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## CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June, 2009 (the “Period”) together with the comparative figures for 2008:-

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

|                                                                   |       | Six months ended 30th June, |             |
|-------------------------------------------------------------------|-------|-----------------------------|-------------|
|                                                                   |       | 2009                        | 2008        |
|                                                                   | Notes | HK\$'000                    | HK\$'000    |
|                                                                   |       | (Unaudited)                 | (Unaudited) |
| <b>Continuing operations</b>                                      |       |                             |             |
| Revenue                                                           | 3     | 1,365,970                   | 726,552     |
| Cost of sales                                                     |       | (555,621)                   | (206,959)   |
| Gross profit                                                      |       | 810,349                     | 519,593     |
| Other income                                                      | 5     | 23,048                      | 19,339      |
| Investment income, net                                            | 6     | 44,603                      | 1,629,553   |
| Administrative expenses                                           |       | (97,855)                    | (115,843)   |
| Other expenses                                                    | 7     | (1,780)                     | (1,430)     |
| Gain (loss) on disposals of property and other fixed assets       |       | 95                          | (26)        |
| Loss on disposals of investment properties                        |       | -                           | (2,641)     |
| Fair value changes on investment properties                       |       | 2,902,465                   | 1,539,731   |
| Finance costs                                                     | 9     | (47,139)                    | (163,204)   |
| Other gains and losses, net                                       | 10    | 35,125                      | (174)       |
| Share of results of associates                                    |       | 40,138                      | 68,167      |
| Profit before tax                                                 |       | 3,709,049                   | 3,493,065   |
| Income tax (expense) credit                                       | 11    | (497,000)                   | 45,568      |
| Profit for the period from continuing operations                  |       | 3,212,049                   | 3,538,633   |
| <b>Discontinued operation</b>                                     |       |                             |             |
| Loss for the period from discontinued operation                   | 12    | -                           | (1,899)     |
| Profit for the period                                             | 8     | 3,212,049                   | 3,536,734   |
| <b>Other comprehensive income</b>                                 |       |                             |             |
| Fair value changes on available-for-sale financial assets         |       | 12,151                      | (4,019,966) |
| Exchange differences arising on translation of foreign operations |       | (1,515)                     | 240,161     |
| Share of other comprehensive income of associates                 |       | 23                          | 13,940      |
| Other comprehensive income for the period (net of tax)            |       | 10,659                      | (3,765,865) |
| Total comprehensive income for the period                         |       | 3,222,708                   | (229,131)   |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(continued)*  
**For the six months ended 30th June, 2009**

|                                                    |              | <b>Six months ended 30th June,</b> |                         |
|----------------------------------------------------|--------------|------------------------------------|-------------------------|
|                                                    | <i>Notes</i> | <b>2009</b>                        | <b>2008</b>             |
|                                                    |              | <b>HK\$'000</b>                    | <b>HK\$'000</b>         |
|                                                    |              | <b>(Unaudited)</b>                 | <b>(Unaudited)</b>      |
| <b>Profit for the period attributable to:</b>      |              |                                    |                         |
| Equity holders of the parent                       |              | <b>3,203,323</b>                   | 3,522,830               |
| Non-controlling interests                          |              | <b>8,726</b>                       | 13,904                  |
|                                                    |              | <b><u>3,212,049</u></b>            | <b><u>3,536,734</u></b> |
| <b>Total comprehensive income attributable to:</b> |              |                                    |                         |
| Equity holders of the parent                       |              | <b>3,203,595</b>                   | (246,453)               |
| Non-controlling interests                          |              | <b>19,113</b>                      | 17,322                  |
|                                                    |              | <b><u>3,222,708</u></b>            | <b><u>(229,131)</u></b> |
| Dividends                                          | 13           | <b><u>2,006,305</u></b>            | <b><u>517,159</u></b>   |
| Earnings per share (HK\$)                          | 14           |                                    |                         |
| - Basic and diluted                                |              | <b><u>1.57</u></b>                 | <b><u>1.53</u></b>      |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 30th June, 2009**

|                                                |              | <b>30th June,<br/>2009<br/>HK\$'000<br/>(Unaudited)</b> | <b>31st December,<br/>2008<br/>HK\$'000<br/>(Audited)</b> |
|------------------------------------------------|--------------|---------------------------------------------------------|-----------------------------------------------------------|
|                                                | <i>Notes</i> |                                                         |                                                           |
| <b>Non-current assets</b>                      |              |                                                         |                                                           |
| Investment properties                          |              | <b>34,824,599</b>                                       | 30,302,580                                                |
| Property and other fixed assets                |              | <b>97,615</b>                                           | 104,739                                                   |
| Properties under development                   |              | -                                                       | 86,496                                                    |
| Prepaid lease payments                         |              | <b>328,577</b>                                          | 1,536,953                                                 |
| Property interests held for future development |              | -                                                       | -                                                         |
| Intangible assets                              |              | <b>8,580</b>                                            | 10,010                                                    |
| Goodwill                                       |              | <b>6,941</b>                                            | 8,310                                                     |
| Interests in associates                        |              | <b>914,527</b>                                          | 869,727                                                   |
| Advances to associates                         |              | <b>1,819,530</b>                                        | 1,784,457                                                 |
| Interests in jointly controlled entities       |              | -                                                       | -                                                         |
| Available-for-sale investments                 |              | <b>619,767</b>                                          | 468,127                                                   |
| Bonds                                          |              | <b>1,499,041</b>                                        | -                                                         |
| Advances to investee companies                 |              | <b>339,453</b>                                          | 332,501                                                   |
| Loans receivable, due after one year           |              | <b>280</b>                                              | 60,129                                                    |
| Deferred tax assets                            |              | <b>96,917</b>                                           | 96,690                                                    |
| Advance to a minority shareholder              |              | <b>14,744</b>                                           | 14,580                                                    |
| Pledged deposits                               |              | <b>171,134</b>                                          | 99,599                                                    |
|                                                |              | <b>40,741,705</b>                                       | 35,774,898                                                |
| <b>Current assets</b>                          |              |                                                         |                                                           |
| Stock of properties                            |              | <b>4,710,181</b>                                        | 4,945,495                                                 |
| Investments held-for-trading                   |              | <b>548,166</b>                                          | -                                                         |
| Credit-linked note                             |              | <b>351,998</b>                                          | -                                                         |
| Loans receivable, due within one year          |              | <b>59,906</b>                                           | 117                                                       |
| Inventories for cosmetic products              |              | <b>3,242</b>                                            | 3,426                                                     |
| Debtors, deposits and prepayments              | 15           | <b>615,562</b>                                          | 223,439                                                   |
| Securities trading receivables and deposits    |              | <b>329,589</b>                                          | 69,118                                                    |
| Tax recoverable                                |              | <b>371</b>                                              | 414                                                       |
| Pledged deposits                               |              | <b>440,794</b>                                          | 378,483                                                   |
| Time deposits, bank balances and cash          |              | <b>6,023,297</b>                                        | 10,418,877                                                |
| Sales proceeds held by stakeholders            |              | <b>107,305</b>                                          | 63,272                                                    |
|                                                |              | <b>13,190,411</b>                                       | 16,102,641                                                |
| <b>TOTAL ASSETS</b>                            |              | <b>53,932,116</b>                                       | 51,877,539                                                |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

*At 30th June, 2009*

|                                                            | Notes | 30th June,<br>2009<br>HK\$'000<br>(Unaudited) | 31st December,<br>2008<br>HK\$'000<br>(Audited) |
|------------------------------------------------------------|-------|-----------------------------------------------|-------------------------------------------------|
| <b>Equity</b>                                              |       |                                               |                                                 |
| <b>Equity attributable to equity holders of the parent</b> |       |                                               |                                                 |
| Share capital                                              |       | 200,000                                       | 207,775                                         |
| Share premium                                              |       | 422,790                                       | 1,463,018                                       |
| Treasury stock                                             |       | (1,951)                                       | -                                               |
| Properties revaluation reserve                             |       | 704                                           | 704                                             |
| Securities investments reserve                             |       | 164,539                                       | 162,775                                         |
| Statutory reserve                                          |       | 4,365                                         | 4,367                                           |
| Other reserve                                              |       | (7,920)                                       | (7,945)                                         |
| Special reserve                                            |       | 2,499,685                                     | 2,499,685                                       |
| Capital redemption reserve                                 |       | 130,775                                       | 121,049                                         |
| Translation reserve                                        |       | 345,011                                       | 346,526                                         |
| Retained profits                                           |       | 31,049,657                                    | 29,852,639                                      |
|                                                            |       | <u>34,807,655</u>                             | <u>34,650,593</u>                               |
| <b>Non-controlling interests</b>                           |       | <u>778,869</u>                                | <u>652,056</u>                                  |
| <b>TOTAL EQUITY</b>                                        |       | <u>35,586,524</u>                             | <u>35,302,649</u>                               |
| <b>Current liabilities</b>                                 |       |                                               |                                                 |
| Derivative financial instruments                           |       | 25,402                                        | 24,432                                          |
| Creditors and accruals                                     | 16    | 632,104                                       | 323,026                                         |
| Securities trading and margin payable                      |       | 304,030                                       | 62,702                                          |
| Deposits and receipts in advance                           |       | 705,486                                       | 391,298                                         |
| Tax liabilities                                            |       | 116,682                                       | 118,360                                         |
| Borrowings – due within one year                           |       | 4,171,861                                     | 3,163,925                                       |
| Provisions                                                 |       | 16,054                                        | 16,054                                          |
| Financial guarantee liabilities                            |       | 328                                           | -                                               |
|                                                            |       | <u>5,971,947</u>                              | <u>4,099,797</u>                                |
| <b>Non-current liabilities</b>                             |       |                                               |                                                 |
| Financial guarantee liabilities                            |       | 290                                           | 618                                             |
| Borrowings – due after one year                            |       | 7,917,025                                     | 8,505,258                                       |
| Amounts due to associates                                  |       | 11,581                                        | 9,271                                           |
| Amounts due to minority shareholders                       |       | 79,325                                        | 77,565                                          |
| Deferred tax liabilities                                   |       | 4,365,424                                     | 3,882,381                                       |
|                                                            |       | <u>12,373,645</u>                             | <u>12,475,093</u>                               |
| <b>TOTAL LIABILITIES</b>                                   |       | <u>18,345,592</u>                             | <u>16,574,890</u>                               |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |       | <u>53,932,116</u>                             | <u>51,877,539</u>                               |

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
***For the six months ended 30th June, 2009***

**1. Basis of Preparation**

The unaudited 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 and with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

**2. Application of New and Revised Hong Kong Financial Reporting Standards (the “HKFRSs”)**

The accounting policies adopted in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for current accounting period of the Group. The new HKFRSs adopted by the Group in the unaudited condensed consolidated financial statements are set out as follows:

|                                |                                                                               |
|--------------------------------|-------------------------------------------------------------------------------|
| HKFRSs (Amendments)            | Annual improvements to HKFRSs 2008*                                           |
| HKAS 1 (Revised)               | Presentation of Financial Statements                                          |
| HKAS 23 (Revised)              | Borrowing Costs                                                               |
| HKAS 32 & 1 (Amendments)       | Puttable Financial Instruments and Obligations Arising on Liquidation         |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment)            | Vesting Conditions and Cancellations                                          |
| HKFRS 7 (Amendments)           | Improving Disclosure about Financial Instruments                              |
| HK(IFRIC) - Int 13             | Customer Loyalty Programmes                                                   |
| HK(IFRIC) - Int 15             | Agreements for the Construction of Real Estate                                |
| HK(IFRIC) - Int 16             | Hedges of a Net Investment in a Foreign Operation                             |

\*Except for the amendments to HKFRS 5 will be applied from 1 January 2010.

