yet the risks and driving forces it brought to the economies of China and the rest of the world were undoubtedly one of the most active factors in releasing human productivity.

Judging from the above facts, easing monetary and fiscal policies will be the principal acts of the Chinese economy in the coming years. Under this circumstance, the only wise act for the Group will be converting properties into cash by selling in an active manner. Furthermore, after spending a long time to overcome certain difficulties, the opportunity of selling our properties of over HK$100 billion to the market on a significant scale has come and it shall be done at the end of this year according to our plan. Converting cash on a large scale is the first step of the Group's three-year plan and so it is the most urgent task for the operation of the Group. We have to do our very best to surmount every single difficulty. On the other hand, an approximately 1-kilometer commercial street on Nanjing Road in Shanghai, Shanghai Cannes commercial street, Chongqing Jiefangbei commercial street, Chongqing ICC commercial street and World Trade Square commercial street are under construction with a hope of being the greatest leased properties in China, especially an approximately 1-kilometer commercial street on Nanjing Road in Shanghai and an approximately 1-kilometer Chongqing Jiefangbei commercial street which are probable to be two of the a few most valuable commercial streets over the world in the future. Our dream is to bring a huge amount of rental income to our shareholders after the completion of these quality commercial streets.

It is undeniable that we may come across some difficulties, just like every single great person who faced great challenges when achieving something great. Yet, nothing could be more exciting than possessing attractive products and tasting irresistible gourmet in prosperous streets, as well as encountering extraordinary people and things in our life. We bring happiness to human and favorable earnings and values to our shareholders. With all these achievements, all the obstacles encountered and the time spent will be worthwhile.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China's GDP in the first half of 2015 was recorded at a growth of 7.0% as compared to the same period in 2014.

Due to the slowing economy, the central government has been introducing a series of action to entice the buying sediment to revive the residential sector. The central bank had been slashing interest rates since 2014, in the hope of stabilizing regional housing consumption, as well as to increase market activity. Recently, the China's Ministry of Finance had reviewed and announced a tweak in tax policy for housing transaction. Individual owner is allowed for tax exemption or tax reduction for selling their property after holding for two years or more instead of the previous five years. At the same time, the People's Bank of China, Ministry of Housing & Construction of The PRC and China Banking Regulatory Commission of The PRC had also announced the reduction of minimum down payment. With the relaxation of mortgage lending and interest rate cuts, the residential sector will see a moderate growth in terms residential prices and transaction volumes.

During the first half of 2015, total retail sales of China grew by 10.6% to RMB2,428.03 billion. E-commerce retailing is slowly taking over the traditional brick-and-mortar malls in the major cities of China. To retain shoppers' interest, major retailers have to think out-of-the-box to woe consumers back. Retailers are seeking to increase store presence as well as foot traffic by enhancing new retail concepts. For instance, Vivienne Westwood and Gucci had opened their first F&B stores in Shanghai, providing shop-as-you-rest corner, in an attempt to provide a unique shopping experience for their consumers. In order to attract more international brands to enter into China market, the authority had reduced the tariff on selected brands. Cosmetic brands like Estee Lauder were among the first few to announce the price reduction. With changing shopping patterns and supportive policies in China's retail market, the retail sector is anticipated to remain stable with innovative tenants bringing back the foot traffic into the traditional brick-and-mortar malls and competitive retailing prices available to retain consumers to shop in the country.

The main theme for the office market in the first half of 2015 remained healthy despite a slow growth recorded in China. Grade A offices still remained in high demand, especially in the Tier 1 cities, due to the lack of quality Grade A offices available. Leasing was still strong from sectors such as finance and manufacturing. Investments in office building construction also saw an upward tick in cities such as Beijing and Shanghai, signaling a stable demand of office spaces. Overall, a substantial new supply of office spaces is expected to enter into Shanghai, Guangzhou, Shenzhen, Chengdu and Chongqing. Office rentals in these markets are likely to take impact between 2016 and 2017. On the other hand, Tier 2 cities are likely to struggle to keep up with the growing stock, as such, the office rental markets may not hold up as well as Tier 1 cities, unless the landlords of older buildings are willing to improve on their building management services.

Overview of the Shanghai's Property Market

Shanghai's GDP in the first half of 2015 was recorded at a growth of 7.0% as compared to the same period in 2014.

The central government was eager to revive the residential sector by loosening home purchase restrictions as well as to cut the basic lending interest rates. The People's Bank of China had again revised the basic lending rates. In their latest announcement on 28 June 2015, the five-year lending rate was reduced to 5.4%. Since the multiple attempts to reduce the lending rates, the residential sector in Shanghai had picked up moderately in 2014. The number of residential units transacted during Q2 2015 was 32,983, as compared to the same period in Q2 2014 at 17,569. The average transacted unit price and transacted volume shared a similar pattern as average transacted unit price went up 20% in Q2 2015 as compare to Q2 2014. Moving forward, it is anticipated that the residential sector will continue to pick up if the policies are in favour for home purchasers.

The total retail sales of Shanghai grew by 5.9% to RMB4.5 trillion in first half of 2015. Demand for prime retail spaces in Shanghai from the market remains stable as multiple retailers continue to decide to open flagship stores in Shanghai to increase brand exposure. Luxury fashion brands continue to test out new retail concepts. For instance, Vivienne Westwood and Gucci had opened their first F&B stores in Shanghai. As worldwide sales of luxury goods decline, integrating other elements into retail stores, such as food and beverage ("F&B") offerings, has become the new favourite branding strategy of luxury labels. With the continuous increase of Shanghai's GDP and disposable income, the growing retail spending power, and the entrance of international brands and retail chain operators, the performance of retail sector will remain healthy.

