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Asian Growth Properties Limited

23<sup>rd</sup> August, 2010

## ASIAN GROWTH PROPERTIES LIMITED

### Immediate Release

### Results for the six months ended 30<sup>th</sup> June, 2010

Asian Growth Properties Limited (the “Company”) (AIM Stock Code: AGP), the Hong Kong based China property development and investment company, announces its unaudited consolidated results for the six months ended 30th June, 2010 as follows:

#### Financial Highlights

- Profit attributable to the Company’s shareholders of HK\$281.5 million (£24.0 million) (2009: HK\$566.6 million (£44.5 million))
- Earnings per share for profit attributable to the Company’s shareholders of HK31.8 cents (2.7 pence) (2009: HK63.9 cents (5.0 pence))
- Net asset value per share attributable to the Company’s shareholders as at 30th June, 2010 of HK\$9.3 (79.4 pence) (31st December, 2009: HK\$9.0 (71.7 pence))
- Gearing ratio of 12.3% (31st December, 2009: 10.2%)

#### Operational Highlights

- Gross rental income of Dah Sing Financial Centre in Hong Kong was maintained with a high level of occupancy rate.
- The hotel operation results of Crowne Plaza Hong Kong Causeway Bay were satisfactory.
- Major land acquisitions in Kaifeng in mainland China with a total site area of about 735,000 square metres for mixed use development were made.

#### Notes:

1. *Figures in Pounds Sterling are translated from Hong Kong dollars based upon the exchange rates prevailing on the latest practicable business day of the respective accounting periods. The relevant exchange rates adopted are stated as follows:-*

*For 30th June, 2010:                    £1 = HK\$11.7162;  
For 31st December, 2009:           £1 = HK\$12.5018; and  
For 30th June, 2009:                 £1 = HK12.7376*

2. *For Shareholders’ information, the exchange rate on 21st August, 2010 was £1 = HK\$12.0386.*

#### Miscellaneous

The results included in this announcement are extracted from the unaudited condensed consolidated financial statements of the Company for the six months ended 30th June, 2010, which have been approved by the Board of Directors on 23rd August, 2010.

The 2010 Interim Report is expected to be posted to shareholders and holders of depositary interests in mid September 2010.

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Attached:-

1. Chairman's Review;
2. Executive Directors' Review;
3. Unaudited Condensed Consolidated Income Statement;
4. Unaudited Condensed Consolidated Statement of Comprehensive Income;
5. Unaudited Condensed Consolidated Statement of Financial Position;
6. Unaudited Condensed Consolidated Statement of Changes in Equity;
7. Unaudited Condensed Consolidated Statement of Cash Flows; and
8. Notes to the Unaudited Condensed Consolidated Financial Statements.

## CHAIRMAN'S REVIEW

I am pleased to present the unaudited consolidated results of Asian Growth Properties Limited ("AGP" or the "Company") for the first six months of 2010 to the Shareholders.

### Results

AGP reported a net profit attributable to the Company's shareholders of HK\$281.5 million (£24.0 million) for the six months ended 30th June, 2010 (2009: HK\$566.6 million (£44.5 million)). The reported profit included a revaluation surplus on investment properties net of deferred taxation. By excluding the net effect of such surplus, the Group's net profit attributable to the Company's shareholders was HK\$29.1 million (£2.5 million) for the period (2009: HK\$54.2 million (£4.3 million)).

As at 30th June, 2010, the Group's equity attributable to the Company's shareholders amounted to HK\$8,245.8 million (£703.8 million), an increase of HK\$301.0 million (£68.3 million) over 31st

December, 2009. The net asset value per share as at 30th June, 2010 was HK\$9.3 (79.4 pence) as compared with HK\$9.0 (71.7 pence) as at 31st December, 2009.

Figures in Pounds Sterling are translated from Hong Kong dollars based upon the exchange rates prevailing on the latest practicable business day of the respective accounting periods.

### **Operations**

During the period under review, the Group has continued the development of various property projects in Hong Kong and mainland China.

The rental income from the investment properties situated in both Hong Kong and mainland China continued to provide stable return to the Group. For developed properties, turnover for the period represented the sale of certain remaining units of The Forest Hills. As the number of remaining units for sale has been reducing, the contribution from the property development business decreased gradually.

The Crowne Plaza Hong Kong Causeway Bay commenced operations in November 2009 and its performance improved during the period. Though an accounting loss was recorded when depreciation of the hotel property was taken into account, the hotel generated positive cash flow from its operation.

### **Outlook**

The Board of AGP is continuing to focus its efforts in actively managing its portfolio of investment properties in both Hong Kong and mainland China and has been heavily engaged in consolidating two major land acquisitions in Chengdu and Kaifeng in mainland China. These very substantial sites will provide the Company with a long term development pipeline in these rapidly growing second-tier cities and will provide the Company with a good balance of mixed use development opportunities, both residential and commercial. With a slowdown in the Chinese economy to a more reasonable rate of GDP growth rate, the Company intends to maintain its focus on opportunities arising in the mainland China market but will continue to adhere to its conservative policy of low gearing and significant cash reserves such that it is in a position to fund these developments and any other opportunities that might arise as a result of credit tightening.

With the continued uncertainty surrounding the economies of much of the developed world, we believe that notwithstanding the current consolidation in the Chinese property market, the fundamentals remain sound particularly in the areas that we have chosen to focus on.

### **Interim Dividend**

The Board does not propose the payment of an interim dividend for the period ended 30<sup>th</sup> June, 2010 (2009: Nil).

### **Acknowledgement**

The Board would like to take this opportunity to thank the executive and management team for the execution of the Board's strategy and their ongoing support.

