

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

ANNOUNCEMENT

**REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30TH JUNE 2010**

Reference is made to the announcement for the interim results for the six months ended 30th June 2010 (“Results Announcement”) and the Interim Report (“Interim Report”) of Hopson Development Holdings Limited (the “Company”, together with its subsidiaries, the “Group”), both dated 27th August 2010.

Reference is also made to the announcements of the Company dated 3rd November 2010 and 13 December 2010 in connection with the share purchase agreement dated 3rd November 2010 made between the Company and Farrich Investments Limited for the acquisition of the entire share capital of Sun Excel Investments Limited at a total consideration of RMB6,605,066,000, which is a major and connected transaction of the Company.

For the purpose of the said major and connected transaction, the Company has caused the unaudited consolidated results of the Group for the six months ended 30th June 2010 to be reviewed by its auditor, PricewaterhouseCoopers, 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. The Directors wish to confirm that there is no significant difference between the condensed consolidated interim financial information after review and the unaudited condensed consolidated interim financial information previously disclosed by the Company in the Results Announcement and the Interim Report.

The condensed consolidated interim financial information of the Group for the six months ended 30th June 2010 after review together with comparative figures for the same period in 2009 are set out as follows:

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30th June 2010 <i>HK\$'000</i> Unaudited	As at 31st December 2009 <i>HK\$'000</i> Audited
	<i>Note</i>		
ASSETS			
Non-current assets			
Land costs	7	348,867	329,440
Prepayments for acquisition of land		198,591	266,962
Properties and equipment	7	3,175,785	3,175,029
Investment properties	7	8,540,889	8,378,105
Intangible assets	7	121,700	120,660
Investments in associates		45,442	40,925
Investment in a jointly controlled entity	8	1,472,995	1,188,692
Available-for-sale financial assets		2,790,433	2,671,719
Deferred tax assets		<u>232,197</u>	<u>191,287</u>
		<u>16,926,899</u>	<u>16,362,819</u>
Current assets			
Prepayments for acquisition of land		15,211,240	7,363,482
Properties under development for sale		32,728,303	30,556,607
Completed properties for sale		9,313,294	7,835,600
Financial assets at fair value through profit or loss		11,809	11,083
Accounts receivable	9	166,369	146,895
Prepayments, deposits and other current assets		2,255,076	1,620,126
Due from an associate	24	29,619	29,365
Due from related companies	24	14,513	13,664
Pledged/charged bank deposits		360,956	168,479
Cash and cash equivalents		<u>4,329,270</u>	<u>6,546,144</u>
		<u>64,420,449</u>	<u>54,291,445</u>
Total assets		<u><u>81,347,348</u></u>	<u><u>70,654,264</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 30th June 2010 <i>HK\$'000</i> Unaudited	As at 31st December 2009 <i>HK\$'000</i> Audited
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>10</i>	175,237	159,237
Reserves	<i>11</i>	<u>32,330,621</u>	<u>28,034,506</u>
		32,505,858	28,193,743
Non-controlling interests		<u>2,297,642</u>	<u>2,305,733</u>
Total equity		<u>34,803,500</u>	<u>30,499,476</u>
LIABILITIES			
Non-current liabilities			
Land cost payable	<i>13</i>	80,431	271,028
Borrowings	<i>14</i>	17,227,878	10,116,598
Due to minority shareholders	<i>24</i>	421,462	419,411
Deferred tax liabilities		<u>4,410,969</u>	<u>4,502,743</u>
		22,140,740	15,309,780
Current liabilities			
Accounts payable	<i>12</i>	5,098,591	2,941,424
Land cost payable	<i>13</i>	252,568	302,418
Borrowings	<i>14</i>	1,811,345	6,232,260
Deferred revenue		9,589,526	7,260,538
Accruals and other payables		1,699,283	1,728,752
Due to an associate	<i>24</i>	6,323	6,269
Due to related companies	<i>24</i>	150,514	173,721
Due to a jointly controlled entity		1,809,469	1,842,289
Current tax liabilities		<u>3,985,489</u>	<u>4,357,337</u>
		24,403,108	24,845,008
Total liabilities		<u>46,543,848</u>	<u>40,154,788</u>
Total equity and liabilities		<u>81,347,348</u>	<u>70,654,264</u>
Net current assets		<u>40,017,341</u>	<u>29,446,437</u>
Total assets less current liabilities		<u>56,944,240</u>	<u>45,809,256</u>

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited	
		Six months ended 30th June	
		2010	2009
		HK\$'000	HK\$'000
Revenues	6	4,667,928	3,902,317
Cost of sales	16	<u>(2,984,818)</u>	<u>(2,293,962)</u>
Gross profit		1,683,110	1,608,355
Other gains	15	977,463	534,332
Selling and marketing costs	16	(163,101)	(130,625)
General and administrative expenses	16	<u>(415,793)</u>	<u>(500,355)</u>
Operating profit		2,081,679	1,511,707
Finance income	17	9,134	4,452
Finance costs	17	(127,116)	(153,279)
Share of profit/(loss) of associates		4,145	(431)
Share of loss of a jointly controlled entity		<u>(2,565)</u>	<u>(1,539)</u>
Profit before taxation		1,965,277	1,360,910
Taxation	18	<u>(469,440)</u>	<u>(457,568)</u>
Profit for the period		<u>1,495,837</u>	<u>903,342</u>
Attributable to:			
Equity holders of the Company		1,516,766	906,133
Non-controlling interests		<u>(20,929)</u>	<u>(2,791)</u>
		<u>1,495,837</u>	<u>903,342</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (in HK\$ per share)			
— basic	19	<u>0.902</u>	<u>0.610</u>
— diluted	19	<u>0.898</u>	<u>0.610</u>
Dividend	20	<u>—</u>	<u>146,498</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>1,495,837</u>	<u>903,342</u>
Other comprehensive income		
Fair value gain on available-for-sale financial assets	109,111	—
Deferred tax for fair value gain on available-for-sale financial assets	(10,911)	—
Asset revaluation reserve realised upon disposal of properties held for sale	(47,086)	(202,116)
Deferred tax for asset revaluation reserve realised upon disposal of properties held for sale	58,814	81,083
Currency translation differences	<u>298,044</u>	<u>64,360</u>
Other comprehensive income for the period, net of tax	<u>407,972</u>	<u>(56,673)</u>
Total comprehensive income for the period	<u>1,903,809</u>	<u>846,669</u>
Total comprehensive income attributable to:		
Equity holders of the Company	1,904,969	848,545
Non-controlling interests	<u>(1,160)</u>	<u>(1,876)</u>
	<u>1,903,809</u>	<u>846,669</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited	
		Six months ended 30th June	
		2010	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		(3,047,108)	2,046,842
Cash flows from investing activities			
Additions of properties and equipment		(40,401)	(12,832)
Disposal of subsidiaries, net of cash disposed	25	—	134,906
Capital injection to a jointly controlled entity		(275,436)	—
Other investing cash flows — net		<u>(592,654)</u>	<u>(180,976)</u>
Net cash used in investing activities		<u>(908,491)</u>	<u>(58,902)</u>
Cash flows from financing activities			
Dividends paid		—	(154,599)
Repayments of borrowings		(6,204,841)	(2,813,612)
Issuance of new shares		—	1,579,663
Repurchase of own shares		(270,298)	—
Other financing cash flows — net		<u>8,167,155</u>	<u>2,561,756</u>
Net cash from financing activities		<u>1,692,016</u>	<u>1,173,208</u>
Net (decrease)/increase in cash and cash equivalents		(2,263,583)	3,161,148
Cash and cash equivalents at beginning of the period		6,546,144	2,142,696
Exchange gain on cash and cash equivalents		<u>46,709</u>	<u>1,521</u>
Cash and cash equivalents at end of the period		<u>4,329,270</u>	<u>5,305,365</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Six months ended 30th June 2010			
	Attributable to equity holders of the Company		Non- controlling	Total
	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	interests <i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January 2010	<u>159,237</u>	<u>28,034,506</u>	<u>2,305,733</u>	<u>30,499,476</u>
Profit for the period	—	1,516,766	(20,929)	1,495,837
Other comprehensive income:				
Fair value gain on available-for-sale financial assets	—	109,111	—	109,111
Asset revaluation reserve realised upon disposal of properties held for sale	—	(47,086)	—	(47,086)
Deferred tax	—	47,903	—	47,903
Currency translation differences	—	278,275	19,769	298,044
Total comprehensive income for the period	<u>—</u>	<u>1,904,969</u>	<u>(1,160)</u>	<u>1,903,809</u>
Proceeds from issue of shares				
— Placements	18,546	2,692,900	—	2,711,446
Repurchase of own shares	(2,546)	(267,752)	—	(270,298)
Further acquisition of equity interests of a subsidiary	—	(34,002)	(6,931)	(40,933)
	<u>16,000</u>	<u>2,391,146</u>	<u>(6,931)</u>	<u>2,400,215</u>
Balance at 30th June 2010	<u>175,237</u>	<u>32,330,621</u>	<u>2,297,642</u>	<u>34,803,500</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Unaudited			Total HK\$'000	
	Six months ended 30th June 2009				
	Attributable to equity holders of the Company		Non- controlling interests		
Share capital HK\$'000	Reserves HK\$'000	HK\$'000			
Balance at 1st January 2009	<u>147,237</u>	<u>20,032,657</u>	<u>2,384,179</u>	<u>22,564,073</u>	
Profit for the period	—	906,133	(2,791)	903,342	
Other comprehensive income:					
Asset revaluation reserve realised upon disposal of properties held for sale	—	(202,116)	—	(202,116)	
Deferred tax	—	81,083	—	81,083	
Currency translation differences	—	<u>63,445</u>	<u>915</u>	<u>64,360</u>	
Total comprehensive income for the period	<u>—</u>	<u>848,545</u>	<u>(1,876)</u>	<u>846,669</u>	
Proceeds from issue of shares, net of share issue expenses					
— Placements	12,000	1,567,663	—	1,579,663	
Disposal of subsidiaries	—	—	(248,026)	(248,026)	
Dividend paid	—	<u>(154,599)</u>	—	<u>(154,599)</u>	
	<u>12,000</u>	<u>1,413,064</u>	<u>(248,026)</u>	<u>1,177,038</u>	
Balance at 30th June 2009	<u>159,237</u>	<u>22,294,266</u>	<u>2,134,277</u>	<u>24,587,780</u>	