According to the nation's strategic development plan, Shanghai aims to become an international financial centre and an international shipping centre by 2020. We anticipate that the city's tertiary sector will continue to see a robust growth under the grand scheme, while the manufacturing sector keeps moving up in the value chain. The city's macro economy exhibits positive dynamics, and is attracting more and more investment, from both domestic and international realm. All these factors benefit the performance of Shanghai's office market. Overall, average rents in the Shanghai office market is anticipated to see stable growth, as demand for premium developments in core areas are still an attraction for foreign companies to start their headquarters here.

Overview of the Chongqing's Property Market

Chongqing's GDP in the first half of 2015 was recorded at a growth of 11% as compared to the same period in first half of 2014.

Influenced by the central government policy and the interest rate cut nationwide, the number of residential units transacted during Q2 2015 was 49,375, as compared to the same period in Q2 2014 at 43,390. The average transacted unit price was recorded at RMB6,848 as compared to Q2 2014 at RMB7,134. However, it is important to note that this average transacted unit price in Q2 2014 was a one time high record in 2014. Moving forward, the overall residential market in Chongqing is anticipated to remain stable, which is supported by positive statistics recorded as well as favourable home policies introduced.

The total retail sales of Chongqing grew by 11.8% to RMB310.5 billion in first half of 2015. This signified a continuous demand of retail spaces in Chongqing. Rental rates of prime retail belt are expected to remain stable as international brands continued their expansion. Sandro and Maje landed in newly operated malls, whereas affordable luxury brands such as Pedder Red opened its first store in Times Square, Jiefangbei. Despite the anticipated supply to enter into the market, rents are expected to remain stable due to the buoyant demand, positive prospects, and high quality shopping malls.

The leasing office market in Chongqing remained competitive due to the surge of new supply entered into the market. Substantial supply had moved up overall vacancy rate but prime areas such as Jiefangbei is still in strong demand due to its strategic location. Landlords in Jiangbeizui, which is an emerging area in the Jiangbei District, attracting financial services and trade companies to set up offices within the area are finding hard to keep up with the rental rates as compared to the mature locations in Chongqing. This is mainly due to the immature business environment and infrastructure which presented a hurdle for keeping up to the rental rates. Looking forward, the office leasing market in prime areas are unlikely to be affected by the influx of new supply, as Chongqing's position as the regional financial centre will increase the demand for international firms to set up their companies here.

Outlook of the Mainland Property Market

With a series of adjustment to boost the overall residential sector nationwide in recent months, the residential property market is anticipated to see continuous growth in terms of transaction volume and transacted price.

Retail landscape in China is undergoing a transformation with the emergence of e-commerce. To retain shoppers' interest, major retailers have to think out-of-the-box to woe consumers back. Landlords and tenants have to be more creative to draw crowds to their establishments with innovative marketing ideas in order to fight off the increasing popularity of on-line shopping. Looking forward, with supportive policies to reduce the tariff, consumers are more willing to spend at home rather than crossing borders to purchase cheaper luxury goods. As such, the retail scene is anticipated to remain stable with positive actions in place.

New or existing multinational companies as well as home-grown business entities will remain supportive in the office market. Grade A offices located in prime locations still remained in high demand despite the increasing new supply of offices entering into the market. However, older projects in prime locations should also upgrade the building facilities in order to remain competitive in order to maintain a healthy occupancy rate. Looking forward, the office sector is deemed to remain healthy as investments in office building construction saw an upward increase in major Tier 1 cities, signaling a stable demand of office space.

FINANCIAL REVIEW

The Group's profit attributable to equity holders for the first half of 2015 amounted to HK$1,000 million (six months ended June 30, 2014: HK$212 million), a increase of 372% when compared to the same period of 2014. The loss before taxation, excluding change in fair value of investment properties and conversion option derivative, amounted to HK$21 million (six months ended June 30, 2014: profit of HK$16 million).

Earnings per share were HK$0.55 (six months ended June 30, 2014: HK$0.12), an increase of 358%, in line with a rise in investment property appreciation by 494%.

Total assets increased to HK$68,346 million from HK$66,603 million as at December 31, 2014, as the Group continues its investment in premium property developments with attendant appreciation in fair value. Net assets, the equivalent of shareholders' funds, similarly increased to HK$44,586 million (December 31, 2014: HK$43,598 million). In terms of value per share, net assets value per share is HK$24.65 as at the statement of financial position date, as compared to HK$24.10 as at December 31, 2014.

The Group's revenue of HK$43 million (six months ended June 30, 2014: HK$253 million) decreased by 83% when compared with the corresponding period last year which was mainly resulted from the decrease in revenue from sales of residential properties of Chongqing Manhattan City.

The revenue from sales of residential properties amounted to HK$40 million (six months ended June 30, 2014: HK$248 million), decreased by 84% as compared with the corresponding period last year. The Group delivered a gross floor area ("GFA") of approximately 51,490 sq. ft. in the six months ended June 30, 2015 as compared to 415,370 sq. ft. in the corresponding period last year.

Gross profit margin for sales of development properties was 60% (six months ended June 30, 2014: 52%).

Income from property leasing decreased by 50% to HK$1 million (six months ended June 30, 2014: HK$2 million). The decrease was attributable to the termination of certain tenancies for the future upgrade construction of the mall development. Property management income decreased by 50% to HK$2 million (six months ended June 30, 2014: HK$4 million).

The construction of Chongqing Manhattan City, Lijiu Road with total GFA of approximately 21 million sq. ft. continues. During the six months ended June 30, 2015, the Group generated income of HK$30 million from sales of residential properties of Chongqing Manhattan City Phase II (six months ended June 30, 2014: HK$254 million).

Deposits received on sales of properties decreased to HK$17 million from HK$49 million as at December 31, 2014 due to the recognition of revenue upon delivery.

Other income and gains were HK$6 million (six months ended June 30, 2014: losses of HK$28 million). The change is mainly due to the net exchange gains instead of net exchange loss of HK$28 million for six months ended June 30, 2014.