HKFRS 8, ‘Operating segments’, was early adopted by the Group in 2008. HKFRS 8 replaces HKAS 14, ‘Segment reporting’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The application of the new HKFRSs has resulted in the following changes:

- a) HKAS 1 (Revised) changes the titles of the components of a complete set of financial statements. All items of income and expense (including those accounted for directly in equity) must be presented either in a single statement (a ‘statement of comprehensive income’) or in two statements (a separate ‘income statement’ and ‘statement of comprehensive income’). For the interim results of the Group, for the period ended 30th June 2009, a single statement is presented.
- b) The HK(IFRIC) - Int 15 ‘Agreements for the Construction of Real Estate’ (“New Interpretation”) clarifies the timing and accounting treatment of revenue recognition in relation to properties sales in more detail. In the past, revenue and profit for sale of properties stock or any under pre-sale arrangements prior to the completion of development was recognised on the execution of a binding sales agreement or when the relevant occupation permit or certificate of compliance is issued by the respective building authority, whichever is the later. In consideration of the new interpretation, the Group has adopted a change in accounting policy on revenue recognition for sales of properties upon completion of sales agreement and by reference to the timing of the execution of deed of legal assignment or delivery of property to the purchaser, whichever is the earlier.

The effects of changes in the accounting policy are explained as follows:

|                                   | <b>Six months ended 30th June,</b> |                 |
|-----------------------------------|------------------------------------|-----------------|
|                                   | <b>2009</b>                        | <b>2008</b>     |
|                                   | <b>HK\$'000</b>                    | <b>HK\$'000</b> |
| Decrease in revenue               | <b>511,557</b>                     | -               |
| Decrease in cost of sales         | <b>447,397</b>                     | -               |
| Decrease in gross profit          | <b>64,160</b>                      | -               |
| Decrease in taxation              | -                                  | -               |
| Decrease in profit for the period | <b>64,160</b>                      | -               |
| Attributable to:                  |                                    |                 |
| Equity holders of the parent      | <b>64,160</b>                      | -               |
| Non-controlling interests         | -                                  | -               |
|                                   | <b>64,160</b>                      | -               |
| Impact on earnings per share      | <b>HK\$</b>                        | <b>HK\$</b>     |
| Reported figures                  | <b>1.57</b>                        | 1.53            |
| Add : adjustment                  | <b>0.03</b>                        | -               |
| Figures before adjustment         | <b>1.60</b>                        | 1.53            |

The change in accounting policy has been adopted retrospectively, however, no adjustment to the comparative figures and opening balance of any component of equity for the period are required as there is no material impact to the revenue and gross profit recognised for the same period last year and the whole year of 2008.

- c) The amendments to HKAS 40 investment property (as part of the improvements to HKFRSs 2008) and HKAS 16 “Property, Plant and Equipment” which amend the standards and the Group’s accounting policy to bring property under construction or development for future use as an investment property be classified within the scope of HKAS 40 and accounted for under the fair value model when this is reliably determinable or upon completion of its construction. The change in accounting policy has been applied prospectively from 1st January, 2009. Following the change, the property in Chengdu with carrying amounts of HK\$1,208 million and HK\$86 million as at 1st January 2009 previously reported as Prepaid Lease Payments and Properties Under Development respectively are reclassified to Investment Properties. The property has not been revalued and will be stated at fair value when its fair value becomes reliably measurable or upon completion of its construction.

Save as described above, there is no material effect on the results and financial position to the prior accounting periods by adopting the new HKFRSs, thus no prior period adjustment has been required.

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

|                                    |                                                             |
|------------------------------------|-------------------------------------------------------------|
| HKFRSs (Amendments)                | Annual improvements to HKFRSs 2009 <sup>2</sup>             |
| HKFRS 1 (Revised)                  | First-time Adoption of HKFRS <sup>1</sup>                   |
| HKFRS 3 (Revised)                  | Business Combinations <sup>1</sup>                          |
| HKAS 27 (Revised)                  | Consolidated and Separate Financial Statements <sup>1</sup> |
| HKAS 39 (Amendment)                | Eligible Hedged Items <sup>1</sup>                          |
| HK(IFRIC) 9 & HKAS 39 (Amendments) | Embedded Derivatives <sup>3</sup>                           |
| HK(IFRIC) – Int 17                 | Distributions of Non-cash Assets to Owners <sup>1</sup>     |
| HK(IFRIC) – Int 18                 | Transfers of Assets from Customers <sup>1</sup>             |

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2010 (unless specified)

<sup>3</sup> Effective for annual periods ending on or after 30th June, 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009.

### 3. Revenue

Revenue represents the aggregate of amounts received and receivable from the sales of investments held-for-trading, sales of properties held-for-sale, property rental income, commission from brokerage, settlement charges from brokerage, interest income from loan financing and cosmetic goods sold less returns.

During the Period the gains from the sales of investments held-for-trading in “Revenue” on a net basis is HK\$346.5 million (six months ended 30th June, 2008: loss HK\$13.8 million).

### 4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has seven reportable segments – property development and trading, property leasing for retail, property leasing for non-retail, listed available-for-sale equity investments, floating rate and fixed rate notes, other listed held-for-trading investments and treasury products and unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

|                                                                 |   |                                                                                                                 |
|-----------------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------|
| Property development and trading                                | – | Property development and sales of trading properties                                                            |
| Property leasing for retail                                     | – | Property leasing from retail properties                                                                         |
| Property leasing for non-retail                                 | – | Property leasing from non-retail properties                                                                     |
| Listed available-for-sale equity investments                    | – | Listed equity securities in available-for-sale investments                                                      |
| Floating rate and fixed rate notes                              | – | Listed and unlisted floating rate notes and fixed rate notes in available-for-sale investments                  |
| Other listed held-for-trading investments and treasury products | – | Listed securities investments in investments held-for-trading, over-the-counter trading and structured products |
| Unlisted investments, investment holding and brokerage          | – | Unlisted securities investments, trading and brokerage                                                          |

The accounting policies of the operating segments are the same as those described in the principal accounting policies. The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are fair value changes on investments properties together with their respective deferred tax expense. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2008.

The Group’s reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the properties located.

No major customer is for the Group’s revenue and result.

Operating segment information is presented below:

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2009

|                                                                                                                           | Property<br>development<br>and trading<br>HK\$'000 | Property<br>leasing<br>for retail<br>HK\$'000 | Property<br>leasing<br>for<br>non-retail<br>HK\$'000 | Listed<br>available-<br>for-sale<br>equity<br>investments<br>HK\$'000 | Floating<br>rate and<br>fixed rate<br>notes<br>HK\$'000 | Other listed<br>held-for-<br>trading<br>investments<br>and treasury<br>products<br>HK\$'000 | Unlisted<br>investments,<br>investment<br>holding and<br>brokerage<br>HK\$'000 | All<br>other<br>segments<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------|--------------------------|
| <b>Continuing operations</b>                                                                                              |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| <b>Major cash items excluding in revenue</b>                                                                              |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - Hong Kong                                                                                                               | -                                                  | -                                             | -                                                    | -                                                                     | -                                                       | 2,500,258                                                                                   | -                                                                              | -                                    | 2,500,258                |
| - other countries                                                                                                         | -                                                  | -                                             | -                                                    | -                                                                     | -                                                       | 1,844,472                                                                                   | -                                                                              | -                                    | 1,844,472                |
|                                                                                                                           | -                                                  | -                                             | -                                                    | -                                                                     | -                                                       | 4,344,730                                                                                   | -                                                                              | -                                    | 4,344,730                |
| <b>Revenue</b>                                                                                                            |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Revenue from external customers                                                                                           |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - Hong Kong                                                                                                               | 487,250                                            | 313,945                                       | 165,606                                              | -                                                                     | -                                                       | 256,450                                                                                     | 8,903                                                                          | 8,009                                | 1,240,163                |
| - PRC                                                                                                                     | -                                                  | 17,215                                        | 18,552                                               | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 35,767                   |
| - other countries                                                                                                         | -                                                  | -                                             | -                                                    | -                                                                     | -                                                       | 90,040                                                                                      | -                                                                              | -                                    | 90,040                   |
|                                                                                                                           | 487,250                                            | 331,160                                       | 184,158                                              | -                                                                     | -                                                       | 346,490                                                                                     | 8,903                                                                          | 8,009                                | 1,365,970                |
| Revenue from external customers<br>after non-controlling interests                                                        | 484,873                                            | 330,627                                       | 183,235                                              | -                                                                     | -                                                       | 346,490                                                                                     | 8,903                                                                          | 8,009                                | 1,362,137                |
| <b>Result</b>                                                                                                             |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Segment result                                                                                                            |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - Hong Kong                                                                                                               | (31,831)                                           | 302,092                                       | 159,613                                              | 1,396                                                                 | 7,458                                                   | 186,865                                                                                     | 59,668                                                                         | 19,038                               | 704,299                  |
| - PRC                                                                                                                     | -                                                  | 13,407                                        | 16,083                                               | -                                                                     | -                                                       | -                                                                                           | 2,919                                                                          | -                                    | 32,409                   |
| - other countries                                                                                                         | -                                                  | -                                             | -                                                    | -                                                                     | -                                                       | 137,164                                                                                     | -                                                                              | -                                    | 137,164                  |
|                                                                                                                           | (31,831)                                           | 315,499                                       | 175,696                                              | 1,396                                                                 | 7,458                                                   | 324,029                                                                                     | 62,587                                                                         | 19,038                               | 873,872                  |
| Unallocated corporate expenses, net                                                                                       |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | (95,412)                 |
| Finance costs                                                                                                             |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - finance cost on listed securities<br>investments and treasury products                                                  | -                                                  | -                                             | -                                                    | -                                                                     | -                                                       | (877)                                                                                       | -                                                                              | -                                    | (877)                    |
| - unallocated finance costs                                                                                               |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | (46,262)                 |
| Other gains and losses, net                                                                                               |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - unallocated other gains and losses, net                                                                                 |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 35,125                   |
| Share of results of associates                                                                                            |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - property sales                                                                                                          | 1,238                                              | -                                             | -                                                    | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 1,238                    |
| - attributable gross income                                                                                               |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Hong Kong                                                                                                                 | -                                                  | 1,579                                         | 11,860                                               | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 13,439                   |
| PRC                                                                                                                       | -                                                  | 24,999                                        | 2,022                                                | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 27,021                   |
| - operating cost                                                                                                          |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Hong Kong                                                                                                                 | -                                                  | (931)                                         | (3,374)                                              | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | (4,305)                  |
| PRC                                                                                                                       | -                                                  | (15,677)                                      | (1,268)                                              | -                                                                     | -                                                       | -                                                                                           | -                                                                              | (25,852)                             | (42,797)                 |
| - other results                                                                                                           | -                                                  | -                                             | -                                                    | -                                                                     | -                                                       | -                                                                                           | -                                                                              | (11,351)                             | (11,351)                 |
| Profit before tax and non-controlling interests (excluding major non-cash items)                                          |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 749,691                  |
| Income tax expense                                                                                                        |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | (15,793)                 |
| Non-controlling interests                                                                                                 |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - for property development and trading                                                                                    | (1,525)                                            | -                                             | -                                                    | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | (1,525)                  |
| - for floating rate and fixed rate notes                                                                                  | -                                                  | -                                             | -                                                    | -                                                                     | (3,136)                                                 | -                                                                                           | -                                                                              | -                                    | (3,136)                  |
| - unallocated non-controlling interests                                                                                   |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | (662)                    |
| <b>Reportable segment results</b>                                                                                         | <b>(32,118)</b>                                    | <b>325,469</b>                                | <b>184,936</b>                                       | <b>1,396</b>                                                          | <b>4,322</b>                                            | <b>323,152</b>                                                                              | <b>62,587</b>                                                                  | <b>(18,165)</b>                      |                          |
| <b>Core profit (excluding major non-cash items)</b>                                                                       |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 728,575                  |
| Major non-cash items                                                                                                      |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - fair value changes on investment properties<br>(including share of results of associates and non-controlling interests) |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 2,955,955                |
| - deferred tax                                                                                                            |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | (481,207)                |
| <b>Profit for the period attributable to equity holders of the parent</b>                                                 |                                                    |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 3,203,323                |