Richard Prickett  
Non-Executive Chairman  
England, 23<sup>rd</sup> August, 2010

**EXECUTIVE DIRECTORS' REVIEW**

**FINANCIAL SUMMARY**

Turnover for the six months ended 30th June, 2010 amounted to HK\$306.0 million (£26.1 million) (2009: HK\$266.7 million (£20.9 million)). The turnover was principally attributable to the recognition of the sales of residential units of The Forest Hills, rental incomes from investment properties and revenue from the hotel operation.

Net profit attributable to the Company's shareholders for the period amounted to HK\$281.5 million (£24.0 million) (2009: HK\$566.6 million (£44.5 million)), equivalent to earnings per share of HK31.8 cents (2.7 pence) (2009: HK63.9 cents (5.0 pence)). The reported profit included a revaluation surplus on investment properties net of deferred taxation. By excluding the effect of such surplus, the Group's net profit attributable to the Company's shareholders was HK\$29.1 million (£2.5 million) (2009: HK\$54.2 million (£4.3 million)), equivalent to HK3.3 cents (0.3 pence) (2009: HK6.1 cents (0.5 pence)) per share.

As at 30th June, 2010, the Group's equity attributable to the Company's shareholders amounted to HK\$8,245.8 million (£703.8 million) (31st December, 2009: HK\$7,944.8 million (£635.5 million)). The net asset value per share as at 30th June, 2010 was HK\$9.3 (79.4 pence) as compared with HK\$9.0 (71.7 pence) as at 31st December, 2009.

For Shareholders' information, figures in Pounds Sterling are translated from Hong Kong dollars based upon the exchange rates prevailing on the latest practicable business day of the respective accounting periods and the relevant exchange rates adopted are stated as follows:-

For 30th June, 2010:	£1 = HK\$11.7162;
For 31st December, 2009:	£1 = HK\$12.5018; and
For 30th June, 2009:	£1 = HK\$12.7376

## **BUSINESS REVIEW**

### **Property Investment and Development**

All of the Group's property development and investment projects are located in Hong Kong and mainland China and are as listed below:

#### **Hong Kong**

1. Dah Sing Financial Centre, Gloucester Road, Wanchai

The 39-storey commercial building includes offices and shops (total gross floor area of about 37,200 square metres) and with ancillary car-parking facilities for 137 covered and 27 open car-parking spaces. Rental income generated from the Dah Sing Financial Centre has been stable and satisfactory. The occupancy rate still stays at a high level and it was approximately 98% as at 30th June, 2010.

2. The Forest Hills, Diamond Hill

With a total gross floor area of approximately 18,800 square metres, the property has been developed as a 48-storey residential and commercial composite building, comprising 304 residential units above a 7-level retail podium, a clubhouse and car parks. The development was completed in April 2008 and delivery of the residential units to buyers commenced in May 2008. Up to 30th June, 2010, about 86% of the residential units and 59 out of 76 residents' car-parking spaces have been sold while all the non-residents' car-parking spaces have been leased to a car-park operator at satisfactory rentals until end of February 2012.

Marketing for the remaining residential units and residents' car-parking spaces and the leasing activities for the retail podium are continuing.

3. The Morrison, Wanchai

The property is a 30-storey residential and commercial composite building with a total gross floor area of approximately 5,800 square metres, comprising 104 residential units above a club-house floor and a 3-storey commercial podium. The development was completed in October of 2007 and has won the Best Interior Design Award of the CNBC Asia Pacific Property Awards 2008 organised by the International Homes Magazine and the Best Environmental Design Award 2008 organised by The Hong Kong Institute of Surveyors.

Marketing for the remaining 5 residential units (which are presently leased) is continuing. In December 2009, the Group entered into an agreement for sale and purchase with an independent party for the disposal of the entire commercial podium of The Morrison at a consideration of HK\$245 million (£19.6 million). The transaction was completed in late March 2010 and the profit generated therefrom was included in the fair value changes on investment properties in the consolidated financial statements of the Company for the year ended 31st December, 2009 in accordance with the applicable financial reporting standards.

4. Royal Green, Sheung Shui

The Group has a 55% interest in this private residential development comprising 922 residential units contained in three 40-storey residential towers with ancillary recreational and car-parking facilities. During the period, 1 duplex residential unit was sold and since 1st July, 2010, 3 car-parking spaces have been sold. The marketing campaign for the remaining 1 furnished duplex residential unit in Tower 3 known as Green Palace and 2 car-parking spaces reserved for the buyer for such unit is continuing.

5. Fo Tan, Sha Tin

Rezoning applications with several master layout plans and design schemes have been submitted to the Town Planning Board and relevant parties for consideration. The proposed development envisages, among other facilities, residential units, car parks, educational facilities and a bus terminus. The Town Planning Board rejected the Group's town planning application in July 2008 due to a number of outstanding environmental, traffic and urban design issues. The hearing of the Group's appeal which commenced in mid October 2009 ended in early January 2010 and the Group is expecting the outcome over the next few months.

**Mainland China**

6. Plaza Central, Chengdu

Plaza Central comprises two 30-storey office blocks erected on a common podium of six commercial/retail floors and two car-parking floors with a total construction floor area of approximately 91,500 square metres. During the period, the aggregate occupancy rate for the two office towers improved marginally and leasing activities for the remaining areas are continuing. The retail podium with a construction floor area of about 29,000 square metres has been fully let principally to Chengdu New World Department Store on a long term lease. As at 30th June, 2010, the aggregate occupancy rate for the two office towers and the retail podium was 73%. Rental return from this property will benefit from the improved occupancy.

7. New Century Plaza, Chengdu

This property is a shopping arcade with a gross floor area of about 16,300 square metres and two car-parking basement floors in a commercial development known as New Century Plaza in Chengdu, Sichuan Province. The arcade has been fully let since the Group's renewal of the tenancy with a furniture retailer for a further term of five years commencing on 1st September, 2009 at a rental commensurate with the economic conditions then.