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General Information

Hopson Development Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are mainly engaged in the development of residential properties in Mainland China. The Group is also involved in some ancillary property related businesses, including property investment, hotel operations and property management.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited. This unaudited interim financial information is presented in Hong Kong dollars, unless otherwise stated and has been approved for issue by the Board of Directors on 5 January 2011.

2 Basis of Preparation

This unaudited interim financial information for the six months ended 30th June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This unaudited interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st December 2009.

3 Accounting Policies

Except as described below, the accounting policies and methods of computation used in the preparation of this unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31st December 2009.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Change in accounting policy

During the period, the Group changed its accounting policy for land costs which is held for development for sale.

Land costs which is held for development for sale meet the definition of both inventories under HKAS 2 “Inventories” and leasehold land under HKAS 17 “Leases”.

Previously, land costs which is held for development for sale were classified as prepaid operating lease and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. During the period of time that is required to develop the properties for its intended use, the land amortisation was capitalised as part of the costs of the properties under development. In all other periods the land amortisation is charged to the income statement.

Subsequent to the change in accounting policy, land costs relating to property held for development for sale are classified as inventories in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Accounting Policies (Continued)

(a) Change in accounting policy (Continued)

Management believes that the new classification of land costs as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the period. The revised treatment reflects the management's intention on the use of the land and results in a presentation consistent with the industry practice.

The change in accounting policy has no material impact on the retained earnings as at 1st January 2009 and 31st December 2009, and the profit for the current and prior periods. Land costs relating to properties developed for sale were reclassified to properties under development for sale and completed properties for sale in the consolidated balance sheet of the Group as at 31st December 2009 as follows:

As at 31st December 2009

Current assets	As previously reported <i>HK\$'000</i>	Re-classification <i>HK\$'000</i>	Reclassified balance <i>HK\$'000</i>
Land costs	24,580,807	(24,580,807)	—
Properties under development for sale	9,611,470	20,945,137	30,556,607
Completed properties for sale	<u>4,199,930</u>	<u>3,635,670</u>	<u>7,835,600</u>

(b) The adoption of new/revised HKFRS

In 2010, the Group adopted the following new standards, amendments and interpretations of Hong Kong Financial Reporting Standards ("HKFRS"), which are effective for accounting periods beginning on or after 1st January 2010 and relevant to the Group's operations.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

Annual improvements to HKFRS published in May 2009

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 7 Amendment	Statement of Cash Flows
HKAS 17 Amendment	Leases
HKAS 18 Amendment	Revenue
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKFRS 5 Amendment	Non-current assets held for sale and discontinued operations
HKFRS 8 Amendment	Operating Segments

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Accounting Policies (Continued)

(b) The adoption of new/revised HKFRS (Continued)

The Group has assessed the impact of the adoption of these new standards, amendments and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the accounts, except for HKAS 27 (Revised) and HKFRS 3 (Revised) as set out below:

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests that do not result in the change of control to be recorded as equity transactions and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is remeasured to fair value, the difference between its fair value and carrying amount is recognised in the consolidated income statement.

The adoption of HKAS 27 (Revised) has resulted in a difference between the consideration paid and the relevant share of the carrying net asset value acquired from the non-controlling interest of HK\$34,002,000 which is now recorded in equity.

HKFRS 3 (Revised) Continued to apply the acquisition method to business combinations, with some significant changes. For example, all acquisition-related costs should be expensed. The cost of acquisition includes the fair value at the acquisition date of any contingent purchase consideration. In a business combination undertaken in phases/stages, the previously held equity interest in the acquiree is remeasured at fair value and the difference between its fair value and carrying amount is recognised in the income statement. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The adoption of HKFRS 3 (Revised) does not result in any impact on the Group's result in the current period nor the financial position at the end of the reporting period.

The Group also adopted Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" effective on 29th November 2010. The adoption of this interpretation does not result in any impact on the Group's financial information.

Standards, interpretations and amendments to existing standards that are relevant but not yet effective

		Effective for accounting periods beginning on or after
New or revised standards, interpretations and amendments		
HKAS 32 Amendment	Classification of Rights Issues	1st February 2010
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments	1st July 2010
HKAS 24 (Revised)	Related Party Disclosure	1st January 2011
HK(IFRIC)-Int 14 Amendment	Prepayment of a minimum funding requirement	1st January 2011
HKFRS 9	Financial instruments	1st January 2013

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Accounting Policies (Continued)

(b) The adoption of new/revised HKFRS (Continued)

		Effective for accounting periods beginning on or after
Annual improvement to HKFRS published in May 2010		
HKFRS 3 (Revised)	Business combinations	1st July 2010
HKAS 1	Presentation of Financial Statements	1st January 2011
HKAS 27	Consolidated and Separate Financial Statements	1st January 2011
HKAS 34	Interim Financial Reporting	1st January 2011
HKFRS 7	Financial Instruments: Disclosure	1st January 2011

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretation, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures or measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results of operations and financial position.

4 Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31st December 2009.

5 Critical Accounting Estimates and Judgements

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The critical estimates and assumptions applied in the preparation of this interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31st December 2009.

6 Segment Information

The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business from both a business and geographic perspective. Reportable business segments identified are property development, property investment, hotel operations and property management. Geographically, the Executive Directors consider that the reportable business segments can be further segregated into four main geographical areas, namely Guangdong province (GZ) (including Guangzhou, Huizhou, Zhongshan and Hong Kong), Beijing (BJ) (including Beijing, Dalian, Taiyuan and Qinhuangdao), Shanghai (SH) (including Shanghai, Hangzhou and Ningbo) and Tianjin (TJ).

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Segment Information (Continued)

The Executive Directors assess the performance of the operating segments based on a measure of adjusted segment results. Corporate expense, finance income and finance costs are not included in the result for each operating segment that is reviewed by the Executive Directors.