During the period under review, selling expenses were HK$5 million (six months ended June 30, 2014: HK$13 million), a decrease of 56%. It was resulted from a drop in recruitment and advertising expenses incurred and which was in line with the change in sales revenue of the residential properties for the period.

Administrative expenses during the first half of 2015 were HK$42 million (six months ended June 30, 2014: HK$70 million) which decrease by 40% compared to the same period of 2014. The decrease was mainly attributed to cost savings and drop in one-off expenses.

Finance costs represent mainly interest expenses and other borrowing costs in relation to bank and other borrowings, effective interest expense of convertible note and the fixed rate senior notes (the "Note"). Since all finance costs equivalent to HK$443 million (six months ended June 30, 2014: HK$469 million) were wholly capitalized on various projects, the finance costs charged to profit and loss were nil (six months ended June 30, 2014: Nil).

The changes in fair value of investment properties were HK$1,467 million (six months ended June 30, 2014: HK$247 million). Although the transaction volume of the property market was shrinking with the launch of new real estate tightening measures in recent years, the property price remained steady during the period because the underlying demand remained strong. On the other hand, the central government's blueprint that advocates Shanghai to become an international financial hub in 2020 also benefited local businesses including the retail and office property markets. Combining these factors, the valuation of investment properties in the first half of 2015 is still appreciating. The changes in fair value of investment properties in Shanghai experienced an increase of HK$901 million (June 30, 2014: HK$180 million). Economic performance in Chongqing, which enjoys one of the highest GDP growth cities in the PRC, was also robust. The changes in fair value of investment properties in Chongqing experienced an increase of HK$566 million (June 30, 2014: HK$67 million).

Income tax expense was HK$368 million (six months ended June 30, 2014: HK$85 million), a increase of 333%. The Group's effective income tax rate was 26.9% (six months ended June 30, 2014: 28.5%). The raise in income tax expenses was mainly resulted from higher fair value appreciation and so relatively more deferred tax provided for the period.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowing when appropriate. During the period, the Group raised net new bank and other loans totaling of approximately HK$221 million (six months ended June 30, 2014: HK$1,968 million). In addition, the Group obtained additional advance from a shareholder of approximately HK$167 million (six months ended June 30, 2014: HK$312 million).

As at the statement of financial position date, the Group's Note, bank and other borrowings, amount due to a shareholder and convertible note amounted to approximately HK$1,912 million, HK$5,555 million, HK$1,555 million and HK$342 million respectively, and the Group's total borrowings were HK$9,364 million, an increase of HK$413 million when compared to December 31, 2014. HK$5,930 million is repayable within one year whilst the remaining is repayable in the second to fifth year inclusive.

The gearing ratio of the Group as at June 30, 2015 was 16.5% (as at December 31, 2014: 15.6%), determined as proportion of the Group's net borrowings (after deducting bank balances and bank deposits) to the shareholder's funds.

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

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

TREASURY POLICIES

As at the statement of financial position date, approximately 55% of the Group's borrowings were in RMB with the balance in US$ and HK$. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in HK$, US$ and RMB.

The bank borrowings are mainly on a floating rate basis while the Note and convertible note are on a fixed rate basis.

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

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

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

CHARGE ON ASSETS

As at the statement of financial position date, certain subsidiaries of the Group pledged assets with an aggregated carrying value of HK$50,937 million (December 31, 2014: HK$49,307 million) to secure bank loan facilities.

CONTINGENT LIABILITIES

As at the statement of financial position date, we guaranteed mortgage loans to purchasers of our properties in the aggregate outstanding principal amount of HK$559 million (December 31, 2014: HK$601 million). During the first half of 2015, there was no default case.

Legal disputes

As at June 30, 2015, the Group is subjected to several legal claims in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale and the withdrawal of bank deposits in an aggregate amount of approximately HK$299 million and HK$3 million respectively as at June 30, 2015 (December 31, 2014: HK$48 million and HK$3 million respectively). In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that not met the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or in the process of making counter-claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The net financial effect of both claims and counter-claims is considered insignificant.

Based on the advices from the independent legal advisors and internal legal counsel of the Group, those outstanding legal claims that are still in preliminary stage and hence the final outcome is unable to be determined at this stage. Accordingly no provision is required to be made in the condensed consolidated financial statements. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2015, the Group had approximately 379 employees (June 30, 2014: 343 employees) in Hong Kong and the PRC. There is no significant change in the Group's emolument policies.

ADDITIONAL INFORMATION REQUIRED UNDER LISTING RULES

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

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

As at June 30, 2015, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

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

As at June 30, 2015, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	*Note*
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,563,411,570 shares	86.42%	*(i) & (ii)*
Mr. Cheng Chaun Kwan, Michael ("Mr. Cheng")	Personal & family	800,000 shares	0.04%	*(iii) & (iv)*

Notes:

(i) Of these shareholding interests, 1,356,800,000 shares of the Company are directly held by Hillwealth Holdings Limited ("Hillwealth") whose entire issued share capital is owned by Mr. Wong.

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

(iii) Of these shareholding interests, 300,000 shares are directly held by Mr. Cheng and 500,000 shares are held by Mr. Cheng's spouse.

(iv) As at July 8, 2015, an additional 200,000 shares are being directly acquired by Mr. Cheng.

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

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

Notes:

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

(vi) As Hillwealth directly holds approximately 75% of the total issued share capital of the Company and thus being the holding company of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at June 30, 2015, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

(c) Long positions in debentures of the Company

As at June 30, 2015, the long position in debentures of the Company of the directors and chief executives are as follows:

Name of director	Nature of interest	Amount of Debentures
Mr. Cheng	Family	US$200,000

Save as disclosed herein, as at June 30, 2015, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and Chief Executives' Interests in Shares and Underlying Shares and Debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at June 30, 2015 and as at the date of this report.