8. Westmin Plaza Phase II, Guangzhou

The Westmin Plaza Phase II project, which has a total construction floor area of about 119,000 square metres, comprises four residential blocks of 646 units and one office block erected on a 5-storey commercial/car-parking podium. The residential units were fully sold in February 2009 and the Group retains ownership of the office and commercial units. The development has won the Best Mixed Use Development – China Award of the CNBC Asia Pacific Commercial Property Awards 2009.

The 14-storey office tower has a total gross floor area of about 16,100 square metres. As at 30th June, 2010, 99% of the tower was leased with more than one-third of the total office space being leased with naming rights to AIA, an international insurer, for a term of six years from April 2008. Leasing activities for the remaining office space and the 3-storey shopping arcade with a total gross floor area of about 26,400 square metres are in progress.

9. Huangshan

In March 2010, the Group completed its acquisition from the joint venture partner of the remaining 9% equity interest not owned by it in the project company which has the right to develop tourist leisure facilities on land located in the famous scenic and most visited tourist Huangshan (Yellow Mountain) area in Anhui Province. The project is presently wholly owned by the Group.

The land to be developed by the Group has a site area of about 333,500 square metres, comprising about 66,700 square metres owned by the project company and about 266,800 square metres leased from the local authority for development. An overall development plan for a hotel and villas in the integrated resort site has been prepared for the Board's consideration and a renowned landscape architect in Japan has been retained to oversee the development.

10. Chi Shan, Nanjing

Through the establishment/acquisition of two 51%-owned joint venture companies, the Group started its investment projects in Chi Shan, Nanjing, Jiangsu Province. The joint venture companies are currently participating in the excavation, tenant relocation arrangements and infrastructure works on certain pieces of lands in that locality. Negotiations with the joint-venture partners about the size and scope of this luxury villa development are continuing.

#### 11. The Redbud City, Leiyang

The 50/50 joint venture was established in March 2009 for the development project known as The Redbud City in Leiyang, Hunan Province. The superstructure work for, in aggregate, twelve blocks of link-house and high-rise apartment building with a total gross floor area of approximately 45,000 square metres and two blocks of club-house and commercial buildings has been progressing as scheduled. The pre-sale campaign for Phase I development was launched in May 2009 and so far, 275 out of 285 residential units have been sold. Marketing activities for the remaining units are continuing. Delivery of the first batch of units has commenced recently and the remaining units are expected to be delivered to the purchasers at different completion stages up until October 2011.

### **New Development Projects**

During the period under review, the Group was active in pursuing new development opportunities and increasing its land bank in attractive second-tier cities in mainland China because the land prices are lower and their economies are likely to grow even when there is a slow-down in the primary cities.

In late June, 2010, the Group acquired eight pieces of land in Kaifeng, Henan Province with a total site area of about 675,000 square metres for residential and commercial development for HK\$459.8 million (£39.2 million). Also in mid August 2010, the Group made a successful bid in the public tender for two additional pieces of land with a total site area of about 60,000 square metres adjacent to the abovementioned land in Kaifeng for residential and commercial development for HK\$54.6 million (£4.7 million). A cash deposit of HK\$9.2 million (£0.8 million) for the bidding has been paid and it is expected that the balance of the total bided land cost will be paid before 30th September, 2010.

Research and feasibility study in respect of the above projects' market positioning are in progress.

### **Hotel Operation**

#### **Crowne Plaza Hong Kong Causeway Bay**

The project has been developed into a 29-storey five-star hotel comprising 263 guest rooms (gross floor area of approximately 14,945 square metres) with ancillary facilities. The operation of the Hotel under the name of "Crowne Plaza Hong Kong Causeway Bay", which commenced operations in early November 2009, is presently managed by a member of the InterContinental Hotels group. So far, the room occupancy and room rates have been satisfactory and the Hotel has proved popular with a wide range of guests and increasing up-scale business travellers. Progress is being made in further improving its food and beverages operation and turnover.

In April 2010, the Hotel won three awards of the International Property Awards in association with Bloomberg Television, namely:

1. the Best Hotel Construction & Design Hong Kong – 5-star Award;
2. the Architecture (Leisure & Hospitality) Hong Kong – 5-star Award; and

3. the Best Interior Design Hong Kong – Highly Commended Award.

**OUTLOOK**

At the time of writing, the outlook for the coming six months is somewhat uncertain. It would appear that the nascent recovery in the US appears to be slowing despite good corporate results in the first half. The Federal Reserve has recently expressed concerns about the strength of recovery and as a result, interest rates are likely to remain benign for some considerable time. Yet, this is unlikely to stimulate economic growth with a high level of unemployment continuing in the US and slowing consumer spending and confidence. US national debt levels remain at unsustainable levels. Similar conditions exist in the Eurozone with many national governments contending with having to reduce substantial deficits.

Set against this background, it is hardly surprising that economic growth has been slowing in China. Recent intervention by government using various fiscal measures to restrict the rapid rise of property prices have been having an effect and market prices are stabilising.

We do, however, remain cautiously optimistic about the long-term prospects for the property development business in mainland China and Hong Kong but as stated in our previous report, we would not underestimate the uncertainties and difficulties in the coming period with potentially choppy waters ahead.

Hong Kong continues to benefit from its proximity to China and its role as a fund raising centre of excellence, which is reflected in its low vacancy rates in the office market and continuing high residential property prices. Your Group will adhere to prudent financial policies and continue to maintain high liquidity and low gearing. We believe in the short term that the current environment with all its uncertainties may well offer us some excellent longer term opportunities and we are well placed to take advantage of those opportunities should they arise. However, we would stress that we see an amber light for the time being and will proceed accordingly.