Segment assets consist primarily of properties and equipment, investment properties, investment in a jointly controlled entity, land costs, properties under development, completed properties for sale, prepayments, deposits and other current assets, receivable and operating cash (cash in Hong Kong has been included in the property development segment in GZ). They exclude available-for-sale financial assets, which are managed on a central basis, and deferred tax assets. These are part of the reconciliation to total balance sheet assets.

Segment results by business lines and geographical areas

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

Revenue comprise turnover which included gross proceeds from sale of properties, revenue from rental and hotel operations and property management income.

	Six months ended 30th June	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Sales of properties	4,363,184	3,649,997
Property management income	196,473	167,005
Income from hotel operations	76,142	54,141
Rental income	<u>32,129</u>	<u>31,174</u>
	<u><u>4,667,928</u></u>	<u><u>3,902,317</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Segment Information (Continued)

Segment results by business lines and geographical areas (Continued)

The segment results by business lines and by geographical areas for the six months ended 30th June 2010 are as follows:

	Property development				Property investment		Hotel operations			Property management	Group
	GZ	SH	BJ	TJ	GZ	SH	GZ	BJ	TJ		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June 2010											
Total revenue	2,556,822	1,237,325	415,892	211,888	—	—	14,514	23,496	38,132	198,218	4,696,287
Inter-segment revenues	(25,753)	—	—	(861)	—	—	—	—	—	(1,745)	(28,359)
Revenue	<u>2,531,069</u>	<u>1,237,325</u>	<u>415,892</u>	<u>211,027</u>	<u>—</u>	<u>—</u>	<u>14,514</u>	<u>23,496</u>	<u>38,132</u>	<u>196,473</u>	<u>4,667,928</u>
Adjusted segment results	<u>1,634,733</u>	<u>463,218</u>	<u>65,619</u>	<u>(3,573)</u>	<u>1,889</u>	<u>1,296</u>	<u>5,420</u>	<u>(2,142)</u>	<u>(68,930)</u>	<u>13,617</u>	<u>2,111,147</u>
Depreciation	(3,641)	(1,047)	(4,430)	(1,307)	(7)	(1)	(3,320)	(5,303)	(38,235)	(873)	(58,164)
Amortisation	—	—	—	—	—	—	(1,315)	(495)	(57)	—	(1,867)
Fair value gains on investment properties	—	—	—	—	1,889	1,296	—	—	—	—	3,185
Share of profit of associates	1,347	—	2,798	—	—	—	—	—	—	—	4,145
Share of loss of a jointly controlled entity	—	—	(2,565)	—	—	—	—	—	—	—	(2,565)

The segment results by business lines and by geographical areas for the six months ended 30th June 2009 are as follows:

	Property development				Property investment		Hotel operations			Property management	Group
	GZ	SH	BJ	TJ	GZ	SH	GZ	BJ	TJ		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June 2009											
Total revenue	2,323,374	296,957	1,000,834	39,720	31,174	—	8,902	18,559	26,680	168,501	3,914,701
Inter-segment revenues	(10,888)	—	—	—	—	—	—	—	—	(1,496)	(12,384)
Revenue	<u>2,312,486</u>	<u>296,957</u>	<u>1,000,834</u>	<u>39,720</u>	<u>31,174</u>	<u>—</u>	<u>8,902</u>	<u>18,559</u>	<u>26,680</u>	<u>167,005</u>	<u>3,902,317</u>
Adjusted segment results	<u>661,118</u>	<u>610,060</u>	<u>280,744</u>	<u>(27,530)</u>	<u>30,198</u>	<u>—</u>	<u>3,441</u>	<u>(6,037)</u>	<u>(61,682)</u>	<u>12,929</u>	<u>1,503,241</u>
Depreciation	(2,910)	(977)	(1,844)	(1,122)	(6)	(41)	(3,748)	(5,631)	(25,766)	(802)	(42,847)
Amortisation	(588)	(730)	(180)	(151)	—	—	(1,309)	(389)	(57)	—	(3,404)
Fair value gains on investment properties	—	—	—	—	2,141	—	—	—	—	—	2,141
Share of loss of associates	(184)	—	(247)	—	—	—	—	—	—	—	(431)
Share of loss of a jointly controlled entity	—	—	(1,539)	—	—	—	—	—	—	—	(1,539)

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Segment Information (Continued)

Segment results by business lines and geographical areas (Continued)

The segment assets by business lines and by geographical areas as at 30th June 2010 are as follows:

	Property development				Property investment		Hotel operations			Property management	Group
	GZ	SH	BJ	TJ	GZ	SH	GZ	BJ	TJ		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at and for the six months ended 30th June 2010	<u>25,733,353</u>	<u>10,326,857</u>	<u>25,785,813</u>	<u>4,384,379</u>	<u>2,554,864</u>	<u>6,049,710</u>	<u>512,089</u>	<u>387,936</u>	<u>2,405,540</u>	<u>184,177</u>	<u>78,324,718</u>
Segment assets include:											
Investment in associates	1,996	—	43,446	—	—	—	—	—	—	—	45,442
Investment in a jointly controlled entity	—	—	1,472,995	—	—	—	—	—	—	—	1,472,995
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>3,563</u>	<u>13,381</u>	<u>1,498</u>	<u>11,184</u>	<u>55,174</u>	<u>31,786</u>	<u>2,324</u>	<u>1,364</u>	<u>24,244</u>	<u>848</u>	<u>145,366</u>

The segment assets by business lines and by geographical areas as at 31st December 2009 are as follows:

	Property development				Property investment		Hotel operations			Property management	Group
	GZ	SH	BJ	TJ	GZ	SH	GZ	BJ	TJ		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at and for the year ended 31st December 2009	<u>23,134,671</u>	<u>7,736,545</u>	<u>21,172,034</u>	<u>4,064,030</u>	<u>2,476,368</u>	<u>5,938,360</u>	<u>507,104</u>	<u>391,801</u>	<u>2,174,470</u>	<u>195,875</u>	<u>67,791,258</u>
Segment assets include:											
Investment in associates	637	—	40,288	—	—	—	—	—	—	—	40,925
Investment in a jointly controlled entity	—	—	1,188,692	—	—	—	—	—	—	—	1,188,692
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>11,935</u>	<u>14,806</u>	<u>1,324</u>	<u>481,918</u>	<u>36,570</u>	<u>514,115</u>	<u>5,855</u>	<u>27,749</u>	<u>422,428</u>	<u>2,733</u>	<u>1,519,433</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Segment Information (Continued)

Segment results by business lines and geographical areas (Continued)

Reconciliation of reportable segment profit from operations to profit before taxation is as follows:

	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Reportable segment profit from operations	2,111,147	1,503,241
Unallocated corporate (expenses)/income, net	(27,888)	6,496
Finance income	9,134	4,452
Finance costs	<u>(127,116)</u>	<u>(153,279)</u>
Profit before taxation	<u><u>1,965,277</u></u>	<u><u>1,360,910</u></u>

Reconciliation of reportable segment assets to total assets are as follows:

	As at	
	30th June	31st December
	2010	2009
	HK\$'000	HK\$'000
Total segment assets	78,324,718	67,791,258
Deferred tax assets	232,197	191,287
Available-for-sale financial assets	<u>2,790,433</u>	<u>2,671,719</u>
Total assets	<u><u>81,347,348</u></u>	<u><u>70,654,264</u></u>

The Group primarily operates in Mainland China. All revenues for the six months ended 30th June 2010 and 2009 are from Mainland China.

As at 30th June 2010 and 31st December 2009, all non-current assets, other than financial instruments and deferred tax assets are located in Mainland China.