## Condensed Consolidated Statement of Financial Position

At 30th June, 2009

|                                                                                                           | Property<br>development<br>and trading<br>HK\$'000 | Property<br>leasing<br>for retail<br>HK\$'000 | Property<br>leasing<br>for<br>non-retail<br>HK\$'000 | Listed<br>available-<br>for-sale<br>equity<br>investments<br>HK\$'000 | Floating<br>rate and<br>fixed<br>rate<br>notes<br>HK\$'000 | Other listed<br>held-for-<br>trading<br>investments<br>and<br>treasury<br>products<br>HK\$'000 | Unlisted<br>investments,<br>holding and<br>brokerage<br>HK\$'000 | All<br>other<br>segments<br>HK\$'000 | Consolidated<br>HK\$'000 |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------|--------------------------|
| <b>Assets</b>                                                                                             |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      |                          |
| Segment assets                                                                                            |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      |                          |
| - Hong Kong                                                                                               | 1,929,454                                          | 19,154,702                                    | 17,507,074                                           | 145,876                                                               | 248,445                                                    | 927,362                                                                                        | 843,498                                                          | 117,906                              | 40,874,317               |
| - PRC                                                                                                     | 5,446,110                                          | 573,137                                       | 643,586                                              | -                                                                     | -                                                          | -                                                                                              | -                                                                | -                                    | 6,662,833                |
| - other countries                                                                                         | 1,692,495                                          | -                                             | -                                                    | -                                                                     | -                                                          | 1,842,101                                                                                      | -                                                                | -                                    | 3,534,596                |
| Interests in associates                                                                                   |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      |                          |
| - Hong Kong                                                                                               | 107,925                                            | 140,909                                       | 493,472                                              | -                                                                     | -                                                          | -                                                                                              | 417                                                              | 658                                  | 743,381                  |
| - PRC                                                                                                     | -                                                  | 44,624                                        | 126,522                                              | -                                                                     | -                                                          | -                                                                                              | -                                                                | -                                    | 171,146                  |
| Advances to associates                                                                                    |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      |                          |
| - Hong Kong                                                                                               | 967,959                                            | 24,018                                        | 37,329                                               | -                                                                     | -                                                          | -                                                                                              | -                                                                | 5,414                                | 1,034,720                |
| - PRC                                                                                                     | 699,075                                            | 22,354                                        | 63,381                                               | -                                                                     | -                                                          | -                                                                                              | -                                                                | -                                    | 784,810                  |
| Reportable segment assets                                                                                 | <u>10,843,018</u>                                  | <u>19,959,744</u>                             | <u>18,871,364</u>                                    | <u>145,876</u>                                                        | <u>248,445</u>                                             | <u>2,769,463</u>                                                                               | <u>843,915</u>                                                   | <u>123,978</u>                       | <u>53,805,803</u>        |
| Unallocated corporate assets                                                                              |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      | 126,313                  |
| Consolidated total assets                                                                                 |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      | <u>53,932,116</u>        |
| <b>Liabilities</b>                                                                                        |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      |                          |
| Segment liabilities                                                                                       |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      |                          |
| - Hong Kong                                                                                               | 499,492                                            | 240,756                                       | 518,581                                              | 10,375                                                                | 422                                                        | 24,825                                                                                         | 306,031                                                          | 25,380                               | 1,625,862                |
| - PRC                                                                                                     | 28,003                                             | 16,448                                        | 13,272                                               | -                                                                     | -                                                          | -                                                                                              | -                                                                | -                                    | 57,723                   |
| - other countries                                                                                         | 71                                                 | -                                             | -                                                    | -                                                                     | -                                                          | 25                                                                                             | -                                                                | -                                    | 96                       |
| Reportable segment liabilities                                                                            | <u>527,566</u>                                     | <u>257,204</u>                                | <u>531,853</u>                                       | <u>10,375</u>                                                         | <u>422</u>                                                 | <u>24,850</u>                                                                                  | <u>306,031</u>                                                   | <u>25,380</u>                        | <u>1,683,681</u>         |
| Unallocated corporate liabilities                                                                         |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      | 16,661,911               |
| Consolidated total liabilities                                                                            |                                                    |                                               |                                                      |                                                                       |                                                            |                                                                                                |                                                                  |                                      | <u>18,345,592</u>        |
| <b>Additions to non-current assets<br/>(other than financial instruments<br/>and deferred tax assets)</b> | <u>77,797</u>                                      | <u>43,085</u>                                 | <u>295,171</u>                                       | <u>-</u>                                                              | <u>-</u>                                                   | <u>-</u>                                                                                       | <u>-</u>                                                         | <u>-</u>                             |                          |

## Other Material Items

For the six months ended 30th June, 2009

|                                             | Reportable<br>segments<br>totals<br>HK\$'000 | Adjustments<br>for unallocated<br>HK\$'000 | Adjustments<br>for major<br>non-cash items<br>HK\$'000 | Consolidated<br>statement of<br>comprehensive<br>income totals<br>HK\$'000 |
|---------------------------------------------|----------------------------------------------|--------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------|
| Interest income                             | 51,468                                       | -                                          | -                                                      | 51,468                                                                     |
| Interest expenses                           | (877)                                        | (46,262)                                   | -                                                      | (47,139)                                                                   |
| Net interest income (expenses)              | 50,591                                       | (46,262)                                   | -                                                      | 4,329                                                                      |
| Depreciation and amortisation               | -                                            | (11,505)                                   | -                                                      | (11,505)                                                                   |
| Fair value changes on investment properties | -                                            | -                                          | 2,902,465                                              | 2,902,465                                                                  |
| Share of results of associates              | (16,755)                                     | -                                          | 56,893                                                 | 40,138                                                                     |
| Income tax expense                          | (15,793)                                     | -                                          | (481,207)                                              | (497,000)                                                                  |
| Non-controlling interests                   | (4,661)                                      | (662)                                      | (3,403)                                                | (8,726)                                                                    |

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2008

|                                                                                                                           | Property<br>developmen<br>t and trading<br>HK\$'000 | Property<br>leasing<br>for retail<br>HK\$'000 | Property<br>leasing<br>for<br>non-retail<br>HK\$'000 | Listed<br>available-<br>for-sale<br>equity<br>investments<br>HK\$'000 | Floating<br>rate and<br>fixed rate<br>notes<br>HK\$'000 | Other listed<br>held-for-<br>trading<br>investments<br>and treasury<br>products<br>HK\$'000 | Unlisted<br>investments,<br>investment<br>holding and<br>brokerage<br>HK\$'000 | All<br>other<br>segments<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------|--------------------------|
| <b>Continuing operations</b>                                                                                              |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| <b>Major cash items excluding in revenue</b>                                                                              | -                                                   | -                                             | -                                                    | 2,752,053                                                             | -                                                       | 160,604                                                                                     | -                                                                              | -                                    | 2,912,657                |
| - Hong Kong                                                                                                               | -                                                   | -                                             | -                                                    | -                                                                     | -                                                       | 170,206                                                                                     | -                                                                              | -                                    | 170,206                  |
| - other countries                                                                                                         | -                                                   | -                                             | -                                                    | 2,752,053                                                             | -                                                       | 330,810                                                                                     | -                                                                              | -                                    | 3,082,863                |
| <b>Revenue</b>                                                                                                            |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Revenue from external customers                                                                                           |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - Hong Kong                                                                                                               | 253,732                                             | 283,539                                       | 137,701                                              | -                                                                     | -                                                       | (13,101)                                                                                    | 13,149                                                                         | 11,628                               | 686,648                  |
| - PRC                                                                                                                     | -                                                   | 22,724                                        | 17,831                                               | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 40,555                   |
| - other countries                                                                                                         | -                                                   | -                                             | -                                                    | -                                                                     | -                                                       | (651)                                                                                       | -                                                                              | -                                    | (651)                    |
|                                                                                                                           | 253,732                                             | 306,263                                       | 155,532                                              | -                                                                     | -                                                       | (13,752)                                                                                    | 13,149                                                                         | 11,628                               | 726,552                  |
| Revenue from external customers<br>after non-controlling interests                                                        | 234,838                                             | 304,132                                       | 151,216                                              | -                                                                     | -                                                       | (13,752)                                                                                    | 13,149                                                                         | 11,628                               | 701,211                  |
| <b>Result</b>                                                                                                             |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Segment result                                                                                                            |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - Hong Kong                                                                                                               | 95,480                                              | 271,704                                       | 128,598                                              | 1,535,695                                                             | -                                                       | (5,719)                                                                                     | 121,731                                                                        | 21,845                               | 2,169,334                |
| - PRC                                                                                                                     | -                                                   | 19,251                                        | 15,410                                               | -                                                                     | -                                                       | -                                                                                           | 2,548                                                                          | -                                    | 37,209                   |
| - other countries                                                                                                         | -                                                   | -                                             | -                                                    | -                                                                     | -                                                       | (47,301)                                                                                    | -                                                                              | -                                    | (47,301)                 |
|                                                                                                                           | 95,480                                              | 290,955                                       | 144,008                                              | 1,535,695                                                             | -                                                       | (53,020)                                                                                    | 124,279                                                                        | 21,845                               | 2,159,242                |
| Unallocated corporate expenses, net                                                                                       |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | (110,697)                |
| Finance costs                                                                                                             |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - finance cost on listed securities<br>investments and treasury products                                                  | -                                                   | -                                             | -                                                    | -                                                                     | -                                                       | (21,042)                                                                                    | -                                                                              | -                                    | (21,042)                 |
| - unallocated finance costs                                                                                               |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | (142,162)                |
| Other gains and losses, net                                                                                               |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - impairment loss recognised in respect<br>of advance to an associate                                                     | -                                                   | (993)                                         | -                                                    | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | (993)                    |
| - unallocated other gains and losses, net                                                                                 |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 819                      |
| Share of results of associates                                                                                            |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - property sales                                                                                                          | 30,188                                              | -                                             | -                                                    | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 30,188                   |
| - attributable gross income                                                                                               |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Hong Kong                                                                                                                 | -                                                   | 1,624                                         | 14,378                                               | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 16,002                   |
| PRC                                                                                                                       | -                                                   | 38,471                                        | 1,864                                                | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 40,335                   |
| - operating cost                                                                                                          |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Hong Kong                                                                                                                 | -                                                   | (957)                                         | (4,827)                                              | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | (5,784)                  |
| PRC                                                                                                                       | -                                                   | (24,125)                                      | (1,169)                                              | -                                                                     | -                                                       | -                                                                                           | -                                                                              | (12,329)                             | (37,623)                 |
| - other results                                                                                                           | -                                                   | -                                             | -                                                    | -                                                                     | -                                                       | -                                                                                           | -                                                                              | 11,177                               | 11,177                   |
| Profit before tax and non-controlling interests (excluding major non-cash items)                                          |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 1,939,462                |
| Income tax expense                                                                                                        |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | (65,557)                 |
| Non-controlling interests                                                                                                 |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - for property development and trading                                                                                    | (13,357)                                            | -                                             | -                                                    | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | (13,357)                 |
| - for property leasing                                                                                                    | -                                                   | -                                             | 657                                                  | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 657                      |
| - unallocated non-controlling interests                                                                                   |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 4,641                    |
| <b>Reportable segment results</b>                                                                                         | 112,311                                             | 304,975                                       | 154,911                                              | 1,535,695                                                             | -                                                       | (74,062)                                                                                    | 124,279                                                                        | 20,693                               |                          |
| Profit for the period from continuing operations attributable to equity holders of the parent                             |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 1,865,846                |
| <b>Discontinued operation</b>                                                                                             |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Loss for the period from discontinued operation attributable to equity holders of the parent                              |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | (953)                    |
| <b>Core profit (excluding major non-cash items)</b>                                                                       |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 1,864,893                |
| Major non-cash items                                                                                                      |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - fair value changes on investment properties<br>(including share of results of associates and non-controlling interests) |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 1,546,812                |
| - deferred tax                                                                                                            |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 111,125                  |
| <b>Profit for the period attributable to equity holders of the parent</b>                                                 |                                                     |                                               |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 3,522,830                |