**WORKING CAPITAL AND LOAN FACILITIES**

As at 30th June, 2010, the Group’s total cash balance was HK\$1,741.5 million (31st December, 2009: HK\$1,880.4 million) and unutilized facilities were HK\$922.1 million (31st December, 2009: HK\$495.5 million).

Gearing ratio as at 30th June, 2010, calculated on the basis of net interest bearing debt minus cash and restricted and pledged deposits as a percentage of total property assets, was 12.3% (31st December, 2009: 10.2%).

As at 30th June, 2010, maturities of the Group’s outstanding borrowings were as follows:

	30th June, 2010 HK\$’ million	31st December, 2009 HK\$’ million
Due		
Within 1 year	1,233.1	671.7

1-2 years	427.0	820.9
3-5 years	729.9	1,113.0
Over 5 years	538.6	193.0
	<u>2,928.6</u>	<u>2,798.6</u>

### **Pledge of Assets**

For the Company's subsidiaries operating in Hong Kong and mainland China, the total bank loans drawn as at 30th June, 2010 amounted to HK\$2,928.6 million (31st December, 2009: HK\$2,798.6 million), which were secured by properties valued at HK\$8,048.5 million (31st December, 2009: HK\$7,163.8 million).

### **Treasury Policies**

The Group adheres to prudent treasury policies. As at 30th June, 2010, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

### **International Financial Reporting Standards ("IFRS")**

The Group has adopted IFRS and the unaudited condensed consolidated financial statements accompanying this Review have been prepared in accordance with IFRS.

On behalf of Executive Directors

Lu Wing Chi  
Executive Director  
Hong Kong, 23<sup>rd</sup> August, 2010

CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue		306,044	266,705
Interest income		5,657	4,695
Other income		9,407	9,285
Costs:			
Property and related costs	5	(75,728)	(105,002)
Staff costs		(29,952)	(13,768)
Depreciation and amortisation		(31,813)	(443)
Other expenses	6	(101,608)	(59,331)
		<u>(239,101)</u>	<u>(178,544)</u>
Profit from operations before fair value changes on properties		82,007	102,141
Fair value changes on investment properties		<u>303,675</u>	<u>619,158</u>
Profit from operations after fair value changes on properties		385,682	721,299
Share of results of jointly controlled entities		(1,786)	(785)
Finance costs	7	<u>(39,985)</u>	<u>(28,645)</u>
Profit before taxation	8	343,911	691,869
Income tax expense	9	<u>(62,207)</u>	<u>(124,850)</u>
Profit for the period		<u><u>281,704</u></u>	<u><u>567,019</u></u>
Attributable to:			
Company's shareholders		281,535	566,612
Non-controlling interests		<u>169</u>	<u>407</u>
		<u><u>281,704</u></u>	<u><u>567,019</u></u>
		HK\$	HK\$
Earnings per share for profit attributable to the Company's shareholders	11		
- Basic		<u><u>0.32</u></u>	<u><u>0.64</u></u>
Earnings per share excluding fair value changes of properties net of deferred tax	11		
- Basic		<u><u>0.03</u></u>	<u><u>0.06</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**


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	<b>Six months ended 30 June</b>	
	<u><b>2010</b></u>	<u><b>2009</b></u>
	<i><b>HK\$'000</b></i>	<i><b>HK\$'000</b></i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit for the period	<u><b>281,704</b></u>	<u>567,019</u>
Other comprehensive income		
Exchange differences arising on translation of foreign operations	<b>20,480</b>	723
Share of translation differences of jointly controlled entities	<u><b>145</b></u>	<u>-</u>
	<u><b>20,625</b></u>	<u>723</u>
Total comprehensive income for the period	<u><u><b>302,329</b></u></u>	<u><u>567,742</u></u>
Total comprehensive income attributable to:		
Company's shareholders	<b>301,238</b>	567,309
Non-controlling interests	<u><b>1,091</b></u>	<u>433</u>
	<u><u><b>302,329</b></u></u>	<u><u>567,742</u></u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2010

	<u>NOTES</u>	<u>30.6.2010</u> <i>HK\$'000</i> (unaudited)	<u>31.12.2009</u> <i>HK\$'000</i> (restated)
<b>Non-current assets</b>			
Investment properties	12	6,586,027	6,267,362
Property, plant and equipment	12	1,243,555	1,272,221
Properties for development	13	727,046	48,956
Interests in jointly controlled entities	14	39,356	40,613
Loans receivable		53,073	63,209
Other receivable	15	149,002	145,235
		<u>8,798,059</u>	<u>7,837,596</u>
<b>Current assets</b>			
Properties held for sale			
Completed properties		638,825	693,985
Properties under development		604,811	603,363
Other inventories		1,077	1,339
Loans receivable		2,659	3,073
Other receivable	15	195,228	192,330
Receivables, deposits and prepayments	16	126,218	246,628
Tax recoverable		27,567	30,718
Amount due from a non-controlling shareholder	17	7,038	2,397
Pledged bank deposits		264,103	325,318
Bank balances and cash		1,477,376	1,555,069
		<u>3,344,902</u>	<u>3,654,220</u>
Investment properties held for sale	18	-	245,000
		<u>3,344,902</u>	<u>3,899,220</u>
<b>Current liabilities</b>			
Payables, deposits received and accrued charges	19	277,165	353,166
Sales deposits received		1,974	969
Provisions		4,746	6,047
Tax liabilities		84,923	84,203
Secured bank borrowings - due within one year	20	1,233,054	671,685
Amount due to a non-controlling shareholder	17	60,863	37,256
		<u>1,662,725</u>	<u>1,153,326</u>
Liabilities associated with investment properties held for sale	18	-	27,200
		<u>1,662,725</u>	<u>1,180,526</u>