NOTES TO THE INTERIM FINANCIAL INFORMATION

7 Capital Expenditure

	Intangible assets <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Properties and equipment <i>HK\$'000</i>	Land costs <i>HK\$'000</i>
Opening net book amount as at 1st January 2010	120,660	8,378,105	3,175,029	329,440
Additions (including capitalisation of interest and land costs amortisation)	—	86,933	40,401	18,032
Revaluation surplus	—	3,185	—	—
Disposals	—	—	(11,534)	—
Depreciation and amortisation	—	—	(58,164)	(1,867)
Exchange difference	1,040	72,666	30,053	3,262
Closing net book amount as at 30th June 2010	<u>121,700</u>	<u>8,540,889</u>	<u>3,175,785</u>	<u>348,867</u>

	Intangible assets <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Properties under development for long-term investment <i>HK\$'000</i>	Properties and equipment <i>HK\$'000</i>	Land costs <i>HK\$'000</i>
Opening net book amount as at 1st January 2009	120,455	2,856,094	128,856	2,405,623	749,663
Additions (including capitalisation of interest and land costs amortisation)	—	—	35,079	12,832	3,475
Revaluation surplus	—	2,141	—	—	—
Transfer	—	5,202	(4,839)	—	1,353
Disposals	—	(122,120)	—	(744)	—
Depreciation and amortisation	—	—	—	(42,847)	(2,094)
Exchange difference	225	1,151	56	977	294
Closing net book amount as at 30th June 2009	<u>120,680</u>	<u>2,742,468</u>	<u>156,152</u>	<u>2,375,841</u>	<u>752,691</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

8 Investment in a Joint Controlled Entity

	Share of net assets <i>HK\$'000</i>	Advance <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2009	185,068	616,172	801,240
Share of post-acquisition results	(1,539)	—	(1,539)
Exchange difference	<u>75</u>	<u>252</u>	<u>327</u>
At 30th June 2009	<u><u>183,604</u></u>	<u><u>616,424</u></u>	<u><u>800,028</u></u>
At 1st January 2010	571,470	617,222	1,188,692
Capital injection	275,436	—	275,436
Share of post-acquisition results	(2,565)	—	(2,565)
Exchange difference	<u>6,109</u>	<u>5,323</u>	<u>11,432</u>
At 30th June 2010	<u><u>850,450</u></u>	<u><u>622,545</u></u>	<u><u>1,472,995</u></u>

Investment in a jointly controlled entity represents the Group's investment in Beijing Dongfangwenhua International Properties Company Limited ("BJ Dongfangwenhua"), a company with a property development project in Beijing, Mainland China.

In 2007, the Group acquired 60.98% equity interest in BJ Dongfangwenhua, for a total consideration and capital contribution of HK\$820,190,000 (equivalent to approximately RMB795,584,000). The Group is responsible for contributing 97% of the capital of BJ Dongfangwenhua and is entitled to 57.14% of the voting power in BJ Dongfangwenhua. Ordinary resolutions of BJ Dongfangwenhua require 75% of the voting of the Board of Directors. Besides, the Group is entitled to 100% of the profit arising from the office building and 45% of the profit arising from the hotel in the property development project.

Advance to a jointly controlled entity is unsecured, non-interest bearing and without pre-determined repayment terms. The advance is considered equity in nature.

NOTES TO THE INTERIM FINANCIAL INFORMATION

9 Accounts Receivable

Consideration in respect of properties sold is generally payable by the buyers at the time of completion of the sale and purchase agreements. Rentals in respect of leased properties and property management fees are generally payable in advance on a monthly basis.

The ageing analysis of accounts receivable is as follows:

	As at	
	30th June 2010 <i>HK\$'000</i>	31st December 2009 <i>HK\$'000</i>
0 to 3 months	46,434	54,317
3 to 6 months	17,377	6,343
6 to 9 months	17,925	4,378
9 to 12 months	6,595	3,250
Over 12 months	<u>78,038</u>	<u>78,607</u>
	<u>166,369</u>	<u>146,895</u>

Carrying values of accounts receivable denominated in RMB approximate their fair values.

As at 30th June 2010, approximately 17% (2009: 16%) of the accounts receivable was due from one (2009: one) customer. Other than this, there is no concentration of credit risk with respect to accounts receivable as the Group has a large number of customers.

10 Share Capital

	Number of ordinary shares <i>HK\$'000</i>	Per value <i>HK\$'000</i>
At 1st January 2009	1,472,368	147,237
Issue of shares — placements	<u>120,000</u>	<u>12,000</u>
At 31st December 2009	<u>1,592,368</u>	<u>159,237</u>
At 1st January 2010	1,592,368	159,237
Repurchase of own shares	(25,462)	(2,546)
Issue of shares — placements	<u>185,461</u>	<u>18,546</u>
At 30th June 2010	<u>1,752,367</u>	<u>175,237</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

10 Share Capital (Continued)

The total authorised number of ordinary shares is 2,000,000,000 shares (31st December 2009: 2,000,000,000 shares) with a par value of HK\$0.1 per share (31st December 2009: HK\$0.1 per share). All issued shares are fully paid.

In February 2010, the Company repurchased 25,462,000 shares for approximately HK\$270,298,000. These shares were subsequently cancelled.

In March 2010, the Company issued 185,461,463 shares at HK\$14.62 per share, totaling approximately HK\$2,711,447,000 as part of the consideration for the acquisition of 100% equity interest in Panyu Zhujiang Real Estate Limited (see Note 24(e)).

Share options

The Company has an employee share options scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a limit that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the share options schemes of the Company shall not exceed 30% of the shares in issue from time to time. The exercise price will be determined by the Company's board of directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of offer of the options, (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of offer of the options, (iii) the net asset value per share as determined in accordance with the Hong Kong Financial Reporting Standards and with reference to the latest published audited financial statements in the annual report or the latest published unaudited interim financial information in the interim report (whichever is more recent) of the Group on the date of offer of the relevant options; and (iv) the nominal value of the Company's shares of HK\$0.1 each. This employee share options scheme will remain in force for a period of 10 years up to 2012.

There was no share option granted and exercised during the six months ended 30th June 2009 and 30th June 2010.

As at 30th June 2010 and 31st December 2009, there were no outstanding share options.

NOTES TO THE INTERIM FINANCIAL INFORMATION

11 Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Statutory reserve ⁽ⁱ⁾ HK\$'000	Asset revaluation reserve ⁽ⁱⁱⁱ⁾ HK\$'000	Convertible bonds reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1st January 2010	8,232,259	—	161,117	2,507,043	227,734	2,366,633	14,539,720	28,034,506
Profit for the period	—	—	—	—	—	—	1,516,766	1,516,766
Currency translation differences	—	—	—	—	—	278,275	—	278,275
Issue of shares — placements	2,692,900	—	—	—	—	—	—	2,692,900
Repurchase of own shares	(131,634)	2,546	—	—	—	—	(138,664)	(267,752)
Further acquisition of equity interests of a subsidiary	—	—	—	—	—	—	(34,002)	(34,002)
Redemption of convertible bonds	—	—	—	—	(227,734)	—	227,734	—
Fair value gain on available-for-sale financial assets	—	—	—	109,111	—	—	—	109,111
Realised upon disposal of properties held for sale ⁽ⁱⁱ⁾	—	—	—	(47,086)	—	—	—	(47,086)
Deferred tax	—	—	—	47,903	—	—	—	47,903
Balance at 30th June 2010	10,793,525	2,546	161,117	2,616,971	—	2,644,908	16,111,554	32,330,621

Analysed by:

Company and subsidiaries	15,646,143
Jointly controlled entity	465,132
Associates	279

16,111,554

	Share premium HK\$'000	Statutory reserve ⁽ⁱ⁾ HK\$'000	Asset revaluation reserve ⁽ⁱⁱⁱ⁾ HK\$'000	Convertible bonds reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1st January 2009	6,664,596	161,117	1,659,834	227,734	2,278,132	9,041,244	20,032,657
Profit for the period	—	—	—	—	—	906,133	906,133
Currency translation differences	—	—	—	—	63,445	—	63,445
Dividend relating to 2008	—	—	—	—	—	(154,599)	(154,599)
Issue of shares — placements	1,584,000	—	—	—	—	—	1,584,000
Share issue expenses	(16,337)	—	—	—	—	—	(16,337)
Realised upon disposal of properties held for sale ⁽ⁱⁱ⁾	—	—	(202,116)	—	—	—	(202,116)
Deferred tax	—	—	81,083	—	—	—	81,083
Balance at 30th June 2009	8,232,259	161,117	1,538,801	227,734	2,341,577	9,792,778	22,294,266