# Condensed Consolidated Statement of Financial Position

At 31st December, 2008

|                                                                                                           | Property<br>development<br>and trading<br>HK\$'000 | Property<br>leasing<br>for retail<br>for retail<br>HK\$'000 | Property<br>leasing<br>for<br>non-retail<br>HK\$'000 | Listed<br>available-<br>for-sale<br>equity<br>investments<br>HK\$'000 | Floating<br>rate and<br>fixed rate<br>notes<br>HK\$'000 | Other listed<br>held-for-<br>trading<br>investments<br>and treasury<br>products<br>HK\$'000 | Unlisted<br>investments,<br>investment<br>holding and<br>brokerage<br>HK\$'000 | All<br>other<br>segments<br>HK\$'000 | Consolidated<br>HK\$'000 |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------|--------------------------|
| <b>Assets</b>                                                                                             |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Segment assets                                                                                            |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - Hong Kong                                                                                               | 2,274,073                                          | 19,406,122                                                  | 17,845,771                                           | -                                                                     | 221,813                                                 | 330,021                                                                                     | 490,545                                                                        | 103,282                              | 40,671,627               |
| - PRC                                                                                                     | 5,542,424                                          | 612,654                                                     | 598,822                                              | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 6,753,900                |
| - other countries                                                                                         | 1,686,144                                          | -                                                           | -                                                    | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 1,686,144                |
| Interests in associates                                                                                   |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - Hong Kong                                                                                               | 278,400                                            | 64,701                                                      | 334,951                                              | -                                                                     | -                                                       | -                                                                                           | 3,577                                                                          | 545                                  | 682,174                  |
| - PRC                                                                                                     | -                                                  | 168,765                                                     | 18,788                                               | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 187,553                  |
| Advances to associates                                                                                    |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - Hong Kong                                                                                               | 923,409                                            | 22,683                                                      | 48,138                                               | -                                                                     | -                                                       | -                                                                                           | 1                                                                              | 5,416                                | 999,647                  |
| - PRC                                                                                                     | 699,075                                            | 77,147                                                      | 8,588                                                | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 784,810                  |
| Reportable segment assets                                                                                 | 11,403,525                                         | 20,352,072                                                  | 18,855,058                                           | -                                                                     | 221,813                                                 | 330,021                                                                                     | 494,123                                                                        | 109,243                              | 51,765,855               |
| Unallocated corporate assets                                                                              |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 111,684                  |
| Consolidated total assets                                                                                 |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 51,877,539               |
| <b>Liabilities</b>                                                                                        |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| Segment liabilities                                                                                       |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
| - Hong Kong                                                                                               | 201,537                                            | 336,100                                                     | 76,877                                               | -                                                                     | 150                                                     | 25,048                                                                                      | 64,229                                                                         | 16,073                               | 720,014                  |
| - PRC                                                                                                     | 67,231                                             | 16,022                                                      | 14,745                                               | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 97,998                   |
| - other countries                                                                                         | 118                                                | -                                                           | -                                                    | -                                                                     | -                                                       | -                                                                                           | -                                                                              | -                                    | 118                      |
| Reportable segment liabilities                                                                            | 268,886                                            | 352,122                                                     | 91,622                                               | -                                                                     | 150                                                     | 25,048                                                                                      | 64,229                                                                         | 16,073                               | 818,130                  |
| Unallocated corporate liabilities                                                                         |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 15,756,760               |
| Consolidated total liabilities                                                                            |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      | 16,574,890               |
| <b>Additions to non-current assets<br/>(other than financial instruments<br/>and deferred tax assets)</b> |                                                    |                                                             |                                                      |                                                                       |                                                         |                                                                                             |                                                                                |                                      |                          |
|                                                                                                           | 537,590                                            | 294,128                                                     | 154,194                                              | -                                                                     | -                                                       | -                                                                                           | 2,791                                                                          | 13                                   |                          |

## Other Material Items

For the six months ended 30th June, 2008

|                                             | Reportable<br>segments<br>totals<br>HK\$'000 | Adjustments<br>for<br>unallocated<br>HK\$'000 | Adjustments<br>for major<br>non-cash<br>items<br>HK\$'000 | Consolidated<br>statement of<br>comprehensive<br>income<br>(continuing<br>operations)<br>HK\$'000 | Consolidated<br>statement of<br>comprehensive<br>income<br>(discontinued<br>operation)<br>HK\$'000 | Consolidated<br>statement of<br>comprehensive<br>income totals<br>HK\$'000 |
|---------------------------------------------|----------------------------------------------|-----------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Interest income                             | 83,140                                       | -                                             | -                                                         | 83,140                                                                                            | 38                                                                                                 | 83,178                                                                     |
| Interest expenses                           | (21,042)                                     | (142,162)                                     | -                                                         | (163,204)                                                                                         | -                                                                                                  | (163,204)                                                                  |
| Net interest income (expenses)              | 62,098                                       | (142,162)                                     | -                                                         | (80,064)                                                                                          | 38                                                                                                 | (80,026)                                                                   |
| Depreciation and amortisation               | -                                            | (9,744)                                       | -                                                         | (9,744)                                                                                           | (110)                                                                                              | (9,854)                                                                    |
| Fair value changes on investment properties | -                                            | -                                             | 1,539,731                                                 | 1,539,731                                                                                         | -                                                                                                  | 1,539,731                                                                  |
| Share of results of associates              | 54,295                                       | -                                             | 13,872                                                    | 68,167                                                                                            | -                                                                                                  | 68,167                                                                     |
| Income tax expense                          | (65,557)                                     | -                                             | 111,125                                                   | 45,568                                                                                            | -                                                                                                  | 45,568                                                                     |
| Non-controlling interests                   | (8,059)                                      | -                                             | (6,791)                                                   | (14,850)                                                                                          | 946                                                                                                | (13,904)                                                                   |

## 5. Other Income

|                                                        | Six months ended 30th June, |          |
|--------------------------------------------------------|-----------------------------|----------|
|                                                        | 2009                        | 2008     |
|                                                        | HK\$'000                    | HK\$'000 |
| Included in other income are:                          |                             |          |
| Building management fee income                         | 37,566                      | 32,784   |
| Building management fee expenses                       | (22,967)                    | (20,047) |
|                                                        | 14,599                      | 12,737   |
| Forfeiture of deposits received on sales of properties | 4,303                       | -        |
| Exchange gain, net                                     | 274                         | 2,160    |

## 6. Investment Income, Net

|                                                                                                              | Six months ended 30th June, |           |
|--------------------------------------------------------------------------------------------------------------|-----------------------------|-----------|
|                                                                                                              | 2009                        | 2008      |
|                                                                                                              | HK\$'000                    | HK\$'000  |
| <b>Continuing operations</b>                                                                                 |                             |           |
| Loss on financial assets at fair value through profit or loss classified as held-for-trading:                |                             |           |
| Unrealised loss on investments held-for-trading                                                              | (374,417)                   | (36,244)  |
| Financial assets at fair value through profit or loss classified as designated:                              |                             |           |
| Unrealised gain on credit-linked notes                                                                       | 49,434                      | -         |
| Unrealised gain on bonds                                                                                     | 42,455                      | -         |
| Realised loss on equity-linked notes                                                                         | -                           | (16,221)  |
| Net gain (loss) on financial assets at fair value through profit or loss classified as designated            | 91,889                      | (16,221)  |
| Financial liabilities at fair value through profit or loss classified as held-for-trading:                   |                             |           |
| Unrealised (loss) gain on derivative financial instruments                                                   | (970)                       | 5,054     |
| Net (loss) gain on financial liabilities at fair value through profit or loss classified as held-for-trading | (970)                       | 5,054     |
| Transfer from equity on disposals of available-for-sale investments:                                         |                             |           |
| Listed investments                                                                                           | -                           | 1,445,177 |
| Unlisted investments                                                                                         | -                           | 5,221     |
| Dividend income on:                                                                                          |                             |           |
| Listed investments                                                                                           |                             |           |
| - available-for-sale investments                                                                             | 1,396                       | 90,518    |
| - other listed investments                                                                                   | 252,544                     | 761       |
| Unlisted investments                                                                                         | 14,955                      | 38,571    |
| Interest income                                                                                              | 51,468                      | 83,140    |
| Imputed interest income on:                                                                                  |                             |           |
| Advances to associates                                                                                       | 7,574                       | 13,385    |
| Advance to a minority shareholder                                                                            | 164                         | 191       |
|                                                                                                              | 44,603                      | 1,629,553 |
| <b>Discontinued operation</b>                                                                                |                             |           |
| Interest income from discontinued operation                                                                  | -                           | 38        |
|                                                                                                              | 44,603                      | 1,629,591 |

Included in interest income are interest from derivative financial instruments, listed floating rate notes and unlisted floating rate and fixed rate notes approximately HK\$8,493,000, HK\$904,000 and HK\$4,836,000 respectively (six months ended 30th June, 2008: derivative financial instruments HK\$7,832,000).