<b>Net current assets</b>		<u>1,682,177</u>	<u>2,718,964</u>
<b>Total assets less current liabilities</b>		<u>10,480,236</u>	<u>10,556,290</u>
	<u>NOTES</u>	<u>30.6.2010</u>	<u>31.12.2009</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(restated)</b>
<b>Capital and reserves</b>			
Share capital	21	<u>345,204</u>	345,204
Reserves		<u>7,900,584</u>	<u>7,599,589</u>
Equity attributable to the Company's shareholders		<u>8,245,788</u>	7,944,793
Non-controlling interests		<u>108,942</u>	<u>108,360</u>
<b>Total equity</b>		<u>8,354,730</u>	<u>8,053,153</u>
<b>Non-current liabilities</b>			
Secured bank borrowings - due after one year	20	<u>1,695,584</u>	2,126,938
Deferred taxation	22	<u>429,922</u>	<u>376,199</u>
		<u>2,125,506</u>	<u>2,503,137</u>
		<u>10,480,236</u>	<u>10,556,290</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Attributable to the Company's shareholders					Total	Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Other reserves	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009 (audited)	345,204	4,836,225	159,901	772,376	621,854	6,735,560	57,918	6,793,478
Profit for the period	-	-	-	-	566,612	566,612	407	567,019
Other comprehensive income for the period	-	-	697	-	-	697	26	723
Total comprehensive income for the period	-	-	697	-	566,612	567,309	433	567,742
Share options issued by intermediate holding company	-	-	-	-	148	148	-	148
Acquisition of assets and assumption of liabilities	-	-	-	-	-	-	10,097	10,097
Contributions from non-controlling shareholders	-	-	-	-	-	-	63,903	63,903
At 30 June 2009 (unaudited)	345,204	4,836,225	160,598	772,376	1,188,614	7,303,017	132,351	7,435,368
Profit for the period	-	-	-	-	639,608	639,608	(3,828)	635,780
Other comprehensive income for the period	-	-	2,020	-	-	2,020	87	2,107
Total comprehensive income for the period	-	-	2,020	-	639,608	641,628	(3,741)	637,887
Share options issued by intermediate holding company	-	-	-	-	148	148	-	148
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	(20,250)	(20,250)
Transfer	-	-	-	(5,615)	5,615	-	-	-
At 31 December 2009 (audited)	345,204	4,836,225	162,618	766,761	1,833,985	7,944,793	108,360	8,053,153
Profit for the period	-	-	-	-	281,535	281,535	169	281,704
Other comprehensive income for the period	-	-	19,703	-	-	19,703	922	20,625
Total comprehensive income for the period	-	-	19,703	-	281,535	301,238	1,091	302,329
Share options issued by immediate holding company	-	-	-	-	148	148	-	148
Acquisition of additional interest in a subsidiary	-	-	-	(391)	-	(391)	(509)	(900)
At 30 June 2010 (unaudited)	345,204	4,836,225	182,321	766,370	2,115,668	8,245,788	108,942	8,354,730

Other reserves comprise (i) a discount on acquisition/assumption, in prior years, of certain assets and liabilities from the intermediate holding company, S E A Holding Limited ("S E A") and the excess of the consideration over the market closing price of the shares of S E A issued for the acquisition. The amount attributable to the assets and liabilities derecognised in subsequent years will be recognised in profit or loss; and (ii) the excess of the consideration paid for acquisition of additional interest in a subsidiary from non-controlling shareholder over the carrying amount of non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTE	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>Net cash from operating activities</b>		<b>6,837</b>	<b>35,424</b>
<b>Investing activities</b>			
Net proceeds received on disposal investment properties		217,800	-
Refund of tender deposits		149,500	-
Acquisition of and additional costs on properties for development		(674,427)	-
Receipt of repayment of loans		10,450	9,403
Decrease in pledged bank deposits		61,215	18,104
Release of restricted bank deposits		-	12,334
Purchase of and additional costs on property, plant and equipment		(2,601)	(131,204)
Acquisition of assets and assumption of liabilities	23	-	(2,456)
Loan to a jointly controlled entity		-	(5,500)
<b>Net cash used in investing activities</b>		<b>(238,063)</b>	<b>(99,319)</b>
<b>Financing activities</b>			
Drawn down of bank borrowings		408,352	503,938
Repayments of bank borrowings		(278,000)	(555,860)
Advance to a non-controlling shareholder		(4,641)	(15,252)
Advance from (repayments to) a non-controlling shareholder		23,123	(84,403)
Acquisition of additional interest in a subsidiary		(900)	-
Contributions from non-controlling shareholders		-	63,903
<b>Net cash from (used in) financing activities</b>		<b>147,934</b>	<b>(87,674)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(83,292)</b>	<b>(151,569)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,555,069</b>	<b>1,202,230</b>
Effect of foreign exchange rate changes		5,599	33
<b>Cash and cash equivalents at end of period, represented by bank balances and cash</b>		<b>1,477,376</b>	<b>1,050,694</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**


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**1. GENERAL**

The Company is a public limited company incorporated in the British Virgin Islands. The shares of the Company are admitted for trading on the AIM market of London Stock Exchange plc.

The Company is an investment holding company. The principal subsidiaries of the Company are property investment, property development and hotel operation.

**2. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

**3. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except for those due to the application of the new and revised International Financial Reporting Standards as detailed below.

*Application of new and revised International Financial Reporting Standards*

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee of IASB, which are effective for the Group's financial year beginning on 1 January 2010.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

### 3. PRINCIPAL ACCOUNTING POLICIES - continued

#### *Application of new and revised International Financial Reporting Standards - continued*

#### **IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements***

The Group applied IFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no business combination occurred during the current interim period in which IFRS 3 (Revised) is applicable, the application of IFRS 3 (Revised) had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised) is applicable.