Representing —

2009 interim dividend	146,498
Others	9,646,280
	9,792,778

Analysed by:

Company and subsidiaries	9,715,330
Jointly controlled entity	80,399
Associates	(2,951)

9,792,778

NOTES TO THE INTERIM FINANCIAL INFORMATION

11 Reserves (Continued)

Notes:

- (i) As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to the statutory reserve and enterprise expansion fund, at rates determined by their respective boards of directors. The statutory reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. When the statutory reserves reach an amount equal to 50% of the registered capital of the Company's subsidiaries, further appropriation needs not be made.
- (ii) Upon completion of the acquisition of Guangzhou Nonggongshang Construction and Development Company Limited in 2007, Guangzhou Zhujiang Qiaodao Real Estate Limited ("GZQREL") became a subsidiary of the Group and the fair value gain in respect of the 69.5% interest in GZQREL previously held by the Group of approximately HK\$2,180,096,000 net of tax has been accounted for as an asset revaluation reserve directly in equity on acquisition. Upon subsequent delivery of the properties developed by GZQREL, which represents partial disposal of the business of GZQREL, the related portion of the asset revaluation reserve is released to the income statement.
- (iii) Asset revaluation reserve represents revaluation reserve of available-for-sale financial assets and fair value gain in respect of 69.5% interest in GZQREL previously held by the Group.

12 Accounts Payable

The ageing analysis of accounts payable (including amounts due to related companies of trading nature) is as follows:

	As at	
	30th June 2010 HK\$'000	31st December 2009 HK\$'000
0 to 3 months	<u>5,098,591</u>	<u>2,941,424</u>

As at 30th June 2010, approximately HK\$2,558,033,000 (2009: HK\$2,471,757,000) of accounts payable was due to subsidiaries of minority shareholders of certain subsidiaries of the Company in respect of property construction fees.

Carrying values of accounts payable denominated in RMB approximate their fair values.

NOTES TO THE INTERIM FINANCIAL INFORMATION

13 Land Cost Payable

	As at	
	30th June 2010 HK\$'000	31st December 2009 HK\$'000
Land premium payable	76,343	75,689
Land compensation payable	<u>256,656</u>	<u>497,757</u>
	332,999	573,446
Less: Amount due within one year included in current liabilities	<u>(252,568)</u>	<u>(302,418)</u>
	<u><u>80,431</u></u>	<u><u>271,028</u></u>

Land cost payable is denominated in RMB. Their carrying amounts approximate fair values.

14 Borrowings

	As at	
	30th June 2010 HK\$'000	31st December 2009 HK\$'000
Non-current		
Bank borrowings	14,537,510	7,439,901
Senior notes	<u>2,690,368</u>	<u>2,676,697</u>
	<u>17,227,878</u>	<u>10,116,598</u>
Current		
Bank borrowings	1,811,345	4,062,575
Convertible bonds	<u>—</u>	<u>2,169,685</u>
	<u>1,811,345</u>	<u>6,232,260</u>
Total borrowings	<u><u>19,039,223</u></u>	<u><u>16,348,858</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

14 Borrowings (Continued)

Movements in borrowings are analysed as follows:

HK\$'000

Six months ended 30th June 2010

Opening amount as at 1st January 2010	16,348,858
Additions of borrowings	8,747,754
Repayment of borrowings	(6,204,841)
Amortisation	10,917
Exchange difference	136,535
	<u>19,039,223</u>
Closing amount as at 30th June 2010	<u>19,039,223</u>

Six months ended 30th June 2009

Opening amount as at 1st January 2009	16,593,009
Additions of borrowings	3,076,032
Disposal of subsidiaries	(816,762)
Repayment of borrowings	(2,813,612)
Amortisation	76,258
Exchange difference	5,776
	<u>16,120,701</u>
Closing amount as at 30th June 2009	<u>16,120,701</u>

In November 2005, the Company issued 8.125% senior notes with an aggregate nominal value of US\$350,000,000 (equivalent to approximately HK\$2,730,000,000), for a total consideration of approximately HK\$2,733,182,000. The senior notes mature in seven years (November 2012) and are repayable at their nominal value of US\$350,000,000. The Company will be entitled at its option to redeem all or a portion of the senior notes on or after 9th November 2009 at the redemption prices specified in the offering circular, plus accrued and unpaid interests to the redemption date.

On 2nd February 2007, the Company completed the issue of RMB1,830,400,000 aggregate principal amount of USD settled Zero Coupon Convertible Bonds. The bonds mature in three years (February 2010) from the issued date at 104.59% of the nominal value or can be converted into ordinary shares of the Company on or after 14th March 2007 at a conversion price of HK\$30.08 per share at a fixed exchange rate of RMB0.9958 to HK\$1. On 2nd February 2010, the Group repaid the bonds of approximately US\$280,418,000 (equivalent to approximately RMB1,914,415,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

14 Borrowings (Continued)

The carrying amounts of the borrowings are denominated in the following currencies with the respective weighted average effective interest rates:

	As at 30th June 2010		As at 31st December 2009	
	<i>HK\$'000</i>	<i>Effective interest rate</i>	<i>HK\$'000</i>	<i>Effective interest rate</i>
Chinese Renminbi				
— Bank borrowings	16,348,855	5.6%	11,502,476	6.2%
— Convertible bonds	—	N/A	2,169,685	7.0%
US dollar				
— Senior notes	<u>2,690,368</u>	8.6%	<u>2,676,697</u>	8.6%
	<u>19,039,223</u>		<u>16,348,858</u>	

As at 30th June 2010, the Group's banking facilities were secured by:

- (i) the Group's land cost of approximately HK\$86,913,000 (31st December 2009: HK\$14,450,000);
- (ii) the Group's hotel properties of approximately HK\$1,315,692,000 (31st December 2009: HK\$90,104,000);
- (iii) the Group's properties under development for sale of approximately HK\$7,457,269,000 (31st December 2009: HK\$4,677,986,000);
- (iv) the Group's completed properties for sale of approximately HK\$1,422,348,000 (31st December 2009: HK\$2,067,747,000); and
- (v) the Group's investment properties with an aggregate carrying amount of approximately HK\$549,714,000 (31st December 2009: HK\$504,743,000);

15 Other Gains

	Six months ended 30th June	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Dividend income	197	21,614
Fair value gains on investment properties	3,185	2,141
Fair value gain on financial assets at fair value through profit or loss	726	235
Gain on disposal of subsidiaries (<i>Note 25</i>)	958,217	468,945
Government grants	<u>15,138</u>	<u>41,397</u>
	<u>977,463</u>	<u>534,332</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

16 Expenses by Nature

Expenses included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

	Six months ended 30th June	
	2010 HK\$'000	2009 HK\$'000
Advertising costs	73,533	66,943
Amortisation of land costs	1,867	3,404
Cost of completed properties sold	2,745,219	2,107,619
Depreciation of properties and equipment	58,164	42,847
Direct operating expenses arising from investment properties that		
— generated rental income	—	532
— did not generate rental income	—	2,430
Employees' benefits cost (including Directors' emoluments)	207,956	208,277
Loss on disposal of properties and equipment	212	744
Net exchange loss/(gain) (included in general and administrative expenses)	109	(4,259)
Operating lease rental in respect of premises	14,947	24,076

17 Finance Income and Costs

	Six months ended 30th June	
	2010 HK\$'000	2009 HK\$'000
Interest expense:		
— on bank loans wholly repayable within five years	403,729	394,099
— on bank loans not wholly repayable within five years	18,243	8,827
— on senior notes wholly repayable within five years	116,197	115,763
— on convertible bonds wholly repayable within five years	4,845	70,711
Total borrowing costs incurred	543,014	589,400
Less: Amount capitalised as part of the cost of properties under development	(415,898)	(436,121)
	127,116	153,279
Interest income from banks	(9,134)	(4,452)
Net finance costs	117,982	148,827

The average interest rate of borrowing costs capitalised for the six months ended 30th June 2010 was approximately 5.6% (2009: 7.1%) per annum.