ADDITIONAL INFORMATION REQUIRED UNDER LISTING RULES

SHARE OPTION SCHEME

On January 17, 2011, 20,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants ("the Grantees 1"), subject to acceptance of each of the Grantees 1, under the share option scheme adopted by the Company on February 2, 2007. The 20,000,000 share options were lapsed on 22 March 2013.

On July 3, 2013, 36,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants ("the Grantees 2"), subject to acceptance of each of the Grantees 2, under the share option scheme adopted by the Company on February 2, 2007. The 36,000,000 share options were lapsed on July 2, 2015.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the six months ended June 30, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The directors have confirmed that, following specific enquiry by the Company, they have complied with the required standards set out in Model Code during the six months ended June 30, 2015.

CORPORATE GOVERNANCE CODE

The Company has fully complied with all code provisions in the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules throughout the six months ended June 30, 2015.

AUDIT COMMITTEE

The Company has established the Audit Committee and has formulated its written terms of reference in accordance with the provisions set out in the CG Code. The Audit Committee comprises five Independent Non-executive Directors, namely Mr. Warren Talbot Beckwith (Chairman of the Audit Committee), Mr. Luk Koon Hoo, Mr. Garry Alides Willinge, Mr. Cheng Chaun Kwan, Michael and Mr. Wu Zhi Gao. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal controls procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company. The Audit Committee and the external auditor, Messrs Deloitte Touche Tohmatsu, Certified Public Accountants, have reviewed the unaudited interim results of the Group for the six months ended June 30, 2015.

REMUNERATION COMMITTEE

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

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

APPRECIATION

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

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

Hong Kong, August 26, 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF CHINA PROPERTIES GROUP LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 15 to 38, which comprise the condensed consolidated statement of financial position as of June 30, 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 26, 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2015

	NOTES	Six months ended June 30, 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Revenue	3 & 4	**42,987**	253,085
Cost of sales		**(22,499)**	(126,438)
Gross profit		**20,488**	126,647
Other income, gains and losses	4	**5,915**	(28,174)
Selling expenses		**(5,455)**	(12,529)
Administrative expenses		**(41,870)**	(70,213)
Finance costs	5	**—**	—
(Loss) profit from operation before changes in fair value of investment properties and conversion option derivative		**(20,922)**	15,731
Changes in fair value of investment properties		**1,466,716**	246,979
Changes in fair value of conversion option derivative		**(77,906)**	34,701
Profit before tax		**1,367,888**	297,411
Income tax expense	6	**(368,123)**	(84,953)
Profit for the period attributable to owners of the Company	7	**999,765**	212,458
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(15,509)**	(1,103,833)
Total comprehensive income (expense) for the period attributable to owners of the Company		**984,256**	(891,375)
Earnings per share			
Basic (HK dollar)	8	**0.55**	0.12
Diluted (HK dollar)	8	**0.53**	0.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2015

	NOTES	June 30, 2015 HK$'000 (unaudited)	December 31, 2014 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment		**363,464**	339,600
Prepaid lease payments		**125,035**	127,048
Investment properties	10	**61,035,834**	59,225,118
		61,524,333	59,691,766
Current Assets			
Properties under development for sales		**5,778,201**	5,542,472
Properties held for sales		**448,426**	465,628
Trade and other receivables, deposits and prepayments	11	**150,350**	147,067
Pledged bank deposits		**261,198**	127,950
Bank balances and cash		**183,182**	628,063
		6,821,357	6,911,180
Current Liabilities			
Deposits received on sales of properties		**16,630**	49,181
Construction costs accruals		**252,795**	324,270
Other payables and accruals		**180,036**	174,447
Amount due to a shareholder	19 (i)	**1,555,055**	1,388,449
Tax payable		**831,119**	828,893
Borrowings — due within one year	12	**4,375,360**	2,306,375
		7,210,995	5,071,615
Net Current (Liabilities) Assets		**(389,638)**	1,839,565
Total Assets less Current Liabilities		**61,134,695**	61,531,331
Non-current Liabilities			
Borrowings — due after one year	12	**1,179,169**	3,026,907
13.5% fixed rate senior notes, non-current portion	13	**1,912,157**	1,906,399
Convertible note, non-current portion	14	**342,210**	324,321
Conversion option derivative	14	**175,740**	97,834
Deferred tax liabilities		**12,939,825**	12,577,463
		16,549,101	17,932,924
Net Assets		**44,585,594**	43,598,407
Capital and Reserves			
Share capital	15	**180,907**	180,907
Share premium and reserves		**44,404,687**	43,417,500
Total Equity		**44,585,594**	43,598,407

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2015

	Attributable to owners of the Company										
	Share capital	Share premium	Revaluation reserve	Special reserve	Other reserve	General reserve	Shareholder contribution reserve	Share option reserve	Exchange reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Note a)	(Note b)	(Note c)	(Note d)				
At January 1, 2014 (audited)	180,907	1,378,443	6,410	778,662	2,455,562	53,015	233,049	2,947	6,638,387	31,004,897	42,732,279
Profit for the period	—	—	—	—	—	—	—	—	—	212,458	212,458
Other comprehensive expense for the period	—	—	—	—	—	—	—	—	(1,103,833)	—	(1,103,833)
Total comprehensive (expense) income for the period	—	—	—	—	—	—	—	—	(1,103,833)	212,458	(891,375)
Recognition of share-based payments	—	—	—	—	—	—	—	2,931	—	—	2,931
At June 30, 2014 (unaudited)	180,907	1,378,443	6,410	778,662	2,455,562	53,015	233,049	5,878	5,534,554	31,217,355	41,843,835
At January 1, 2015 (audited)	**180,907**	**1,378,443**	**6,410**	**778,662**	**2,455,562**	**53,015**	**233,049**	**8,857**	**5,588,296**	**32,915,206**	**43,598,407**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**999,765**	**999,765**
Other comprehensive expense for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(15,509)**	**—**	**(15,509)**
Total comprehensive (expense) income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(15,509)**	**999,765**	**984,256**
Recognition of share-based payments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,931**	**—**	**—**	**2,931**
At June 30, 2015 (unaudited)	**180,907**	**1,378,443**	**6,410**	**778,662**	**2,455,562**	**53,015**	**233,049**	**11,788**	**5,572,787**	**33,914,971**	**44,585,594**