## 7. Other Expenses

Six months ended 30th June,  
2009                      2008  
HK\$'000                  HK\$'000

Included in other expenses are:

Amortisation of intangible assets

|              |              |
|--------------|--------------|
| <b>1,430</b> | <b>1,430</b> |
|--------------|--------------|

## 8. Profit for the Period

Six months ended 30th June,  
2009                      2008  
HK\$'000                  HK\$'000

Profit for the period has been arrived at after (charging) crediting:

### Continuing operations

Total staff costs:

Staff costs, including Directors' emoluments

Retirement benefits scheme contributions, net of forfeited contributions of  
HK\$175,000 (2008: HK\$79,000)

|                 |          |
|-----------------|----------|
| <b>(60,856)</b> | (59,242) |
| <b>(2,632)</b>  | (2,688)  |
| <b>(63,488)</b> | (61,930) |

Auditors' remuneration

|                |         |
|----------------|---------|
| <b>(2,064)</b> | (1,476) |
|----------------|---------|

Depreciation

|                 |         |
|-----------------|---------|
| <b>(11,111)</b> | (9,449) |
|-----------------|---------|

Amortisation

|              |       |
|--------------|-------|
| <b>(394)</b> | (295) |
|--------------|-------|

Cost of trading properties recognised

|                  |           |
|------------------|-----------|
| <b>(499,322)</b> | (166,735) |
|------------------|-----------|

Cost of cosmetic products recognised

|                |         |
|----------------|---------|
| <b>(1,364)</b> | (1,153) |
|----------------|---------|

Share of tax of associates (included in share of results of associates)

|                 |         |
|-----------------|---------|
| <b>(12,851)</b> | (9,420) |
|-----------------|---------|

Gross proceeds on sale of investments held-for-trading

|                  |         |
|------------------|---------|
| <b>4,344,730</b> | 245,516 |
|------------------|---------|

Carrying amount on investments held-for-trading disposed

|                    |           |
|--------------------|-----------|
| <b>(3,989,442)</b> | (258,329) |
|--------------------|-----------|

Transaction cost on investments held-for-trading disposed

|                |       |
|----------------|-------|
| <b>(8,798)</b> | (939) |
|----------------|-------|

Net gain (loss) on sales of investments held-for-trading included in revenue

|                |          |
|----------------|----------|
| <b>346,490</b> | (13,752) |
|----------------|----------|

Gross rental income from investment properties

|                |         |
|----------------|---------|
| <b>515,318</b> | 461,795 |
|----------------|---------|

Less: Direct operating expenses from investment properties that generated rental  
income during the period

|                 |          |
|-----------------|----------|
| <b>(19,481)</b> | (21,780) |
|-----------------|----------|

Direct operating expenses from investment properties that did not generate  
rental income during the period

|                |         |
|----------------|---------|
| <b>(4,642)</b> | (2,411) |
|----------------|---------|

|                |         |
|----------------|---------|
| <b>491,195</b> | 437,604 |
|----------------|---------|

### Discontinued operation

Depreciation

|   |       |
|---|-------|
| - | (101) |
|---|-------|

Amortisation

|   |     |
|---|-----|
| - | (9) |
|---|-----|

## 9. Finance Costs

|                                                                     | Six months ended 30th June, |                |
|---------------------------------------------------------------------|-----------------------------|----------------|
|                                                                     | 2009                        | 2008           |
|                                                                     | HK\$'000                    | HK\$'000       |
| Interest on:                                                        |                             |                |
| Bank loans wholly repayable within five years                       | 44,068                      | 157,819        |
| Bank loans wholly repayable over five years                         | 1,633                       | 3,382          |
| Other loans wholly repayable within five years                      | 287                         | 2,484          |
|                                                                     | <u>45,988</u>               | <u>163,685</u> |
| Imputed interest on:                                                |                             |                |
| Amounts due to associates                                           | 232                         | 406            |
| Amounts due to minority shareholders                                | 1,448                       | 716            |
| Convertible bonds                                                   | -                           | 3,704          |
|                                                                     | <u>1,680</u>                | <u>4,826</u>   |
| Total interest                                                      | 47,668                      | 168,511        |
| Exchange loss on translation of foreign currency loans              | 590                         | 18,558         |
| Other finance costs                                                 | 8,679                       | 2,317          |
|                                                                     | <u>56,937</u>               | <u>189,386</u> |
| Less: Interest capitalised to stock of properties under development | (5,710)                     | (9,950)        |
| Interest capitalised to investment properties under development     | (4,088)                     | (16,232)       |
|                                                                     | <u>47,139</u>               | <u>163,204</u> |

## 10. Other Gains and Losses, Net

|                                                                  | Six months ended 30th June, |                 |
|------------------------------------------------------------------|-----------------------------|-----------------|
|                                                                  | 2009                        | 2008            |
|                                                                  | HK\$'000                    | HK\$'000        |
| Included in other gains and losses, net are:                     |                             |                 |
| Gain on partial disposal of a subsidiary (Note 1)                | 35,135                      | -               |
| Impairment loss reversed in respect of advances to associates    | -                           | 256             |
| Impairment loss recognised in respect of advance to an associate | -                           | (993)           |
| Discount on acquisition of a subsidiary (Note 2)                 | -                           | 12,317          |
| Loss on purchase of convertible bonds of a subsidiary (Note 3)   | -                           | (11,744)        |
|                                                                  | <u>-</u>                    | <u>(11,744)</u> |

- Notes: 1. Gain on partial disposal of a subsidiary arose from deemed disposal of 8.27% interest in G-Prop (Holdings) Limited ("G-Prop") by placing on 17th June, 2009. The Group then holds 41.93% shareholding in G-Prop and G-Prop remained a subsidiary of the Company.
2. Discount on acquisition of a subsidiary arose from acquisition of further 36.51% interest in G-Prop in February 2008. The Group then holds 50.20% shareholding in G-Prop and G-Prop became a subsidiary of the Company.
3. Loss on purchase of convertible bonds of a subsidiary arose from acquisition of convertible bonds in face value of HK\$108,000,000 of G-Prop from Fame Ascent Investments Limited in April 2008.

## 11. Income Tax Expense (Credit)

|                                                | Six months ended 30th June, |                 |
|------------------------------------------------|-----------------------------|-----------------|
|                                                | 2009                        | 2008            |
|                                                | HK\$'000                    | HK\$'000        |
| The charge (credit) comprises:                 |                             |                 |
| Current tax:                                   |                             |                 |
| Hong Kong Profits Tax                          | 9,501                       | 28,298          |
| Other than Hong Kong                           | 4,656                       | 5,823           |
|                                                | 14,157                      | 34,121          |
| (Overprovision) underprovision in prior years: |                             |                 |
| Hong Kong Profits Tax                          | (53)                        | 15,402          |
| Other than Hong Kong                           | 80                          | -               |
|                                                | 27                          | 15,402          |
| Deferred tax:                                  |                             |                 |
| Current period                                 | 482,816                     | 197,238         |
| Attributable to a change in tax rate           | -                           | (292,329)       |
|                                                | 482,816                     | (95,091)        |
|                                                | <b>497,000</b>              | <b>(45,568)</b> |

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

With effect from the year of assessment 2008/2009, the Hong Kong Profits Tax has been reduced from 17.5% to 16.5%. On 16th March, 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China, which has changed the tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective years when the asset is realised or the liability is settled.

Deferred tax of HK\$482.8 million included the deferred tax expenses of HK\$481.2 million (six months ended 30th June, 2008: HK\$181.3 million) on fair value changes on investment properties recognised for the period.

## 12. Loss for the Period from Discontinued Operation

|                                                 | Six months ended 30th June, |                |
|-------------------------------------------------|-----------------------------|----------------|
|                                                 | 2009                        | 2008           |
|                                                 | HK\$'000                    | HK\$'000       |
| Revenue                                         | -                           | -              |
| Investment income, net                          | -                           | 38             |
| Administrative expenses                         | -                           | (1,937)        |
| Loss for the period from discontinued operation | <b>-</b>                    | <b>(1,899)</b> |

On 1st February, 2008, G-Prop entered into a conditional agreement with Fame Ascent Investments Limited to dispose of the operation in production and sale of methanol (the "Methanol Project") for approximately HK\$183.7 million. The disposal was completed on 25th July 2008, following the disposal, the results of Methanol Project was reported as a discontinued operation and presented separately in the condensed consolidated statement of comprehensive income in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

### 13. Dividends

|                                                                                                                                                    | Six months ended 30th June, |                |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------|
|                                                                                                                                                    | 2009                        | 2008           |
|                                                                                                                                                    | HK\$'000                    | HK\$'000       |
| (a) Interim dividend for 2009 declared after interim period end                                                                                    |                             |                |
| Interim dividend declared of HK2 cents<br>(2008: HK13.5 cents) per share                                                                           | <u>39,197</u>               | <u>306,187</u> |
| (b) Final dividend for 2008 paid on 8th June, 2009 of HK1 cent<br>(2007: HK22.5 cents) and special dividend of HK99 cents<br>(2007: nil) per share |                             |                |
| Cash                                                                                                                                               | 2,006,305                   | 469,152        |
| Share alternative under scrip dividend scheme                                                                                                      | -                           | 48,007         |
| Total dividends paid                                                                                                                               | <u>2,006,305</u>            | <u>517,159</u> |

### 14. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the parent is based on the following data:

|                                                                                                                                         | Six months ended 30th June, |                  |               |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|---------------|
|                                                                                                                                         | Total                       | Continuing       | Discontinued  |
|                                                                                                                                         | 2009                        | operations       | operation     |
|                                                                                                                                         | 2008                        | 2008             | 2008          |
|                                                                                                                                         | HK\$'000                    | HK\$'000         | HK\$'000      |
| Earnings:                                                                                                                               |                             |                  |               |
| Earnings for the purposes of basic earnings per share<br>(profit (loss) for the period attributable to equity holders<br>of the parent) | <u>3,203,323</u>            | 3,523,783        | (953)         |
| Effect of dilutive potential ordinary shares:                                                                                           |                             |                  |               |
| Imputed interest on convertible bonds                                                                                                   |                             | 3,704            | -             |
| Adjustment to the share of loss of a subsidiary based on<br>dilution of its earnings per share                                          |                             | (2,019)          | (66)          |
| Earnings for the purposes of diluted earnings per share                                                                                 |                             | <u>3,525,468</u> | <u>(1019)</u> |

|                                                                                                                           | Number of shares     |                      |
|---------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                                                                           | 2009                 | 2008                 |
| Number of shares:                                                                                                         |                      |                      |
| Weighted average number of ordinary shares for the purposes of<br>basic earnings per share and diluted earnings per share | <u>2,034,673,910</u> | <u>2,298,481,181</u> |

Diluted earnings per share for the six months ended 30th June, 2009 is the same as the basic earnings per share as there was no dilutive potential ordinary shares outstanding.

## 15. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$24,757,000 (31st December, 2008: HK\$35,353,000) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipts of billings and properties sales proceeds receivable.

The following is an aged analysis of trade receivables at the statement of financial position date:

|              | <b>30th June,<br/>2009<br/>HK\$'000</b> | <b>31st December,<br/>2008<br/>HK\$'000</b> |
|--------------|-----------------------------------------|---------------------------------------------|
| 0 - 30 days  | 7,317                                   | 18,634                                      |
| 31 - 60 days | 2,378                                   | 3,024                                       |
| 61 - 90 days | 809                                     | 1,890                                       |
| Over 90 days | <u>14,253</u>                           | <u>11,805</u>                               |
|              | <b><u>24,757</u></b>                    | <b><u>35,353</u></b>                        |

The Directors consider that the fair value of the Group's debtors at the statement of financial position date was approximately their carrying amounts.

## 16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$178,691,000 (31st December, 2008: HK\$141,563,000).

The following is an aged analysis of trade payables at the statement of financial position date:

|              | <b>30th June,<br/>2009<br/>HK\$'000</b> | <b>31st December,<br/>2008<br/>HK\$'000</b> |
|--------------|-----------------------------------------|---------------------------------------------|
| 0 - 90 days  | 77,131                                  | 111,874                                     |
| Over 90 days | <u>101,560</u>                          | <u>29,689</u>                               |
|              | <b><u>178,691</u></b>                   | <b><u>141,563</u></b>                       |

The Directors consider that the fair value of the Group's creditors at the statement of financial position date was approximately their carrying amounts.