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 Taxation

Six months ended 30th June

2010 2009

HK\$'000 HK\$'000

Taxation consists of:

Current taxation

Hong Kong profits tax (<i>Note (a)</i>)	(2,454)	(2,877)
Mainland China corporate income tax (<i>Note (b)</i>)	349,340	240,533
Mainland China land appreciation tax (<i>Note (c)</i>)	203,013	296,964

	<u>549,899</u>	<u>534,620</u>
--	----------------	----------------

Deferred taxation

Mainland China corporate income tax (<i>Note (b)</i>)	(55,764)	(55,532)
Mainland China land appreciation tax (<i>Note (c)</i>)	(24,695)	(21,520)

	<u>(80,459)</u>	<u>(77,052)</u>
--	-----------------	-----------------

Taxation

	<u>469,440</u>	<u>457,568</u>
--	----------------	----------------

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period ended 30th June 2010.

(b) Other income tax

The Company is exempted from taxation in Bermuda until March 2016. Subsidiaries in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income taxes.

Subsidiaries established and operated in Mainland China are subject to Mainland China corporate income tax at the rate of 25% (2009: 25%) for the period ended 30th June 2010.

(c) Mainland China land appreciation tax

Mainland China land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June	
	2010	2009
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>1,516,766</u>	<u>906,133</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>1,681,712</u>	<u>1,485,628</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>0.902</u>	<u>0.610</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of convertible bonds.

	Six months ended 30th June	
	2010	2009
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	1,516,766	906,133
Interest expense on convertible bonds (net of tax) (<i>HK\$'000</i>)	<u>3,712</u>	<u>N/A</u>
Profit for calculation of diluted earnings per share (<i>HK\$'000</i>)	<u>1,520,478</u>	<u>906,133</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,681,712	1,485,628
Adjustments for shares to be issued on conversion of convertible bonds (<i>'000</i>)	<u>10,804</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>'000</i>)	<u>1,692,516</u>	<u>1,485,628</u>
Diluted earnings per share (<i>HK\$ per share</i>)	<u>0.898</u>	<u>0.610</u>

The convertible bonds are anti-dilutive for the six months ended 30th June 2009.

20 Dividend

	Six months ended 30th June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend proposed of nil (2009: HK\$0.092) per ordinary share	<u>—</u>	<u>146,498</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

21 Financial Guarantees

	As at	
	30th June 2010 HK\$'000	31st December 2009 HK\$'000
Financial guarantees not provided for in the financial statements are as follows:		
Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties	10,268,154	9,980,834
Guarantees given to bank for bank borrowings of a jointly controlled entity	<u>572,830</u>	<u>567,930</u>
	<u>10,840,984</u>	<u>10,548,764</u>

22 Pending Litigations

- (a) **Summary of litigation in relation to contracts for transfer of land use rights in state-owned land between Guangzhou Hopson Junjing Real Estate Limited, a subsidiary of the Group and Southern District Office of Zhongshan Municipal People's Government); Guangzhou Hopson Junjing Real Estate Limited and Zhongshan Municipal Bureau of Land and Resources**

In September 2007, Guangzhou Hopson Junjing Real Estate Limited ("Hopson Junjing") successfully bid for the land use rights of a piece of land identified as Zhongshan Dongkeng Lot "P26-07-0049" (the "Lot") for a price of RMB500,000,000. On 10th October 2007, Hopson Junjing entered into the "Contract for transfer of land use rights in state-owned land in Zhongshan Municipal" with Zhongshan Municipal Bureau of Land and Resources for the transfer of the land use right of the Lot. After the execution of the said contract, Hopson Junjing paid a security deposit of RMB15,000,000 and partial land transfer price of RMB250,000,000, with the balance of the land transfer price of RMB235,000,000 remaining unpaid. On 28th October 2009, Zhongshan Municipal Bureau of Land and Resources assigned its rights to receive the said unpaid balance of the land transfer price from Hopson Junjing to the Southern District Office of Zhongshan Municipal People's Government ("Southern District Office").

On 9th November 2009, the Southern District Office, as plaintiff, instituted a civil proceeding against Hopson Junjing, as defendant, in the Guangdong Province High Court for payment of the balance of the land transfer price of RMB235,000,000, an overdue penalty of RMB178,250,000 (a tentative sum which shall be adjusted in accordance with the actual payment date) arising from breach of contract, and the costs of the proceedings.

On 17th December 2009, Hopson Junjing, as plaintiff, instituted a proceeding against Zhongshan Municipal Bureau of Land and Resources, as defendant, in the Guangdong Province High Court on the ground that the Lot did not meet the conditions of transfer of state-owned land, the transfer procedure was illegal, the Lot was not a cultivated land and the Lot could not be developed due to the presence of high voltage cables on the upper section of the Lot. Hopson Junjing pleaded for a judgment that the Zhongshan Municipal Bureau of Land and Resources shall repay the security deposit of RMB15,000,000, the land transfer price of RMB250,000,000 and interest of RMB42,890,250 accrued on the above sums (interest rate being the interest rate for bank loans of the same period, from the day following payment date to 25th December 2009, to be adjusted by the actual date of repayment), and to bear the costs of the proceedings. The Court has accepted and registered Hopson Junjing's application in January 2010.

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 Pending Litigations (Continued)

- (a) **Summary of litigation in relation to contracts for transfer of land use rights in state-owned land between Guangzhou Hopson Junjing Real Estate Limited, a subsidiary of the Group and Southern District Office of Zhongshan Municipal People's Government); Guangzhou Hopson Junjing Real Estate Limited and Zhongshan Municipal Bureau of Land and Resources (Continued)**

As mentioned above, the Group is exposed to the claim by the Southern District Office for the payment of the balance of the transfer price of RMB235,000,000 and overdue penalty of RMB178,250,000 and the costs of the proceedings. Based on the advice of the Group's internal and external legal counsels, the Company's Directors consider that there are grounds to contest the claims by the Southern District Office and therefore no provision has been made in this interim financial information.

- (b) **Summary of litigation instituted by YTO Group Corporation against Guangzhou Laureland Property Co., Ltd. and Guangzhou Ziyun Village Real Estate Company Limited, a subsidiary of the Group, in relation to a dispute over guarantee**

In December 2004, (YTO Group Corporation) ("YTO Group") and Guangzhou Laureland Property Co., Ltd. ("Laureland Co") entered into an agreement, whereby Laureland Co agreed to provide a counter-guarantee by pledging its seven villas as security for repayment in respect of the amount of RMB127,138,320 guarantee provided by YTO Group in respect of a bank loan obtained by (Henan Jian Ye Company). Payable of a balance of RMB93,138,320 by Laureland Co to YTO Group is overdue.

On 21st June 2007, YTO Group, as plaintiff, instituted a proceeding against Laureland Co, as defendant, in the Intermediate People's Court of Luoyang City, claiming for the payment of the remaining balance of RMB93,138,320. On 25th July 2007, the plaintiff issued "supplementary pleadings", claiming that Laureland Co and (Guangzhou Ziyun Real Estate Company Limited) ("Ziyun Co") maliciously colluded to transfer assets at an undervalue and infringed the legal rights of the YTO Group, hence adding Ziyun Co as a co-defendant in the claim. YTO Group pleaded for judgment that the abovementioned transfer(s) at an undervalue be declared void and an order that the co-defendant to repay the balance of RMB93,138,320.

On 7th August 2007, the Intermediate People's Court of Luoyang City made an injunction to freeze the sum of RMB11,446,100 in the bank account of Ziyun Co and the land use rights of the land situated in Nanan Village, Zengcheng Xintang Town, Guangzhou Province, with a total area of 130,452.83 square meters. On 18th March 2008, the Luoyang Province Intermediate People's Court released the said land and froze another land use rights of the land situated in the same location, with a total area of 239,498.29 square meters.

On the basis of the damage arising from the bank account and the land use rights being frozen as aforementioned, Yizun Co instituted a proceeding in the Intermediate People's Court of Guangzhou City against YTO Group and Laureland Co, pleading for judgment that the co-defendants be enjoined from infringing the rights of Yizun Co and to compensate Yizun Co for its economic loss of RMB20,000,200.