In respect of the Group's acquisition of additional interest in a subsidiary during the current interim period, the application of IAS 27 (Revised) has resulted in recognition of the difference between the consideration received and the decrease in the carrying amount of the non-controlling interests of HK\$391,000 in equity. In addition, cash consideration of HK\$900,000 paid to the non-controlling shareholders is presented as cash flow used in financing activities.

#### ***Amendment to IAS 17 Leases***

As part of Improvements to IFRSs issued in 2009, IAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of leases. Leasehold lands that qualified for finance lease classification have been reclassified from prepaid lease payment to property, plant, and equipment retrospectively, resulting in a reclassification of prepaid lease payment with previous carrying amount of HK\$607,117,000 and HK\$591,995,000 as at 1 January 2009 and 31 December 2009 respectively to property, plant and equipment that are measured at cost model. Accordingly, the carrying amount of property, plant and equipment is increased from HK\$389,936,000 and HK\$680,226,000 as at 1 January 2009 and 31 December 2009 to HK\$997,053,000 and HK\$1,272,221,000 respectively.

3. PRINCIPAL ACCOUNTING POLICIES - continued

*Application of new and revised International Financial Reporting Standards - continued*

The application of the other new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, who are the executive directors of the Group, for the purposes of resource allocation and performance assessment are as follows:

Property development - development of properties

Property investment - renting of properties

Hotel operation - hotel operation and management

**Six months ended 30 June 2010**

	<u>Property development</u> <i>HK\$'000</i>	<u>Property investment</u> <i>HK\$'000</i>	<u>Hotel operation</u> <i>HK\$'000</i>	<u>Eliminations</u> <i>HK\$'000</i>	<u>Consolidated</u> <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>					
External sales	98,813	133,767	73,464	-	306,044
Inter-segment sales	-	481	-	(481)	-
<b>Total</b>	<u>98,813</u>	<u>134,248</u>	<u>73,464</u>	<u>(481)</u>	<u>306,044</u>
<b>SEGMENT RESULT</b>					
Segment profit (loss)	<u>26,520</u>	<u>366,671</u>	<u>(11,836)</u>	<u>-</u>	381,355
Interest income					5,657
Corporate expenses					(1,330)
Share of results of jointly controlled entities					(1,786)
Finance costs					<u>(39,985)</u>
<b>Profit before taxation</b>					<u>343,911</u>

4. SEGMENT INFORMATION - continued

**Six months ended 30 June 2009**

	<u>Property development</u> <i>HK\$'000</i>	<u>Property investment</u> <i>HK\$'000</i>	<u>Hotel operation</u> <i>HK\$'000</i>	<u>Eliminations</u> <i>HK\$'000</i>	<u>Consolidated</u> <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>					
External sales	130,552	136,153	-	-	266,705
Inter-segment sales	-	665	-	(665)	-
Total	<u>130,552</u>	<u>136,818</u>	<u>-</u>	<u>(665)</u>	<u>266,705</u>
<b>SEGMENT RESULT</b>					
Segment profit (loss)	<u>38,356</u>	<u>692,204</u>	<u>(12,237)</u>	<u>-</u>	718,323
Interest income					4,695
Corporate expenses					(1,719)
Share of results of jointly controlled entities					(785)
Finance costs					<u>(28,645)</u>
Profit before taxation					<u>691,869</u>

Inter-segment sales are at mutually agreed terms.

Information regarding the above segments is reported below.

The accounting policies adopted in preparing the operating segment information are the same as the Group's accounting policies.

The Group does not allocate interest income, corporate expenses, share of results of jointly controlled entities and finance costs to individual operating segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision marker.

No segment assets and liabilities are presented as the information is not reportable to the chief operating decision maker in the resource allocation and assessment of performance.

**5. PROPERTY AND RELATED COSTS**
**Six months ended 30 June**

	<u>2010</u>	<u>2009</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in completed properties and properties under development held for sale	53,712	73,275
Costs incurred for development of properties held for sale	6,739	12,365
Direct operating expenses on investment properties	<u>15,277</u>	<u>19,362</u>
	<u><u>75,728</u></u>	<u><u>105,002</u></u>

**6. OTHER EXPENSES**
**Six months ended 30 June**

	<u>2010</u>	<u>2009</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other expenses are:		
Management fees paid to a related company	63,734	38,775
Operating expenses related to hotel operation	24,576	2,111
Legal and professional fees	<u>2,219</u>	<u>9,593</u>

**7. FINANCE COSTS**
**Six months ended 30 June**

	<u>2010</u>	<u>2009</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within 5 years	18,796	16,227
Bank borrowings not wholly repayable within 5 years	<u>17,239</u>	<u>14,253</u>
	<u>36,035</u>	<u>30,480</u>
Less: Amounts capitalised to property development projects	<u>-</u>	<u>(5,318)</u>
	<u>36,035</u>	<u>25,162</u>
Front end fee	2,701	935
Other charges	<u>1,249</u>	<u>2,548</u>
	<u><u>39,985</u></u>	<u><u>28,645</u></u>

8. PROFIT BEFORE TAXATION

Six months ended 30 June

<u>2010</u>	<u>2009</u>
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit before taxation has been arrived at after crediting:

Interest earned on bank deposits	3,628	1,990
Interest income from second mortgage loans	<u>1,645</u>	<u>2,107</u>

9. INCOME TAX EXPENSE

Six months ended 30 June

<u>2010</u>	<u>2009</u>
<i>HK\$'000</i>	<i>HK\$'000</i>

Current tax

Hong Kong Profits Tax	9,438	6,512
People's Republic of China ("PRC")		
Enterprise Income Tax	-	204
PRC Land Appreciation Tax	-	<u>10,857</u>

	<u>9,438</u>	<u>17,573</u>
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Deferred taxation

	<u>52,769</u>	<u>107,277</u>
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	<u>62,207</u>	<u>124,850</u>
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Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. PRC Land Appreciation Tax was calculated at progressive sales on the appreciated property value, less allowance deductions in accordance with the relevant PRC tax laws and regulations. PRC Enterprise Income Tax was calculated at the rates applicable to the respective group entities.