## 17. Capital Commitments and Contingent Liabilities

|                                                                                                                                        | 30th June,<br>2009<br>HK\$'000 | 31st December,<br>2008<br>HK\$'000 |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------|
| (a) Capital commitments:                                                                                                               |                                |                                    |
| Authorised and contracted for:                                                                                                         |                                |                                    |
| Development expenditure of properties in Hong Kong                                                                                     | 779,662                        | 1,269,073                          |
| Development expenditure of properties in Mainland China                                                                                | 1,978,711                      | 724,969                            |
| Development expenditure of properties in Macau                                                                                         | 30,842                         | 36,412                             |
| Renovation of properties                                                                                                               | 188,019                        | 268,571                            |
|                                                                                                                                        | <u>2,977,234</u>               | <u>2,299,025</u>                   |
| Authorised but not contracted for:                                                                                                     |                                |                                    |
| Development expenditure of properties in Hong Kong                                                                                     | 375,473                        | 205,320                            |
|                                                                                                                                        | <u>375,473</u>                 | <u>205,320</u>                     |
| (b) Contingent liabilities:                                                                                                            |                                |                                    |
| Guarantees given to bank, in respect of banking facilities utilised by an associate/investee company                                   | 1,069,650                      | 1,069,650                          |
| Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries | 10,000                         | 10,000                             |
|                                                                                                                                        | <u>1,079,650</u>               | <u>1,079,650</u>                   |

## 18. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

## INTERIM DIVIDEND AND SHARE REPURCHASE

The Board has declared an interim dividend of HK2 cents per share for the Period (the “Interim Dividend”) (2008: HK13.5 cents).

During the Period, the Company has allocated an aggregate cash amount of HK\$1,079.4 million (2008: HK\$500.8 million) (or HK53.1 cents per share (2008: HK22 cents)) which would be paid to shareholders. Out of such sum, an amount of HK\$39.2 million (2008: HK\$306.2 million) (or HK2 cents per share (2008: HK13.5 cents)) would be applied for the payment of Interim Dividend and an amount of HK\$1,040.2 million (2008: HK\$194.6 million) (or HK51.1 cents per share (2008: HK8.5 cents)) has been utilized for the repurchase of the Company’s shares during the Period. With such a total cash sum of HK53.1 cents per share (2008: HK22 cents) and a core profit of HK35.8 cents per share (2008: HK81.1 cents), a ratio of 148.3% (2008: 27.1%) is recorded, which is summarized as follows: –

|                                                  | <b>For the six months ended 30th June</b> |             |
|--------------------------------------------------|-------------------------------------------|-------------|
|                                                  | <b>2009</b>                               | <b>2008</b> |
| Core profit (HK\$m)                              | <b>728.6</b>                              | 1,864.9     |
| Share repurchase (HK\$m)                         | <b>1,040.2</b>                            | 194.6       |
| Interim Dividend (HK\$m)                         | <b>39.2</b>                               | 306.2       |
| <u>On a share basis</u>                          |                                           |             |
| Core profit (HK cents)                           | <b>35.8</b>                               | 81.1        |
| Share repurchase (HK cents)                      | <b>51.1</b>                               | 8.5         |
| Interim Dividend (HK cents)                      | <b>2.0</b>                                | 13.5        |
| Share repurchase and Interim Dividend (HK cents) | <b>53.1</b>                               | 22.0        |
| As a percentage of core profit                   | <b>148.3%</b>                             | 27.1%       |

Dividend warrants will be posted on or about 7th October, 2009 to shareholders whose names appear on the register of members of the Company on 25th September, 2009.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 22nd September, 2009 to 25th September, 2009, both days inclusive. In order to qualify for the Interim Dividend, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 21st September, 2009.

## SPECIAL DIVIDEND

With reference to the announcement dated 2nd September, 2009 setting out the Company’s conditional disposal of certain assets (the “Announcement”), it is anticipated that sales proceeds of approximately HK\$2,024 million would be received and it is intended that part of the net proceeds generated from the discloseable and connected transactions as disclosed in the Announcement (the “Transactions”) will be distributed to the shareholders as special dividend. The Board has declared a special dividend of HK63 cents per share on the condition that all conditions precedent of the Transactions are fulfilled including the approval by the independent shareholders in a special general meeting of the Company. However, no special dividend will be distributed to shareholders if the Company has not obtained independent shareholders’ approval on the Transactions and any of the other conditions precedent cannot be fulfilled. Further announcement will be made by the Company in relation to the closure of register of members and dispatch date of special dividend warrants in relation thereto, as appropriate, at a later stage.

## FINANCIAL OPERATION REVIEW

### Results

#### Continuing Operations

Revenue for the Period amounted to HK\$1,366.0 million (six months ended 30th June, 2008: HK\$726.6 million (restated); previously stated as HK\$985.8 million), a 88.0% increase over the same period last year. It was mainly due to the increase in revenue of securities investment, sales proceeds recognised from York Place and rental income from Silvercord and MassMutual Tower.

The gains in the sales of held-for-trading investment to a net basis was HK\$346.5 million (six months ended 30th June, 2008: loss HK\$13.8 million).

For property leasing, following the completion of renovation on the first phase of Windsor House and the cinema portion of Silvercord at the end of 2007, new letting transactions with very favourable rentals have been recorded, thus the rental income in retail section jumped by 10.7%. Rental income from non-retail section had also shown a very satisfactory increase of 20.3% during the Period. The Period recorded an increase of 11.6% in total rental income to HK\$515.3 million as compared with the corresponding period in 2008 of HK\$461.8 million. Together with the attributable rental income generated from associates of HK\$40.5 million (six months ended 30th June, 2008: HK\$49.4 million), the total attributable rental income to the Group after non-controlling interests reached to approximately HK\$554.3 million (six months ended 30th June, 2008: HK\$506.7 million), which achieved a 9.4% increase over the same period last year.

Gross profit for the Period amounted to HK\$810.3 million, a 55.9% increase as compared with the same period last year.

In relation to property development, a loss of HK\$37.7 million (six months ended 30th June, 2008: a profit of HK\$76.5 million) was recorded. Sale of MOD 595 in Mongkok had contributed an attributable profit to the Group of approximately HK\$11.9 million (six months ended 30th June, 2008: HK\$40.4 million), York Place in Wanchai had a book loss of approximately HK\$53.7 million. Book loss represented sales revenue less book cost. York Place was previously an investment property and was transferred to stock of properties in 2008 at its then market value. For those units sold and recognised in the Period, the book cost included a valuation surplus of HK\$284.6 million. If the valuation surplus is excluded from the book cost, a profit of HK\$230.9 million would be resulted. A unit of Gemstar Tower in Hunghom (61.96% interest) sold during the Period had contributed an attributable profit to the Group of HK\$2.5 million (six months ended 30th June, 2008: HK\$20.6 million) and no sale profit was recorded for The Zenith in Wanchai (87.5% interest) for the Period (six months ended 30th June, 2008: HK\$2.4 million). In respect of properties held by an associate, Indihome in Tsuen Wan (50% interest) continuously generated profit of HK\$1.2 million (six months ended 30th June, 2008 : HK\$4.5 million) and no sale profit was recorded for Miami Crescent in Sheung Shui (50% interest) for the Period which had contributed HK\$21.6 million in the same period last year, the mentioned profits was reflected in the share of results of associates. For the sale of Parc Palais in Homantin (10% interest), a contribution of HK\$1.6 million (six months ended 30th June, 2008: HK\$19.0 million) was recorded in investment income. In the current period, the forfeited deposits received for York Place and i-home in Tai Kok Tsui recorded in other income were HK\$4.0 million and HK\$0.3 million respectively (six months ended 30th June, 2008 : HK\$0.7 million being forfeited deposits of The Zenith). Deposit received for stock of properties contracted to be sold at 30th June 2009 amounted to HK\$372.3 million.

Investment properties of the Group were revalued as at 30th June, 2009 and recorded an increase in fair value of HK\$2,902.5 million as a result of the upturn of the property markets in Hong Kong and Mainland China.

During the Period, the total gains recongised on listed securities investments were HK\$324.5 million (six months ended 30th June, 2008: HK\$1,461.6 million), including listed equity securities investments included in available-for-sale investments, listed held-for-trading investments and treasury products.

The Group had not disposed any available-for-sale investments for the first half year of 2009 (six months ended 30th June, 2008: gain on disposal of available-for-sale investments HK\$1,445.2 million was recognised as net investment income). The listed equity securities included in available-for-sale investments also bring an addition of fair value of HK\$8.1 million (six months ended 30th June, 2008: deduction of fair value of HK\$2,546.4 million) was recognised in other comprehensive income and the securities investments reserve.

The performance of the listed held-for-trading investments and treasury products improved significantly and generated a profit before or after finance costs of HK\$324.0 million and HK\$323.1 million respectively for the Period (six months ended 30th June, 2008: loss before/after finance costs: HK\$53.1 million/HK\$74.1 million).

Profit from the listed held-for-trading investments reflected in the condensed consolidated statement of comprehensive income for the Period comprised of a gross profit totaling HK\$346.5 million (six months ended 30th June, 2008: a gross loss of HK\$13.8 million), an unrealised loss on fair value change amounted to HK\$283.5 million (six months ended 30th June, 2008: HK\$31.2 million), dividend and interest income of HK\$261.0 million (six months ended 30th June, 2008: HK\$8.1 million) and gain or loss from treasury products, if any (six months ended 30th June, 2008: a realised loss on equity-linked note of HK\$16.2 million). The relevant finance costs incurred in the period of HK\$0.9 million (six months ended 30th June, 2008: HK\$21.0 million) including interest expense and exchange loss of HK\$0.3 million (six months ended 30th June, 2008: HK\$2.5 million) and HK\$0.6 million (six months ended 30th June, 2008: HK\$18.5 million) respectively.

Other income mainly comes from building management fee increased to HK\$23.0 million representing an increase of 19.2% as compared with the same period last year.

During the Period, administrative expenses and finance costs decreased by 15.5% to HK\$97.9 million (six months ended 30th June, 2008: HK\$115.8 million) and 71.1% to HK\$47.1 million (six months ended 30th June, 2008: HK\$163.2 million) respectively.

Other gains and losses recorded a net gain on deemed disposal of HK\$35.1 million (six months ended 30th June, 2008: losses of HK\$0.2 million), including the gain on disposal of 8.27% interest in G-Prop (Holdings) Limited (“G-Prop”) through a placing exercise completed on 17th June, 2009.

The share of results of associates for the Period was a profit of HK\$40.1 million as compared to HK\$68.2 million for the same period last year, it was mainly due to the decrease of fair value gain on investment properties.

## **Profit, Core Profit, Dividends, Repurchase and Cash Payment**

### Profit

Profit attributable to equity holders of the parent for the Period was HK\$3,203.3 million as compared to profit of HK\$3,522.8 million for the same period last year. The profit for the Period was mainly due to the fair value gains on investment properties. Earnings per share was HK\$1.57 (six months ended 30th June, 2008: HK\$1.53).

### Core Profit

If the net gain on the major non-cash items of HK\$2,474.7 million (six months ended 30th June, 2008: HK\$1,657.9 million) are excluded, the Group will have a core profit attributable to equity holders of the parent for the Period of HK\$728.6 million (six months ended 30th June, 2008: HK\$1,864.9 million) and a core earnings per share of HK35.8 cents (six months ended 30th June, 2008: HK81.1 cents), a decrease of 61.0% and 55.9% over 2008 respectively.

The major non-cash items are fair value gains on investment properties together with their respective deferred tax expenses of HK\$2,474.7 million (six months ended 30th June, 2008: HK\$1,365.5 million and credit effect of deferred tax on reduction in tax rate in respect of the fair value changes on investment properties of HK\$292.4 million).

### Dividends

A final dividend of HK1 cent (year ended 31st December, 2007: HK22.5 cents) and special dividend of HK99 cents (year ended 31st December, 2007: nil) per share in total amount of HK\$2,006.3 million for the year ended 31st December, 2008 was paid in cash.