Notes:

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

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

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

(d) Shareholder's contribution reserve mainly represents the deemed contribution arising from interest-free loans from shareholder, Mr. Wong.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2015

	Six months ended June 30,	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(248,400)**	(391,648)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,931)**	(2,673)
Additions to investment properties	**(54,199)**	(39,263)
Proceeds received from disposal of investment properties	**5,167**	10,950
Withdrawal of pledged bank deposits	**31,976**	97,938
Placement of pledged bank deposits	**(164,842)**	(125,222)
Interest received	**7,417**	2,153
	(177,412)	(56,117)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
New borrowings raised	**1,374,091**	3,202,953
Repayment of borrowings	**(1,188,106)**	(1,235,341)
Advance from a shareholder	**167,189**	311,512
Repayment of 9.125% fixed-rate senior notes	**—**	(800,319)
Interest paid	**(370,147)**	(376,715)
	(16,973)	1,102,090
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(442,785)**	654,325
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**628,063**	773,282
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2,096)**	(9,861)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**183,182**	1,417,746

1. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that, as of June 30, 2015, the Group's current liabilities exceeded its current assets by approximately HK$389,638,000. There are borrowings of HK$4,375,360,000 which are due to be repaid within one year from the end of the reporting period.

The directors of the Company closely monitor the liquidity of the Group having taken into account of:

(1) the estimated cash flows of the Group for the next twelve months from the end of the reporting period, in particular the consideration of the upcoming plan for sales of its properties held for sales and pre-sale of properties under development for sales;

(2) the confirmation from a shareholder, Mr. Wong, that he would not demand repayment of the amount due to him of approximately HK$1,555,055,000 until the Group has excess cash to repay; and

(3) the availability of the Group's credit facilities. After the end of the current reporting period and up to the date of approval for issuance of these condensed consolidated financial statements, the Group has successfully obtained a new credit facility of RMB2,700,000,000 (equivalent to approximately HK$3,369,945,000). Together with the unutilised credit facility of approximately HK$200,000,000, the total credit facilities available is approximately HK$3,569,945,000.

Having considered the above, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirement. On this basis, the consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2014.

The application of the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

For the six months ended June 30, 2015 (unaudited)

	Property development		**Property investment**			
	Shanghai	**Chongqing**	**Shanghai**	**Chongqing**	**Others**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue						
External sales	**11,515**	**28,452**	**998**	**—**	**2,022**	**42,987**
Segment profit (loss)	**8,771**	**(18,543)**	**901,983**	**516,108**	**(4,476)**	**1,403,843**
Other income, gains and losses						**5,915**
Unallocated expenses						**(41,870)**
Profit before tax						**1,367,888**

For the six months ended June 30, 2014 (unaudited)

	Property development		Property investment			
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
External sales	7,941	239,819	1,570	—	3,755	253,085
Segment profit (loss)	5,520	116,951	181,136	94,838	(2,647)	395,798
Other income, gains and losses						(28,174)
Unallocated expenses						(70,213)
Profit before tax						297,411

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

4. REVENUE AND OTHER INCOME, GAINS AND LOSSES

	Six months ended June 30,	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue		
Sales of residential properties	**39,967**	247,760
Property rental income	**998**	1,570
Property management income	**2,022**	3,755
	42,987	253,085
Other income, gains and losses		
Net exchange gain (loss)	**8**	(28,309)
Interest on bank deposits	**7,417**	2,153
Others	**(1,510)**	(2,018)
	5,915	(28,174)
Total revenue and other income, gains and losses	**48,902**	224,911

5. FINANCE COSTS

	Six months ended June 30,	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on other borrowings wholly repayable within five years	**63,968**	112,961
Interest on bank borrowings wholly repayable within five years	**211,468**	90,520
Effective interest expense on fixed rate senior notes	**137,383**	163,529
Effective interest expense on convertible note	**30,286**	30,222
Effective interest expense on loan from a shareholder	**—**	72,000
Total finance costs	**443,105**	469,232
Less: Amount capitalized in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales	**(443,105)**	(469,232)
	—	—

Borrowing costs capitalized during the period which arose on the specific borrowings are approximately HK$158,125,000 (six months ended June 30, 2014: HK$157,700,000). Borrowing costs capitalized during the period which arose on the general borrowing pool of approximately HK$284,980,000 (six months ended June 30, 2014: HK$311,532,000) are calculated by applying a capitalization rate of 12.16% per annum (six months ended June 30, 2014: 12.34%) to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	Six months ended June 30, 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Current tax:		
Enterprise income tax in the PRC	**2,239**	20,858
Land appreciation tax ("LAT") in the PRC	**—**	4,043
	2,239	24,901
Deferred tax:		
Current period	**365,884**	60,052
	368,123	84,953

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

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods in 2014 and 2015. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both periods.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately HK$22,962,687,000 (December 31, 2014: HK$21,943,282,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. PROFIT FOR THE PERIOD