The Intermediate People's Court of Luoyang City heard the proceedings in relation to YTO Group's claims on 15th and 16th May 2008. The court ordered Laureland Co to repay the sum of RMB93,138,320 owed to YTO Group and that YTO Group shall have priority in sums recovered by auction or sale of the mortgaged properties. The court further ordered that Yizun Co shall be liable for sums which Laureland Co may be unable to settle. Yizun Co appealed against the decision and applied to set aside the judgment and to declare that Yizun Co shall not be liable for the settlement of the sums.

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 Pending Litigations (Continued)

- (b) **Summary of litigation instituted by YTO Group Corporation against Guangzhou Laureland Property Co., Ltd. and Guangzhou Ziyun Village Real Estate Company Limited, a subsidiary of the Group, in relation to a dispute over guarantee (Continued)**

On 13 August 2010, The Higher People's Court of Henan Province upheld the decision of The Intermediate People's Court of Luoyang City. Pursuant to the said judgment, Ziyun Co is liable for sums which Laureland Co may be unable to settle and the costs of the appeal of RMB507,432.

Although the decision of The Higher People's Court of Henan Province is final and conclusive, under the existing PRC laws and regulations, the Group is entitled to apply to the Supreme People's Court of the PRC for a retrial of the dispute. Based on the advice of the Group's internal and external legal counsel, the Directors consider that there are adequate grounds to defend the case and the Group will apply to The Supreme People's Court of the PRC for the retrial of the dispute. Therefore, no provision has been made in this interim financial information.

23 Commitments

- (a) **Capital commitments**

Capital expenditures at the balance sheet date but not yet incurred are as follows:

	As at	
	30th June 2010 HK\$'000	31st December 2009 HK\$'000
Contracted but not provided for		
— Property construction costs	706,508	879,839
— Acquisition of equity interests in certain Mainland China entities	694,651	169,562
— Capital contribution to a jointly controlled entity ("BJ Dongfangwenhua")	—	258,400
	1,401,159	1,307,801
Authorised but not contracted for		
— Land costs	131,837	66,332
— Property construction costs	5,593,421	3,530,730
— Acquisition of equity interests in a Mainland China entity (<i>Note 26</i>)	4,259,102	—
	9,984,360	3,597,062
	11,385,519	4,904,863

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 Commitments (Continued)

(b) Operating lease commitments

The Group has operating lease commitments in respect of premises under various non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	As at	
	30th June 2010 HK\$'000	31st December 2009 HK\$'000
Amounts payable		
— Within one year	24,960	26,854
— Within two to five years	74,462	76,077
— After five years	39,765	49,129
	<u>139,187</u>	<u>152,060</u>

24 Related Party Transactions

The Company is controlled by Mr. Chu Mang Yee, who owns approximately 57.50% to 62.83% (2009: 57.50% to 62.18%) of the Company's shares during the six months ended 30th June 2010. The remaining shares are widely held.

The ultimate holding company is Sounda Properties Limited.

(a) The following significant transactions were carried out with related parties:

(i) Sales of goods and services (note)

	Six months ended 30th June	
	2010 HK\$'000	2009 HK\$'000
Property management services to related companies	5,285	2,857
Property design services to related companies	8,901	4,731
	<u>14,186</u>	<u>7,588</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 Related Party Transactions (Continued)

(a) The following significant transactions were carried out with related parties: (Continued)

(ii) Purchases of goods and services (*note*)

	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Property construction services from related companies	644,140	1,475,680
Property design services from related companies	1,786	6,910
Decoration services from a related company	7,895	33,594
Office rental services from related companies	1,188	1,933
Property management services from related companies	1,091	1,750
Property construction supervision services from a related company	3,301	1,165
Electrical power installation, intelligent and cost control consultation services from related companies	<u>62,724</u>	<u>41,176</u>
	<u>722,125</u>	<u>1,562,208</u>

Note: These related companies are minority shareholders of certain subsidiaries of the Company and subsidiaries of these minority shareholders.

(b) Key management compensation:

	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Salaries and allowances	5,679	7,383
Pension costs	<u>50</u>	<u>75</u>
	<u>5,729</u>	<u>7,458</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 Related Party Transactions (Continued)

(c) Amounts due from/to related parties were as follows:

	As at	
	30th June 2010 HK\$'000	31st December 2009 HK\$'000
Due from an associate	<u>29,619</u>	<u>29,365</u>
Due from related companies Amounts due from minority shareholders of certain subsidiaries of the Company	<u>14,513</u>	<u>13,664</u>
Due to an associate	<u>6,323</u>	<u>6,269</u>
Due to related companies Amounts due to minority shareholders of certain subsidiaries of the Company and subsidiaries of these minority shareholders	<u>150,514</u>	<u>173,721</u>
Due to a jointly controlled entity	<u>1,809,469</u>	<u>1,842,289</u>

As at 30th June 2010, the Group had accounts payable of approximately HK\$2,558,033,000 (2009: HK\$2,471,757,000) due to subsidiaries of minority shareholders of certain subsidiaries of the Company in respect of property construction fees.

As at 30th June 2010, all outstanding balances with related companies, associates and a jointly controlled entity were unsecured, non-interest bearing and without pre-determined repayment terms.

(d) Amount due to minority shareholders

The amount due to minority shareholders represents shareholders' loans to subsidiaries from the minority shareholders, which is unsecured, non-interest bearing and without pre-determined repayment terms. The amount is considered equity in nature.

(e) Acquisition of Panyu Zhujiang Real Estate Limited and disposal of Cheerocean Investments Limited

On 2nd November 2009, the Group entered into an agreement (the "Agreement") with Guangdong Hanjiang Construction Installation Project Limited ("Hanjiang"), a related company, to acquire the entire interest in Panyu Zhujiang Real Estate Limited ("Panyu Zhujiang") for a consideration of approximately RMB3,810 million and dispose of the entire interest in Cheerocean Investments Limited ("Cheerocean") for a consideration of RMB960 million.

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 Related Party Transactions (Continued)

(e) Acquisition of Panyu Zhujiang Real Estate Limited and disposal of Cheerocean Investments Limited (Continued)

Panyu Zhujiang possesses (i) the right to develop a piece of land in Panyu District, Guangdong, China (“Land A”); (ii) the land use right of a piece of land in Panyu District, Guangdong, China (“Land B”); and (iii) 1% equity interest in Guangdong Huanan New City Real Estate Limited, a 99%-owned subsidiary of the Group. Pursuant to the Agreement, Hanjiang will perform and complete all necessary demolition and preparation work to obtain the land use right certificate of Land A, at its own expense, within one year from the date of the Agreement.

The transactions were completed in March 2010. A net consideration of RMB2,386 million was settled by the issuance of shares of the Company in favour of Mr. Chu Mang Yee, the Chairman of the Group, after deducting from the consideration of acquiring Panyu Zhujiang the compensation costs in relation to Land A previously paid by the Group of RMB464 million and the sale consideration from the disposal of Cheerocean of RMB960 million.

Undertaking provided by Mr. Chu Mang Yee, the Chairman, to the Group

In relation to the Group’s acquisition of Panyu Zhujiang and disposal of Cheerocean, Mr. Chu Mang Yee, has undertaken to the Group to (i) guarantee the due and punctual performance by Hanjiang of its obligations in relation to Land A (subject to a maximum amount of RMB3,600 million); and (ii) pay the net consideration of RMB2,386 million to Hanjiang on or before the completion of the transactions in March 2010.

(f) Disposal of Nan Fong Guangzhou Plaza Limited

On 2nd November 2009, the Group, through Hopeson Holdings Limited (“Hopeson”), a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Jumbo Advance Investment Limited (“Jumbo Advance”) whereby the Group has agreed to dispose of 51% of the entire issued share capital in Nam Fong Guangzhou Plaza Limited, a non-wholly owned subsidiary of the Company, at a consideration of RMB254,902,000 (“Consideration”). Jumbo Advance is indirectly wholly-owned by the sister of Mr. Chu Mang Yee, Chairman of the Company. Pursuant to the said share purchase agreement, the Consideration shall be paid by Jumbo Advance by two installments: (i) a sum of RMB80,000,000 shall be paid upon the signing of the agreement on 2nd November 2009; and (ii) the remaining balance of RMB174,902,000 shall be paid within 90 days after the signing of the agreement, namely 31st January 2010. Payment of the said RMB80,000,000 was made by Jumbo Advance on 2nd November 2009 and the remaining balance of RMB174,902,000 (equivalent to HK\$198,664,000) has been included in prepayments, deposits and other current assets at 30th June 2010.