### Repurchase

During the Period, the Company has utilised HK\$1,040.2 million (six months ended 30th June, 2008: HK\$194.6 million) in repurchase of the Company's shares, such amount is equivalent to HK51.1 cents (six months ended 30th June, 2008: HK8.5 cents) per share, calculated based on weighted average number of ordinary shares during the Period.

### Cash Payment

Based on (a) the core profit for the Period of HK\$728.6 million (six months ended 30th June, 2008: HK\$1,864.9 million) or HK35.8 cents (six months ended 30th June, 2008: HK81.1 cents) per share; (b) the amount utilised for share repurchase during the Period of HK\$1,040.2 million (six months ended 30th June, 2008: HK\$194.6 million) or HK51.1 cents (six months ended 30th June, 2008: HK8.5 cents) per share; and (c) interim dividend of HK2 cents (2008: HK13.5 cents) per share declared for the Period, the ratio of such cash payment to the core profit is 148.3% (six months ended 30th June, 2008: 27.1%).

### **Net Asset Value**

As at 30th June, 2009, the Group's total net asset to equity holders of the parent amounted to approximately HK\$34,807.7 million (31st December, 2008: HK\$34,650.6 million), an increase of HK\$157.1 million or 0.5% when compared with 31st December, 2008. With the total number of ordinary shares in issue of 2,000,000,079 as at 30th June, 2009 (31st December, 2008: 2,077,750,079 shares), the net asset value per share to equity holders of the parent was HK\$17.4, an increase of 4.2% over 31st December, 2008 (HK\$16.7). The movement in net asset value was mainly due to (a) Profit for the Period of HK\$3,203.3 million; (b) addition in the reserve for the listed available-for-sale investments of HK\$8.1 million; (c) reduction in equity for share repurchase of HK\$1,040.2 million, and (d) payment of final and special dividend of HK\$2,006.3 million.

An addition in fair value on the listed equity securities investments of approximately HK\$8.1 million (six months ended 30th June, 2008: reduction HK\$2,546.4 million) was recognised for the Period and the carrying amount of the Listed Equity Securities Investments Reserve as at 30th June, 2009 amounted to approximately HK\$8.1 million (31st December, 2008: nil).

Included in the total net asset is net deferred tax liabilities of HK\$4,324.0 million on fair value gains of investment properties. If the deferred tax liabilities are excluded, the total net asset to equity holders of the parent will become HK\$39,131.7 million or HK\$19.6 per share (31st December, 2008: HK\$18.5 per share).

During the Period, the Group had bought and sold listed and unlisted securities investments and deemed disposal of 8.27% interest in G-Prop through placing. The indirect shareholding of the Group in G-Prop decreased from 50.20% to 41.93%, but the Group still has control over the board and the power to govern the financial and operating policies of G-Prop, thus G-Prop remains as a subsidiary of the Group. Other than the existing projects and those disclosed in the interim results, the Group did not have any future plans for material investment or capital assets.

### **Securities Investments**

As at 31st December, 2008, the carrying amount of the treasury products was HK\$24.4 million, which was included in current liabilities. During the Period, the portfolio was increased by a net purchase of HK\$2,819.5 million. After deducting the fair value loss of HK\$275.4 million for the Period, the listed securities investments portfolios of the Group reached HK\$2,519.7 million as at 30th June, 2009 representing 4.7% of total assets, which formed part of the Group's cash management activities.

As at 30th June, 2009, the carrying amount of the floating rate and fixed rate notes amounted to HK\$239.4 million (31st December, 2008: HK\$216.7 million) representing 0.4% of the total assets of the Group at the period end.

### **Risk Management**

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

### **Equity**

The number of issued ordinary shares as at 30th June, 2009 and 31st December, 2008 were 2,000,000,079 and 2,077,750,079 respectively.

## Debt and Gearing

As at 30th June, 2009, the Group's bank and other borrowings amounted to HK\$12,088.9 million (31st December, 2008: HK\$11,669.2 million). Cash and deposit at bank amounted to HK\$6,023.3 million (31st December, 2008: HK\$10,418.9 million), pledged deposit amounted to HK\$611.9 million (31st December, 2008: HK\$478.1 million) and net borrowings amounted to HK\$5,453.7 million (31st December, 2008: HK\$772.2 million).

Total debt to equity ratio was 34.0% (31st December, 2008: 33.1%) and net debt to equity ratio was 15.3% (31st December, 2008: 2.2%), which are expressed as a percentage of total borrowings, and net borrowings respectively, over the total equity of HK\$35,586.5 million (31st December, 2008: HK\$35,302.6 million).

The increase of net debt to equity ratio mainly due to the decrease of cash and deposit balances and increase of borrowings for the repurchase of Company's shares, payment of final and special dividends, investments in long term bonds, additions to listed available-for-sales investments and held-for-trading investments.

As at 30th June, 2009, the Group's bank and other borrowings were denominated in Hong Kong dollars (94.0%), United States dollars (3.1%), Swiss Franc (1.6%) and Japanese Yen (1.3%). Of the Group's bank and other borrowings of HK\$12,088.9 million, 34.5%, 15.1%, 49.3% and 1.1% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank and other borrowings carrying interest rates were calculated mainly with reference to HIBOR and inter-bank rate. No hedging for interest rate as subsisted at the end of the period. Borrowings in Swiss Franc and Japanese Yen were for hedging of Swiss Franc and Japanese Yen securities investments and such securities turned into cash at 30th June, 2009.

## Pledge of Assets

As at 30th June, 2009, the Group had pledged the following assets:

- (a) The Group's investment properties, property and other fixed assets, prepaid lease payments, stock of properties and time deposits with their respective carrying amount of approximately HK\$31,419.0 million (31st December, 2008: HK\$28,643.2 million), HK\$59.4 million (31st December, 2008: HK\$60.3 million), HK\$319.2 million (31st December, 2008: HK\$319.6 million), nil (31st December, 2008: HK\$2,995.2 million) and HK\$307.5 million (31st December, 2008: HK\$149.3 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) The Group's investments held-for-trading, available-for-sale investment, treasury products and certain cash deposit with carrying amount of approximately HK\$2,835.7 million (31st December, 2008: HK\$328.7 million) was pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions and utilised by the Group as borrowings due within one year of approximately HK\$1,169.8 million (31st December, 2008: nil).
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated and assigned its advance to an associate and advance to an investee company of approximately HK\$1,324.0 million (31st December, 2008: HK\$1,275.0 million) to financial institutions to secure banking general credit facilities granted to an associate and investee company.

## Financial and Interest Income/Expenses

Interest income was included in revenue and investment income. Interest income for the Period was HK\$54.4 million, representing a decrease of 40.9% from that of 30th June, 2008 (HK\$92.0 million).

Finance costs included interest expenses on bank and other loans, imputed interest expenses, exchange difference on foreign currency loans, arrangement fee and facility and commitment fee expenses. Excluding imputed interest, interest expenses for the Period amounted to HK\$37.6 million, representing a 72.8% decrease over the interest expenses of HK\$138.2 million recorded for the same period last year. The decrease in interest expenses was mainly due to decrease in interest rate during the Period. Interest capitalised for the Period was HK\$8.4 million as compared to HK\$25.5 million for last year. The average interest rate over the period under review was 0.79% (2008: 2.61%), which was expressed as a percentage of total interest paid over the average total borrowings.

## **Remuneration Policies and Share Option Scheme**

During the period under review, the Group employed a total of 291 staff (six months ended 30th June, 2008: 310 staff) (excluding about a total of 307 staff (six months ended 30th June, 2008: 294 staff) for estate management employed under the Group's estate management company, Perfect World Company Limited).

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Director continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Period.

## **Mainland China and Macau**

Profit contribution from the Group's investment in the Mainland China (including gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Period amounted to HK\$41.3 million (six months ended 30th June, 2008: HK\$199.7 million). The Group's net investment as at 30th June, 2009 amounted to HK\$6,942.5 million (31st December, 2008: HK\$6,877.5 million) representing approximately 12.9% of the Group's total asset value and 19.9% of the Group's net asset value.

Further, the Group's net investment in Macau as at 30th June, 2009 amounted to HK\$1,690.6 million (31st December, 2008: HK\$1,665.0 million) representing approximately 3.1% of the Group's total asset value.

## **Listed Subsidiaries**

At the period end date, the Group owned 61.96% interest in Chi Cheung Investment Company, Limited.

On 5th February, 2008, the Group acquired 36.51% shareholding in G-Prop. Accordingly, the Group held 50.20% shareholding of G-Prop and G-Prop became a subsidiary of the Company. After G-Prop placement completed on 17th June, 2009, the indirect shareholding of the Company in G-Prop decreased from 50.20% to 41.93% but the Group still has control over the board and the power to govern the financial and operating policies of the Company, thus G-Prop remains as a subsidiary of the Group.

## **Property Valuation**

A property valuation has been carried out by Messrs. Norton Appraisals Limited, independent qualified professional valuers, in respect of the Group's investment properties as at 30th June, 2009 and that valuation was used in preparing 2009 interim results. The Group's investment properties were valued at HK\$ 34,824.6 million (31st December, 2008: HK\$30,302.6 million), a 9.1% increase over 2008 after adjusted for additions and disposals of investment properties during the Period. The increase in fair value of approximately HK\$2,902.5 million was recognised in the condensed consolidated statement of comprehensive income for the Period. The Group also shared an increase in fair value of investment properties of the associates of HK\$56.9 million (net of deferred tax of HK\$11.2 million) for the Period. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the financial statements. Investment property under development in Chengdu was stated at cost.

## **Post Balance Sheet Event**

On 2nd September, 2009, the Group entered into 8 conditional sale and purchase agreements with the executive director and a company owned by the executive director for the disposal of companies holding 2 properties in United Kingdom, 3 bonds, 2 credit-linked notes and a derivative financial instrument at an estimated consideration of HK\$2,024 million.

## **BUSINESS REVIEW**

### **Hong Kong Property Investment**

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 90.06% during the Period excluding the renovation area of Windsor House. The occupancy rate achieved 95.76% if non-core properties are excluded. Such sustainable high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

The Group's overall gross rental growth was 11.59% with rental income of HK\$515.32 million for the Period as compared with the corresponding period of last year, and the respective increases in Hong Kong retail and non-retail portion have been 10.72% and 20.28%. The increase in gross rental income is mainly attributable to the high reversionary rental rate of the office properties and pleasant rental rates achieved by shopping malls after renovation.

During the Period, the shops of Excelsior Plaza – Laforet were fully let out and the average occupancy rate of Causeway Place was approximately 92.30%.

The first phase renovation of Windsor House was completed in the third quarter of 2007 and the second phase renovation commenced in March 2008. Works include reconfiguration of the mall layout from basement level to 7th level to provide greater varieties of prime retail shops and specialty restaurants, addition of atrium void and introduction of skylight to provide a high-end shopping environment. Portions of the circulation areas and shops at ground floor and first floor have been re-opened in December 2008 and June 2009 respectively and it is anticipated that the whole renovation work will be completed by early 2010. The revamped Windsor House will have improved and diversified trade mix.

As for Silvercord, the overall rental income was raised 33.76% for the Period as compared with the corresponding period of last year and its average occupancy rate was 96.70% during the Period. The substantial rental growth and high occupancy rate reflect the success of the Group's rental enhancement strategy of renovation and repackaging of its shopping malls. In order to further enhance the circulation at third floor, improvement works to third floor is being planned and site works are tentatively scheduled to be commenced in the second quarter of 2010.