	Six months ended June 30, 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	779	780
Other staff costs		
— Salaries and other benefits	15,742	19,492
— Contribution to retirement benefits schemes	3,290	3,286
Total staff costs	19,811	23,558
Less: Amount capitalized in investment properties under construction and properties under development for sales	(7,196)	(9,088)
	12,615	14,470
Share-based payments (included in administrative expenses)	2,931	2,931
Amortization of prepaid lease payments	1,959	2,501
Less: Amount capitalized in construction in progress under property, plant and equipment	(1,931)	(2,473)
	28	28
Depreciation of property, plant and equipment	1,931	2,041
Less: Amount capitalized in construction in progress under property, plant and equipment	(840)	(845)
	1,091	1,196
Cost of properties sold (included in cost of sales)	15,990	119,918
Compensation to purchasers to re-schedule delivery of properties	—	1,722
Gross rental income from investment properties	(998)	(1,570)
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	10	117
	(988)	(1,453)

8. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**999,765**	212,458
Effect of dilutive potential ordinary shares:		
— Changes in fair value of conversion option derivative	**77,906**	(34,701)
— Effective interest expense on convertible note (net of tax) (Note)	**—**	—
Earnings for the purpose of diluted earnings per share	**1,077,671**	177,757
	'000	**'000**
Number of shares		
Number of ordinary shares in issue during the period for the purpose of basic earnings per share	**1,809,077**	1,809,077
Effect of dilutive potential ordinary shares:		
— Convertible note	**206,612**	206,612
Number of ordinary shares for the purpose of diluted earnings per share	**2,015,689**	2,015,689

Note: Since the effective interest expense on convertible note had been capitalized in properties under construction and properties under development for sales, there would be no effect on the earnings for the purpose of diluted earnings per share.

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

9. DIVIDENDS

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

10. INVESTMENT PROPERTIES

	June 30, 2015	December 31, 2014
	HK'000	HK'000
	(unaudited)	(audited)
FAIR VALUE		
Completed properties held for rental purpose (Note a)	**3,210,322**	3,161,119
Leasehold land under and held for construction of properties for rental purpose and investment properties under construction	**52,936,446**	51,504,870
Sub-total	**56,146,768**	54,665,989
COST		
Investment properties under construction (Note b)	**4,889,066**	4,559,129
Total	**61,035,834**	59,225,118

Notes:

(a) As at June 30, 2015, included in the Group's completed properties held for rental purpose balance are properties in Shanghai, namely, Phase 1 of Shanghai Concord City with carrying amount of approximately HK$2,615,177,000 (December 31, 2014: HK$2,559,121,000); of which 100% (December 31, 2014: 100%) is currently unoccupied and strategically reserved for lease in the future because the Group plans to restructure the mixture of the tenants.

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

The fair values of certain of the Group's investment properties at June 30, 2015 and December 31, 2014 were arrived at on the basis of a valuation carried out on those dates by Cushman & Wakefield Valuation Advisory Services (HK) Ltd. ("C&W") in respect of the properties situated in Shanghai and Chongqing, the PRC. C&W is an independent qualified professional valuer not connected with the Group and has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

10. INVESTMENT PROPERTIES — continued

The fair values of investment properties in Shanghai and Chongqing as at June 30, 2015 determined by C&W are approximately HK$44,900,849,000 (December 31, 2014: HK$43,983,618,000) and HK$11,245,919,000 (December 31, 2014: HK$10,682,371,000) respectively. For completed investment properties, the valuations have been arrived at using the capitalization of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalization of the hypothetical and reasonable market rents with a typical lease term. For leasehold land under and held for construction of properties for rental purposes and investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental information in the relevant market as publicly available to determine the potential rental income of the completed investment properties, less estimated costs to completion and expected developed profit margin so as to determine the value of the proposed development as if these were completed as at the date of valuation. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

For investment properties located in Shanghai

For the six months ended June 30, 2015, in determining the fair values of the investment properties located in Shanghai, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

i. Annual growth rate of rental income is ranging from 3% to 6% (December 31, 2014: ranging from 3% to 6%)

ii. Occupancy rate for the investment properties is ranging from 50% to 98% (December 31, 2014: ranging from 50% to 98%)

iii. Expected developer profit is ranging from 10% to 20% (December 31, 2014: ranging from 10% to 20%)

iv. Discount rate of retail and office portion is ranging from 8.42% to 9.37% (December 31, 2014: ranging from 8.42% to 9.37%) per annum and 9.11% (December 31, 2014: 9.11%) per annum respectively

v. Rental rate per month per square metre is ranging from HK$213 to HK$2,047 (December 31, 2014: ranging from HK$211 to HK$2,033)

vi. Rate of finance cost is ranging from 5.25% to 6.30% (December 31, 2014: ranging from 6.00% to 7.20%)

vii. Expected commencement date of operation of north portion of phase 2 of Shanghai Concord City is end of December 2015. Estimated rental income is based on rental information of similar grade of retail properties in Shanghai

10. INVESTMENT PROPERTIES — continued

For investment properties located in Chongqing

For the six months ended June 30, 2015, in determining the fair values of the investment properties located in Chongqing, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

i. Annual growth rate of rental income is ranging from 3% to 6% (December 31, 2014: ranging from 3% to 6%)

ii. Occupancy rate for the investment properties is ranging from 60% to 85% (December 31, 2014: ranging from 60% to 85%)

iii. Expected developer profit is ranging from 25% to 30% (December 31, 2014: ranging from 25% to 30%)

iv. Discount rate of retail and office portion is ranging from 10.07% to 10.79% (December 31, 2014: ranging from 10.06% to 10.76%) per annum and 5.25% (December 31, 2014: 6%) per annum respectively

v. Rental rate per month per square metre is ranging from HK$101 to HK$1,010 (December 31, 2014: ranging from HK$100 to HK$1,006)

vi. Rate of finance cost is 5.25% (December 31, 2014: 6.00%)

All the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model (except for those stated at cost with details set out in Note b) and are classified and accounted for as investment properties.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Consideration in respect of completed properties sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date.