10. DIVIDENDS

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

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the Company's shareholders is based on the following data:

Six months ended 30 June

	<u>2010</u> <i>HK\$'000</i>	<u>2009</u> <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share	<u>281,535</u>	<u>566,612</u>

	<u>2010</u>	<u>2009</u>
Number of ordinary shares for the purpose of basic earnings per share	<u>886,347,812</u>	<u>886,347,812</u>

No diluted earnings per share is presented as the Company did not have any potential ordinary share in issue during both periods or at the end of each reporting period.

#### 11. EARNINGS PER SHARE - continued

For the purpose of assessing the performance of the Group, management is of the view that the profit for the period should be adjusted for the fair value changes on properties recognised in profit or loss and the related deferred taxation in arriving at the "adjusted profit attributable to the Company's shareholders". A reconciliation of the adjusted earnings is as follows:

	<u>2010</u> <i>HK\$'000</i>	<u>2009</u> <i>HK\$'000</i>
Profit attributable to the Company's shareholders as shown in the condensed consolidated income statement	281,535	566,612
Fair value changes on investment properties	(303,675)	(619,158)
Deferred tax thereon	<u>51,269</u>	<u>106,749</u>
Adjusted profit attributable to the Company's shareholders	<u>29,129</u>	<u>54,203</u>
Basic earnings per share excluding fair value changes on properties net of deferred tax	<u>HK\$0.03</u>	<u>HK\$0.06</u>

The denominators used in the calculation of adjusted earnings per share are the same as those detailed above.

#### 12. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Investment properties were fair valued at 30 June 2010 by independent professional valuers, Savills Valuation and Professional Services Limited. The valuation was arrived at on the basis of capitalisation of net income. The resulting increase in fair value of HK\$303,675,000 has been recognised directly in the condensed consolidated income statement.

On 25 November 2009, the Group entered into an agreement for the disposal of certain investment properties at a consideration equivalent to its carrying amount of HK\$245,000,000. The transaction was completed during the period.

During the period, the Group acquired property, plant and equipment of HK\$2,601,000 (1.1.2009 - 30.6.2009: HK\$131,204,000).

### 13. PROPERTIES FOR DEVELOPMENT

During the period, the Group acquired, through tendering, certain pieces of lands located in the PRC at a total consideration of HK\$674,425,000.

The carrying amount represents the Group's cost of interest in certain pieces of lands and properties located in the PRC to be held for future development. However, the legal title of the land use rights has not yet been transferred to the Group.

### 14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<u>30.6.2010</u> <i>HK\$'000</i>	<u>31.12.2009</u> <i>HK\$'000</i>
Cost of unlisted investments in jointly controlled entities	3,859	3,859
Share of post-acquisition losses and other comprehensive income	<u>(4,185)</u>	<u>(2,557)</u>
	(326)	1,302
Loan to a jointly controlled entity	<u>39,682</u>	<u>39,311</u>
	<u>39,356</u>	<u>40,613</u>

Loan to a jointly controlled entity is unsecured, interest-free and with no fixed repayment terms. As it is the Group's intention not to demand for repayment within one year, the amount is classified as non-current asset.

On application of International Accounting Standard 39 "Financial Instruments - Recognition and Measurement", the fair value of the loan is determined based on effective interest rate of 2% per annum on initial recognition. The difference between the principal amount and the fair value of the advance, determined on initial recognition, deemed to be capital contributed to the jointly controlled entity, is included as part of the cost investment in the jointly controlled entity.

### 15. OTHER RECEIVABLE

Other receivable of HK\$344,230,000 (31.12.2009: HK\$337,565,000) represents expenses incurred for the excavation, relocation arrangements and infrastructure works on certain pieces of lands in Nanjing of the PRC as detailed in note 23. Based on the latest time schedule for auction of the relevant land, the directors estimate that the receivable will be fully recovered by 31 December 2011. The carrying amount of receivable expected to be recovered one year after the end of the reporting period, discounted at an effective interest rate of 2%, is presented under non-current assets.

**16. RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<u><b>30.6.2010</b></u> <i>HK\$'000</i>	<u><b>31.12.2009</b></u> <i>HK\$'000</i>
Trade receivables	<b>8,699</b>	4,203
Accrued incomes, deposits and prepayments	<u><b>117,519</b></u>	<u>242,425</u>
	<u><b>126,218</b></u>	<u>246,628</u>

Included in accrued incomes, deposits and prepayments at 31 December 2009 are deposits of HK\$149,500,000 for the tendering of certain pieces of lands situated in the PRC. The deposits were refunded to the Group during the current period on successful land tendering.

**16. RECEIVABLES, DEPOSITS AND PREPAYMENTS - continued**

Trade receivables mainly comprise of rental receivable from tenants for the use of the Group's properties and receivable from corporate customers and travel agents. No credit is allowed to tenants. Rentals are payable upon presentation of demand notes. Average credit period of 30 days are allowed to corporate customers and travel agents.

Receivables from sale of properties are settled according to the payment terms of each individual contract and have to be fully settled before the transfer of legal title of the related properties to the customers.

**17. AMOUNTS DUE FROM/TO A NON-CONTROLLING SHAREHOLDER**

The amounts are unsecured, interest free and repayable on demand.