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 Related Party Transactions (Continued)

(g) Investment in an available-for-sale financial asset

In September 2009, the Group invested in 5.09% attributable equity interest in a PRC financial institution (the “Financial Institution”) for RMB980 million (equivalent to HK\$1,112,197,000). Such shares are held through three related parties of the Company (“trustees”) pursuant to certain trust agreements made between the Group and each of the trustees, against the guarantees given by Mr. Chu Mang Yee, Chairman of the Company, in favour of the Group. According to the legal advice obtained by the Group, the trust agreements are legal and valid under PRC laws so far as the Group and the trustees are concerned. However, the Financial Institution has the right to require the trustees, who have subscribed the shares not in the capacity as beneficial owners, to sell the shares back to the Financial Institution or any party it may designate at cost. If the Financial Institution exercises such right against the trustees, it will be obliged to return the investment (together with all dividends and interest accrued thereto) to the Group.

(h) Undertaking provided by Mr. Chu Mang Yee, the Chairman of the Company, to the Group in relation to acquisition of Believe Best

In 2007, the Group completed the acquisition of 80% of the issued share capital of Believe Best Investments Limited (“Believe Best”) from Mr. Chu Mang Yee, Chairman of the Company. Believe Best has, through its indirect wholly-owned subsidiary (the project company), acquired a piece of land for development in Chaoyang District, Beijing, China (known as the “Jing Run Project”).

In relation to the Group’s interest in the Jing Run Project through its 80% interest in Believe Best, Mr. Chu Mang Yee, has (i) fully guaranteed the bank loans which were used by the project company for the demolition and relocation of the extra public greenfield site peripheral to the Jing Run Project at the request of the local government; and (ii) undertaken to the Group to be responsible for the excess amount, if any, being the difference in the unit cost per square meter (including the demolition and relocation fees for the extra public greenfield site and the land transfer fees as compared with the original agreed valuation price of Jing Run Project) for the gross floor area to be developed, payable by the project company in respect of any increase in plot ratio as the government may approve. The demolition and relocation on the construction site have been completed, building construction is in progress and pre-sale permit in respect of one phase of the Jing Run Project has been obtained. The demolition and relocation work on the extra public greenfield is ongoing and related costs of approximately RMB1,453 million had been incurred by the Group up to 30th June 2010. Such additional costs may be compensated by an increase in plot ratio for the Jing Run Project. However, government approval for increase in plot ratio is pending.

NOTES TO THE INTERIM FINANCIAL INFORMATION

25 Disposal of 100% Equity Interest in Cheerocean Investments Limited

On 16th March 2010, the Group disposed of 100% equity interest in Cheerocean Investments Limited and its subsidiary, Guangdong He Sheng Taijing Real Estate Company Limited (collectively the “Cheerocean Group”) to a related party (Note 24(e)). The net liabilities of Cheerocean Group at the time of disposal were as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Total consideration		1,095,109
Less: Net liabilities disposed of		
Properties under development for sale	139,945	
Deferred tax assets	521	
Other payables	<u>(142,105)</u>	
		1,639
Less: Amounts due from Cheerocean Group		<u>(138,531)</u>
Gain on disposal of subsidiaries		958,217
Taxation		<u>(95,822)</u>
Gain on disposal of subsidiaries, net of tax		<u><u>862,395</u></u>
Analysis of the net cash flow in respect of the disposal of 100% equity interest in Cheerocean Group:		
Consideration		1,095,109
Less: Consideration receivable settled against consideration payable for the acquisition of Panyu Zhujiang (<i>Note 24(e)</i>)		<u>(1,095,109)</u>
Net cash used in respect of the disposal of 100% equity interest in Cheerocean Group		<u><u>—</u></u>
Analysis of the net cash flow in respect of the disposal of 100% equity interest in Cheerocean Group:		
Consideration		1,095,109
Less: Consideration receivable settled against consideration payable for the acquisition of Panyu Zhujiang (<i>Note 24(e)</i>)		<u>(1,095,109)</u>
Net cash used in respect of the disposal of 100% equity interest in Cheerocean Group		<u><u>—</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

26 Event after Balance Sheet date

- (a) On 18th August 2010, the Group entered into a cooperation agreement with Guangzhou Textile Industrial and Trading Group Limited, a state-owned limited liability company established under the laws of the PRC, whereby the Group has agreed to bid for the equity interests when they are listed for sale in the Equity Exchange and invest in Guangzhou Diyi Dyeing Factory for a total consideration of RMB3,717,600,000 (equivalent to approximately HK\$4,259,102,000).

On 24th August 2010, the Board of Directors has resolved to approve and adopt the cooperation agreement, and accordingly the cooperation agreement becomes effective and binding.

Upon Completion, the Group will own 65% interest in Guangzhou Diyi Dyeing Factory, and the sole asset of Guangzhou Diyi Dyeing Factory will be the Land, on which the Kemaoyuan Project will be developed.

- (b) On 7th September 2010, the Group entered into a land transfer agreement with Songjiang Land Administration Bureau for acquiring a piece of land situated at the north-western part of Songjiang New District, Shanghai, with a site area of approximately 94,476 square meters. The total consideration of the transaction is RMB1,246,180,000 (equivalent to approximately HK\$1,427,697,000).
- (c) On 8th September 2010, the Group entered into a land transfer agreement with Pudong Land Administration Bureau for acquiring a piece of land situated at the north-western end of Sanlin Ji Zhen, Pudong New District, Shanghai, with a site area of approximately 40,900.9 square meters. The total consideration of the transaction is RMB1,451,110,000 (equivalent to approximately HK\$1,662,477,000).
- (d) On 4th November 2010, the Group entered into a land transfer agreement with Jinshan Land Administration Bureau for acquiring a piece of land situated at the west side of Hangzhou Bay Avenue, Jinshan New District, Shanghai, with a site area of approximately 88,448.7 square meters. The total consideration of the transaction is RMB1,558,880,000 (equivalent to approximately HK\$1,785,945,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

26 Event after Balance Sheet date (Continued)

- (e) On 3rd November 2010 and 13th December 2010, the Group entered into a share purchase agreement and a supplemental agreement with Farrich Investments Limited (“Farrich”) respectively, pursuant to which Farrich has conditionally agreed to sell, and the Group has conditionally agreed to purchase the entire issued share capital of Sun Excel Investments Limited at the total consideration of RMB6,605,066,000. The sole asset of Sun Excel Investments Limited is its interests under the equity transfer agreement for the acquisition of the entire equity interests in Beijing Chuang He Feng Wei Technology Investment and Management Co. Limited (“Project Co A”) and Beijing Sheng Chuang Heng Da Technology Investment and Management Co. Limited (“Project Co D”). Project Co A and Project Co D each holds a piece of land situated at the Environmental Protection Industrial Park of Majuqiao, Tongzhou District, Beijing with a site area of approximately 68,539 square meters and 67,590 square meters respectively. The consideration is payable by (i) 523,246,625 shares at issue price of HK\$9.5, totalling HK\$4,970,843,000 (equivalent to approximately RMB4,291,279,000) and (ii) cash for the remaining balance of approximately RMB2,313,787,000 payable in 16 instalments at different stages of the construction of the projects.

By Order of the Board
Chu Mang Yee
Chairman

Hong Kong, 5 January 2011

As at the date of this announcement, the Board of Directors of the Company is composed of six executive Directors, namely Mr. Chu Mang Yee (Chairman), Mr. Xiang Bin, Mr. Xue Hu, Mr. Au Wai Kin, Ms. Zhao Mingfeng and Mr. Liao Ruoqing; and three independent non-executive Directors namely, Mr. Lee Tsung Hei, David, Mr. Wong Shing Kay, Oliver and Mr. Tan Leng Cheng, Aaron.

* *For identification purposes only*