Consideration in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	June 30, 2015 HK$'000 (unaudited)	December 31, 2014 HK$'000 (audited)
Trade receivables	**9,204**	3,064
Prepayment of business taxes and other PRC taxes	**21,075**	22,809
Other receivables, deposits and prepayments	**120,071**	121,194
	150,350	147,067

12. BORROWINGS

	June 30, 2015 HK$'000 (unaudited)	December 31, 2014 HK$'000 (audited)
Bank borrowings	4,431,214	4,209,546
Other borrowings	1,123,315	1,123,736
	5,554,529	5,333,282

Bank borrowings

As at June 30, 2015, balances of approximately HK$4,055,483,000 represent variable-rate bank borrowings (December 31, 2014: HK$3,833,545,000). The remaining balances of approximately HK$375,731,000 (December 31, 2014: HK$376,001,000) are bank borrowings carried at fixed-rate. The interest rates of the Group's variable-rate bank borrowings are based on base rate fixed by the People's Bank of China or Hong Kong InterBank Offered Rates plus a premium.

The range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	June 30, 2015 (unaudited)	December 31, 2014 (audited)
Fixed-rate bank borrowing	12.60%	9.00%
Variable-rate bank borrowings	2.04%–11.60%	2.06%–9.72%

12. BORROWINGS — continued

Other borrowings

Based on scheduled repayment dates set out in the loan agreements, fixed-rate other borrowings of approximately HK$1,123,315,000 (December 31, 2014: HK$374,579,000) are shown under current liabilities. At December 31, 2014, the balances of approximately HK$749,157,000 are repayable more than one year, but not exceeding two years and accordingly, shown under non-current liabilities.

The other borrowings carry at fixed interest rate. The weighted average rate is 11.43% (December 31, 2014: 11.81%) per annum.

The bank and other borrowings outstanding as of June 30, 2015 were secured by the following:

- property, plant and equipment with a net carrying value of approximately HK$271,477,000 (December 31, 2014: HK$261,075,000);
- investment properties with a value of approximately HK$46,844,087,000 (December 31, 2014: HK$45,459,627,000);
- prepaid lease payments with a carrying value of approximately HK$2,773,000 (December 31, 2014: HK$2,893,000);
- properties under development for sales with a carrying value of approximately HK$3,276,152,000 (December 31, 2014: HK$3,171,794,000);
- properties held for sales with a carrying value of approximately HK$284,389,000 (December 31, 2014: HK$286,830,000); and
- pledged bank deposits of approximately HK$258,113,000 (December 31, 2014: HK$127,950,000).

13. 13.5% FIXED RATE SENIOR NOTES

On October 8, 2013 and October 22, 2013, the Company issued approximately US$150 million (approximately HK$1,170,000,000) and US$100 million (approximately HK$780,000,000) respectively in aggregate principal amount of the fixed-rate senior notes which contain two components, liability and early redemption options.

The notes bear interest at a fixed-rate of 13.50% per annum. The interest charged for the period is calculated by applying an effective interest rate of approximately 13.67% per annum. Interest on the notes is payable on April 16 and October 16 of each year. The notes will mature on October 16, 2018. The notes are guaranteed by certain of the Company's subsidiaries.

Details of the fixed rate senior notes are set out in the Company's annual report for the year ended December 31, 2014 dated March 30, 2015.

At June 30, 2015, an amount of HK$55,575,000 (December 31, 2014: HK$55,575,000), which represents interest payable within 12 months from the end of reporting period, is included in the other payables and accruals.

The directors of the Company consider that the fair values of the redemption options at the date of issuance of the notes, at December 31, 2014 and at June 30, 2015 are insignificant.

14. CONVERTIBLE NOTE

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

On February 21, 2012, the Company and the Subscriber entered into a supplemental agreement to extend the maturity date and the period for conversion of the convertible note to the sixth anniversary of the issue date. Both the Company and the Subscriber have no early redemption rights on the convertible note. The Company shall repay the principal amount outstanding under the convertible note to the Subscriber together with all interest accrued on the sixth anniversary of the date of issue of the convertible note.

The issuance of the convertible note has been approved at the extraordinary general meeting of the Company held on March 16, 2012. On March 19, 2012, the Listing Committee of the Stock Exchange conditionally granted the listing of and permission to deal with the conversion shares, subject to (i) approval by the Independent Shareholders of the issue of the convertible note under Rule 13.36 of the Listing Rules and (ii) fulfillment of all other conditions of the subscription agreement. In accordance with the subscription agreement, all of the conditions precedent had been fulfilled on August 14, 2012 and the issue of the convertible note had been agreed between the Company and the Subscriber to fall on August 14, 2012 with settlement against funds previously advanced by Mr. Wong to the Company.

14. CONVERTIBLE NOTE — continued

The convertible note is denominated in Hong Kong dollars ("HK$") and contain two components, liability component and conversion option derivative. The effective interest rate of the liability component is 18.838% per annum. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

The fair value of conversion option derivative was calculated using the binomial option pricing model by an independent valuer, Asset Appraisal Limited. The inputs into the model are as follows:

	At 31/12/2014	**At 30/6/2015**
Valuation date share price	HK$1.20	**HK$2.20**
Conversion price	HK$2.42	**HK$2.42**
Risk-free rate	1.19%	**0.75%**
Discount rate	19.95%	**18.13%**
Volatility	62.936%	**38.048%**
Dividend yield of the Company	0%	**0%**

Note: Pursuant to the subscription agreement and the supplemental agreement, conversion option may be exercised at any time after full repayment of the loan principal and all outstanding accrued interest under the facility agreement entered into with China Development Bank Corporation, Hong Kong Branch or the date falling 36 months from the first date a loan was made under the facility agreement (whichever is earlier). The Subscriber will have the right to convert the whole or part of the principal amount of the convertible note into shares at any time and from time to time up to the sixth anniversary of the date of inception of the convertible note. As settlement was made before December 31, 2014, such option is exercisable at end of both of the reporting period.