**18. INVESTMENT PROPERTIES HELD FOR SALE**

On 25 November 2009, the Group entered into an agreement for the disposal of certain investment properties at a consideration of HK\$245,000,000. The transaction was completed during the period. The liabilities associated with the disposal of the investment properties at the end of the preceding reporting period are as follows:

	<i>HK\$'000</i>
Sale deposit received	24,500
Rental deposit received	<u>2,700</u>
	<u><u>27,200</u></u>

**19. PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES**

	<u>30.6.2010</u> <i>HK\$'000</i>	<u>31.12.2009</u> <i>HK\$'000</i>
Trade payables	1,162	2,383
Rental deposits	72,463	69,980
Other payables, other deposits received and accrued charges	<u>203,540</u>	<u>280,803</u>
	<u><u>277,165</u></u>	<u><u>353,166</u></u>

Included in other payables, deposits received and accrued charges is an amount of HK\$89,381,000 (31.12.2009: HK\$130,109,000) payable to contractors for the cost in relation to the excavation, relocation arrangements and infrastructure works on certain pieces of the lands as detailed in note 23.

The rental deposits to be settled after twelve months from the end of the reporting period based on the respective lease terms amounted to HK\$42,137,000 (31.12.2009: HK\$53,010,000).

## 20. BORROWINGS

During the period, the Group repaid bank loans amounting to HK\$278,000,000 (1.1.2009 - 30.6.2009: HK\$555,860,000) and drew new bank loans in the amount of HK\$408,352,000 (1.1.2009 - 30.6.2009: HK\$503,938,000).

## 21. SHARE CAPITAL

	<u>30.6.2010</u> <i>US\$'000</i>	<u>31.12.2009</u> <i>US\$'000</i>
Authorised:		
1,300,000,000 ordinary share of US\$0.05 each	<u>65,000</u>	<u>65,000</u>
Issued and fully paid:		
886,347,812 ordinary share of US\$0.05 each	<u>44,317</u>	<u>44,317</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Shown in the condensed consolidated financial statements as	<u><u>345,204</u></u>	<u><u>345,204</u></u>

## 22. DEFERRED TAXATION

Deferred tax liabilities are mainly provided on the fair value changes of the investment properties.

## 23. ACQUISITION OF ASSETS AND ASSUMPTION OF LIABILITIES

On 31 May 2009, the Group acquired certain assets, mainly a receivable from a PRC local government and assumed certain liabilities, mainly payable to contractors and amount due to a shareholder through acquisition of 51 per cent interest in Nanjing Hushu Ecology Travel Development Company Limited, a company established in the PRC ("Nanjing Company") at a consideration of HK\$11,566,000. The excess of the consideration over the net assets acquired representing pre-acquisition operating expenses of Nanjing Company of HK\$1 million is recognised as loss on acquisition.

Net cash outflow arising on acquisition:

	<i>HK\$'000</i>
Consideration paid	(11,566)
Bank balances and cash acquired	<u>9,110</u>
	<u><u>(2,456)</u></u>

## 23. ACQUISITION OF ASSETS AND ASSUMPTION OF LIABILITIES - continued

Prior to the acquisition, Nanjing Company had incurred a total amount of HK\$298,110,000, for which a PRC local government is responsible, for the excavation, relocation arrangements and infrastructure works on certain pieces of lands in Hsuhu, Nanjing. The amount, together with further costs to complete the work, is wholly refundable out of the proceeds from tendering or public auctions of certain portion of the lands. Nanjing Company will then be awarded the portion of the lands at a fixed price if the auction price is below the fixed price or else the excess of the proceeds from the auction above the fixed price will be awarded to the Nanjing Company.

At the date of acquisition, payable to contractors on the work performed amounted to HK\$120,199,000.

## 24. MAJOR NON-CASH TRANSACTIONS

In the preceding period, amount due from the joint venture partner and the jointly controlled entity totalling HK\$39,537,000 previously classified under other receivables, deposits and prepayments were reclassified to loan to a jointly controlled entity upon acquisition of the jointly controlled entity.

## 25. PLEDGE OF ASSETS

At the end of reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group:

- (a) Fixed charges on investment properties with an aggregate carrying value of HK\$6,346,450,000 (31.12.2009: HK\$5,449,090,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.

- (b) Fixed charges on hotel properties with aggregate carrying values of HK\$1,097,265,000 (31.12.2009: HK\$1,111,354,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- (c) Fixed charges on properties under development held for sale with an aggregate carrying value of HK\$604,811,000 (31.12.2009: HK\$603,363,000).
- (d) Bank deposits of HK\$264,103,000 (31.12.2009: HK\$325,318,000).

## 26. CONTINGENT LIABILITIES

During the period, the Hong Kong Inland Revenue Department ("IRD") has initiated a tax audit on two group entities for the years of assessment 2002/2003 to 2008/2009 and is in the process of obtaining information and documents from the entities. At the same time, estimated assessments for the year of assessment 2003/2004 ("Protective Assessments") were issued to the entities. Objections against the Protective Assessments have been lodged by the entities and against which tax reserve certificate of HK\$6,038,000 was purchased. The directors are of the view that the outcome of the tax audit cannot be estimated with reasonable certainty at such preliminary stage. Should the outcome of the audit not be in favour of the Group, additional tax liability for the relevant years of assessments is estimated to be HK\$42,000,000.

## 27. RELATED PARTY BALANCES AND TRANSACTIONS

- (a) The Group had the following transactions with fellow subsidiaries, wholly-owned subsidiaries of S E A during the six months ended 30 June 2010:
    - (i) Rental income of HK\$4,943,000 (1.1.2009 to 30.6.2009: HK\$4,132,000) from the renting of the Group's premises; and
    - (ii) Management fees of HK\$63,734,000 (1.1.2009 to 30.6.2009: HK\$38,775,000) in respect of provision of property development management services to the Group on the Group's property portfolio.
  - (b) Details of the loan to a jointly controlled entity are disclosed in the condensed consolidated statement of financial position and note 14.
  - (c) The remuneration paid to the key management personnel during the period who are the directors of the Company amounted to HK\$1,489,000 (1.1.2009 to 30.6.2009: HK\$1,596,000).
-