The ONE, i.e. the redevelopment project of the former Tung Ying Building in Tsim Sha Tsui is being developed to a 29-storey integrated shopping, entertainment and food and beverage complex with more than 400,000 square feet of retail spaces. It will be the tallest retail complex of its kind in Hong Kong and is expected to be a landmark shopping arcade in Tsim Sha Tsui upon completion scheduled in the first half of 2010. Topping out of the superstructure was achieved in August 2009. MTR Corporation Limited commissioned to construct a pedestrian subway linking the Tsim Sha Tsui MTR Station to, amongst other exits, The ONE. The ONE will benefit from this pedestrian subway and this direct path to the MTR Station will provide a highly accessible link for the shoppers to The ONE. Pre-lease marketing has been commenced after the formal naming of The ONE in June 2009. Overall marketing response is positive and a number of offers are received from prospective tenants.

The occupancy rate for the Group's office properties maintained at a satisfactory level throughout the first half of 2009. During the Period, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 90.59%, 98.60% and 76.41% respectively, bringing the approximate occupancy rate of the overall office portfolio to 89.81%. The occupancy rate drop in Harcourt House was mainly due to the closure of businesses in Hong Kong or down-size of office area of several anchored tenants in the building caused by the global economy turmoil.

### **Hong Kong Property Development**

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving pleasing results.

York Place is a high-end residential tower located in prime area of Wanchai, having 94 units with flat size ranging from gross floor area of approximate 576 square feet to 2,037 square feet. As at 30th June, 2009, 64 units (51 recognized as sales and 13 defined as presales and the relevant revenue and profit will be recognized in the second half of 2009) were sold, representing 68.08% of total units. The occupation permit has been obtained in March 2009 and the transacted units had been handed over to the purchasers in mid of May 2009.

i-home is a joint venture project with the Urban Renewal Authority located in Tai Kok Tsui. It provides a single residential tower block comprises 182 units with flat size ranging from gross floor area of approximate 462 square feet to 1,182 square feet. The occupation permit and the certificate of compliance from the government have been obtained in March 2009 and June 2009 respectively. Since its first sales launch commenced in end of March 2009, 134 units defined as presales and the relevant revenue and profit will be recognized in the second half of 2009, representing 73.62% of total units were sold as of 30th June, 2009.

MOD 595 is another joint venture project with the Urban Renewal Authority located in Mongkok. It provides a single residential tower block comprises 85 units with flat size ranging from gross floor area of approximate 483 square feet to 1,188 square feet. 98.82% of total units (i.e. 1 unit remaining) were sold up to 30th June, 2009, all of which had been handed over to the purchasers.

The Zenith (87.5% interest) is a two-phase redevelopment project at Tai Yuen Street, Wanchai undertaken with the Urban Renewal Authority. 651 units of phase I were sold up to 30th June, 2009, representing 99.85% of total units. Phase II will be a residential/commercial complex development with a gross floor area of approximately 159,700 square feet. Redevelopment work with preservation of the core elements of Wanchai Market and foundation work are in progress. Completion of phase II is scheduled in end 2013.

The Hermitage (25% interest), is one of the Group's joint venture development projects in West Kowloon Reclamation Area. It is located at Hoi Ting Road and junction of Hoi Wang Road and Hoi Ting Road. Its superstructure work is in progress. The Hermitage will comprise six residential tower blocks provide in aggregate 960 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. The whole project is expected to be completed in end 2010. The launching of the Hermitage is scheduled in the second half of 2009.

Another West Kowloon - joint venture development project is located at the junction of Hoi Wang Road, Yan Cheung Road and Yau Cheung Road (15% interest). Its sub-structure work is in progress. Six residential tower blocks with residential and retail properties of total gross floor area of approximately 650,600 square feet will be developed. Completion of the whole project is scheduled in 2011.

Sun Fair Mansions, 12 Shiu Fai Terrace, located in Mid-Levels East, is a traditional prestigious location for luxury residential project in Hong Kong. A luxury residential tower which provides a total residential gross floor area of around 42,900 square feet will be redeveloped. Demolition work has been completed, site formation work is in progress. The whole project is expected to be completed in end 2012.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area about 36,000 square feet which can provide a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. The first phase of the site formation work has been substantially completed. Piling works and the associated sub-structure works are scheduled to be commenced in the third quarter of 2009.

### **Macau Property Development**

The Group is planned to develop the site at Avenida Wai Long, Taipa, Macau (70.01% interest) into a high-end residential project with total gross floor area of approximately 5,786,242 square feet (excluding basement car park). It will comprise 26 residential tower blocks and will be developed in phases. Proposals for a revised master layout plan, site formation and basement excavation works of phase I have been submitted for government's approval.

### **Mainland China Property Investment**

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex with a 2-storey basement and has a gross floor area of around 263,708 square feet. The occupancy rates of the office and retail spaces for June 2009 were 87.06% and 70.13% respectively.

Hilton Beijing (50% interest), with 126 rooms in the executive tower operated since July 2008 in addition to 377 rooms available in the main tower, attained an average occupancy rate of 49.40% and a gross profit of HK\$28.77 million for the Period as a result of the oversupply of hotel rooms after the Beijing 2008 Olympic Games.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, was 97.27% let out as of June 2009.

The average occupancy rate of the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen was 89.07% for the Period.

## **Mainland China Property Development**

Metropolis Height and Splendid City are residential projects at Dongda Street of Jinjiang District and Yingbin Road of Jinniu District in Chengdu, with respective site area of approximately 194,411 square feet and 795,625 square feet and corresponding gross floor area of approximately 1.65 million square feet and 3.74 million square feet. Metropolis Height is in foundation construction process, project completion is scheduled in end 2012. Phase I of Splendid City, expected to be completed in end 2010, is in superstructure construction process and is scheduled for presale in the second half of 2009.

Chinese Estates Plaza, a commercial and residential project at South Taisheng Road of Qingyang District in Chengdu has a site area of about 404,267 square feet with a development scale of 3.2 million square feet. The project is in site formation process. Completion of the project is expected in mid 2014.

The commercial and residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), with a site area of around 2,207,546 square feet and a gross floor area of approximately 11.08 million square feet, is at design stage.

## **POST BALANCE SHEET EVENT**

### **Disposal of Subsidiaries and Assets**

As announced on 2nd September, 2009, the subsidiaries of the Company have entered into conditional sale and purchase agreements, in relation to, inter alia, disposal of properties in United Kingdom and certain financial instruments to Wisdom Hero Limited (a company wholly-owned by Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”)) or Mr. Joseph Lau as the case may be at an aggregate provisional consideration of approximately HK\$2,024 million. The said transactions constitute discloseable and connected transactions for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) which are subject to the approval of the independent shareholders of the Company.

## **PROSPECTS**

Although the remainder of the year will continue to be challenging, there are positive signs suggesting that global economies are stabilizing, with gradual recovery in the not distinct future. Mainland China is seeing her economy growing amongst the strongest in the World. Unless there would be a recital change in her policies, residential property demand in the Mainland China will remain strong, paving the way for our Chengdu project, Splendid City, to realize its values in full.

The Group is positive about the Hong Kong property markets for the next 6-12 months, benefiting from the low interest environment and the relatively lack of supply. Meanwhile, retailers have regained confidence and are securing outlets with high trading potentials. Both of the Group’s redevelopment and renovation projects, The ONE and Windsor House, will benefit from this rebounded demand.

In summary, the Group believes that both our property development and investment businesses have sailed through the trough, and are well positioned to achieve enhanced returns in the second half of the year. The Group will continue to capture opportunities for replenishing its land bank for development projects in Hong Kong and the Mainland China.

The Board will continue to review the share price of the Company and its underlying net asset value regularly and consider repurchase its shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), as and when the share price represents a significant discount to its net asset value.

## **AUDIT COMMITTEE REVIEW**

The interim results for the Period are unaudited and have not been reviewed by the auditors of the Company. The Audit Committee of the Company, comprised of Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, the Independent Non-executive Directors (“INED(s)”), has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the Period.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of interest of the shareholders and the Company as a whole. Throughout the Period, the Company has applied the principles of the Code on Corporate Governance Practices (the “Code”) and complied with the code provisions and certain recommended best practices (the “Best Practices”) set out in the Code contained in Appendix 14 to the Listing Rules, except the following deviations:–

### **Chairman and Chief Executive Officer**

Mr. Joseph Lau acts as both the chairman (the “Chairman”) and chief executive officer (the “CEO”) of the Company since December 2006. The Board considers that this structure will not impair the balance of power and authority of the Board. It currently comprises one Executive Director, two Non-executive Directors and three INEDs, with INEDs representing 50% of the Board, which is higher than the Best Practices. Such a high percentage of INEDs in the Board could ensure their views carry significant weight and it reflects a strong independence element in the composition of the Board. At present, the Board also believes that under the leadership of Mr. Joseph Lau as the Chairman and CEO, the Board’s decision could be made effectively and it is beneficial to the management and development of the Group’s businesses. The Board would still consider segregation of the roles of Chairman and CEO if and when appropriate.

### **Chairman Attending Annual General Meeting**

Mr. Joseph Lau, the Chairman of the Board, dealt with an urgent issue and therefore could not attend the Annual General Meeting of the Company held on 27th May, 2009 (“AGM”). Mr. Chan, Kwok-wai, an INED as well as the chairman of Audit Committee and Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM.

## **SECURITIES TRANSACTION**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules (the “Model Code”). All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code and the said code of conduct during the Period.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (“Relevant Employees”) who, because of office or employment is likely to be in possession of unpublished price sensitive information in relation to the Group’s securities have been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the said code during the Period.

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

During the Period, the Company purchased a total of 97,261,000 ordinary shares of HK\$0.10 each on the Stock Exchange at an aggregate consideration of HK\$1,040,214,965. All of the purchased shares were cancelled.

| Month of the purchases | Total number of the ordinary shares purchased | Highest price paid per share HK\$ | Lowest price paid per share HK\$ | Aggregate consideration HK\$ |
|------------------------|-----------------------------------------------|-----------------------------------|----------------------------------|------------------------------|
| January 2009           | 8,813,000                                     | 9.65                              | 8.52                             | 79,731,270                   |
| February 2009          | 14,576,000                                    | 9.66                              | 9.04                             | 137,089,570                  |
| March 2009             | 8,717,000                                     | 9.46                              | 9.16                             | 81,379,700                   |
| April 2009             | 39,339,500                                    | 10.66                             | 9.31                             | 384,069,795                  |
| May 2009               | 6,304,500                                     | 12.18                             | 11.52                            | 74,519,420                   |
| June 2009              | 19,511,000                                    | 15.04                             | 13.98                            | 283,425,210                  |
|                        | <u>97,261,000</u>                             |                                   |                                  | <u>1,040,214,965</u>         |

The Directors considered that the aforesaid shares were purchased at a discount to the net asset value per share and resulted in an increase in the net asset value per share then in issue.

Save as disclosed herein, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

## APPRECIATION

I would like to take this opportunity to thank the shareholders for their continuing support. I also thank my fellow directors and staff members for their dedication and hard work.

On behalf of the Board  
**Joseph Lau, Luen-hung**  
Chairman

Hong Kong, 7th September, 2009

*As at the date of this announcement, the Board comprised Mr. Joseph Lau, Luen-hung as Executive Director, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.*

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

*This announcement may be viewed and downloaded from the website of the Stock Exchange at <http://www.hkexnews.hk> or the Company's website at <http://www.chineseestates.com>.*

*The financial highlights will also be published in The Standard on 8th September, 2009.*