Expected volatility of the convertible note and conversion option derivative was determined using the historical volatility of the price return of the ordinary shares of comparable companies. Because the binominal option pricing model requires the input of subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

14. CONVERTIBLE NOTE — continued

The movement of the different components of the convertible note for the period is set out as below:

	Liability	Conversion option derivative	Total
	HK$'000	HK$'000	HK$'000
Carrying amount at January 1, 2014	323,645	181,771	505,416
Interest charged	60,265	—	60,265
Interest paid	(50,000)	—	(50,000)
Gain arising on changes in fair value	—	(83,937)	(83,937)
As at December 31, 2014	333,910	97,834	431,744
Interest charged	30,286	—	30,286
Loss arising on changes in fair value	—	77,906	77,906
As at June 30, 2015	364,196	175,740	539,936

	June 30, 2015	December 31, 2014
	HK$'000	HK$'000
	(unaudited)	(audited)
Analysis for reporting purpose as:		
Current (included in the other payables and accruals)	**21,986**	9,589
Non-current	**342,210**	324,321
	364,196	333,910

15. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
At January 1, 2014, June 30, 2014, December 31, 2014, January 1, 2015 and June 30, 2015	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2014, June 30, 2014, December 31, 2014, January 1, 2015 and June 30, 2015	1,809,077,000	180,907

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

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

16. CONTINGENT LIABILITIES

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

Guarantee

	June 30, 2015 HK$'000 (unaudited)	December 31, 2014 HK$'000 (audited)
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Note)	**559,184**	601,386

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

16. CONTINGENT LIABILITIES — continued

Legal disputes

As at June 30, 2015, the Group is subjected to several legal claims mainly in relation to disputes under construction contracts in respect of its various property development projects which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, properties under development for sales and properties held for sale and the withdrawal of bank deposits in an aggregate amount of approximately HK$299 million and HK$3 million respectively as at June 30, 2015 (December 31, 2014: HK$48 million and HK$3 million respectively). In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that not met the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or in the process of making counter-claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The net financial effect of both claims and counter-claims is considered insignificant.

Based on the advices from the independent legal advisors and internal legal counsel of the Group, those outstanding legal claims that are still in preliminary stage and hence the final outcome is unable to be determined at this stage amounted to approximately HK$62 million (December 31, 2014: HK$37 million) in aggregate. Accordingly no provision is required to be made in the condensed consolidated financial statements. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

17. OTHER COMMITMENTS

	June 30, 2015	December 31, 2014
	HK$'000	HK$'000
	(unaudited)	(audited)
Construction commitment contracted for but not provided	**784,858**	818,398

18. OPERATING LEASE COMMITMENTS

As lessor

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

	June 30, 2015 HK$'000 (unaudited)	December 31, 2014 HK$'000 (audited)
Within one year	**258**	562
In the second to fifth year inclusive	**—**	80
	258	642

As lessee

Minimum lease payments paid under operating leases during the period:

	Six months ended June 30,	
	2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Premises	**1,355**	1,601

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

	June 30, 2015 HK$'000 (unaudited)	December 31, 2014 HK$'000 (audited)
Within one year	**4,405**	4,160
In the second to fifth year inclusive	**4,195**	6,142
	8,600	10,302

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and are fixed for an average of three (December 31, 2014: three) years.

19. RELATED PARTY TRANSACTIONS

(i) Amount due to a shareholder

Amount due to a shareholder, Mr. Wong, is non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) Other transactions

During the six months ended June 30, 2015, the Group had the following transactions with Pacific Concord Holding Limited ("PCH"), a company in which Mr. Wong has controlling interests, and its subsidiary as follows:

	Six months ended June 30,	
Nature of transactions	**2015**	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Office premises expenses (Note)	**17**	19

Note: On July 22, 2011, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of PCH of which the ultimate shareholder is Mr. Wong, and the Group. The Tenancy Agreement is effective from August 1, 2011 to July 31, 2014 and new agreement is entered which is effective from August 1, 2014 to July 31, 2017.

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

(iii) Compensation of key management personnel

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

	Six months ended June 30,	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short term benefits	**779**	780

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

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liabilities	Fair value as at June 30, 2015	Fair value as at December 31, 2014	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Conversion option derivative	Liability: HK$175,740,000	Liability: HK$97,834,000	Level 3	Binominal option pricing model The fair value is estimated based on risk-free rate, discount rate and share price (from observable market date), volatility of the share price of the comparable companies and dividend yield and exercise price	Volatility of the share price of the comparable companies, determined by reference to the historical share price of the comparable companies.	The higher the volatility of the share price of the comparable companies, the higher the fair value of the conversion option derivative

There is no transfer between different levels of the fair value hierarchy for the periods ended June 30, 2015 and 2014.

The fair values of fixed-rate senior notes (categorized within level 2 hierarchy) have been determined with quoted prices from the relevant stock exchange. The directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS — continued

Reconciliation of Level 3 fair value measurements of conversion option derivative

	HK$'000
At January 1, 2014	181,771
Fair value gain recognized in profit or loss	(83,937)
At January 1, 2015	97,834
Fair value loss recognized in profit or loss (Note)	77,906
At June 30, 2015	175,740

Note: The loss for the period of HK$77,906,000 relates to conversion option derivative held at the end of the current reporting period.

Fair value measurements and valuation processes

The Group engages qualified external valuers to perform valuations for financial instruments. The accounting officer reports the findings of the valuation prepared by the qualified external valuers to the board of directors of the Company every half year and explain the cause of fluctuations in the fair value of the financial instruments. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.