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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, 2016

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June, 2016 (the “Period”) together with the comparative figures for the corresponding period in 2015:-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2016

		Six months ended 30th June,	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	1,944,869	968,961
Cost of sales		(588,462)	(201,286)
Gross profit		1,356,407	767,675
Other income	5	51,493	60,371
Investment income, net	6	1,170,183	181,529
Administrative expenses		(192,835)	(215,322)
Other expenses		-	(404)
Gain (loss) on disposals of equipment, net		99	(1,646)
Fair value changes on investment properties		(891,210)	(543,529)
Finance costs	8	(89,415)	(185,408)
Other gains and losses, net	9	1,992,303	(97,018)
Share of results of associates		117,739	132,305
Profit before tax		3,514,764	98,553
Income tax expense	10	(352,087)	(215,788)
Profit (loss) for the period	7	3,162,677	(117,235)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30th June, 2016

		Six months ended 30th June,	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive (expenses) income			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value changes on financial assets measured at fair value through other comprehensive income		(2,336,029)	-
Share of other comprehensive expenses of associates		(2)	-
		(2,336,031)	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value changes on available-for-sale investments		-	(11,533)
Exchange differences on translation of foreign operations		(265,049)	23,868
Reclassification adjustment related to foreign operation disposed of during the period		9,053	-
Share of other comprehensive (expenses) income of associates		(2,419)	1,325
		(258,415)	13,660
Other comprehensive (expenses) income for the period (net of tax)		(2,594,446)	13,660
Total comprehensive income (expenses) for the period		568,231	(103,575)
Profit (loss) for the period attributable to:			
Owners of the Company		2,931,016	(115,384)
Non-controlling interests		231,661	(1,851)
		3,162,677	(117,235)
Total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		336,570	(101,724)
Non-controlling interests		231,661	(1,851)
		568,231	(103,575)
Earnings (loss) per share (HK\$)	12		
Basic and diluted		1.537	(0.061)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2016

	<i>Notes</i>	30th June, 2016 HK\$'000 (Unaudited)	31st December, 2015 HK\$'000 (Audited)
Non-current assets			
Investment properties		12,487,131	21,941,263
Property, plant and equipment		48,261	50,540
Intangible assets		-	-
Goodwill		322,938	322,938
Interests in associates		2,059,036	3,770,476
Advances to associates		78,732	55,482
Available-for-sale investments		-	743,649
Financial assets designated as at fair value through profit or loss		-	798,489
Financial assets measured at fair value through profit or loss	13	463,741	-
Financial assets measured at fair value through other comprehensive income		5,421,490	-
Advances to investee companies		423,584	413,579
Advance to a non-controlling shareholder		14,908	14,908
Other receivables	14	7,344,707	3,998,358
Deferred tax assets		3,715	4,280
Pledged deposits		72,666	24,557
		<u>28,740,909</u>	<u>32,138,519</u>
Current assets			
Stock of properties		2,181,865	2,595,987
Available-for-sale investment		-	67,625
Investments held-for-trading		39,337	364,244
Financial assets designated as at fair value through profit or loss		-	10,270,781
Financial assets measured at fair value through profit or loss	13	9,229,940	-
Financial assets measured at fair value through other comprehensive income		53,801	-
Inventories		2,293	2,533
Debtors, deposits, other receivables and prepayments	14	5,798,622	3,366,415
Securities trading receivables and deposits		263,032	86,175
Tax recoverable		3,956	3,955
Pledged deposits		994,394	178,193
Time deposits, bank balances and cash		1,898,509	2,849,807
Sales proceeds held by stakeholders		454,057	1,891,712
		<u>20,919,806</u>	<u>21,677,427</u>
Assets classified as held for sale	16	<u>10,681,698</u>	<u>9,239,271</u>
		<u>31,601,504</u>	<u>30,916,698</u>
Current liabilities			
Creditors and accruals	15	379,039	1,081,746
Securities trading and margin payable		6,589,452	11,181
Deposits and receipts in advance		677,033	2,106,924
Tax liabilities		332,603	239,906
Borrowings		7,609,428	8,651,773
Provisions		467	1,249
		<u>15,588,022</u>	<u>12,092,779</u>
Liabilities directly associated with assets classified as held for sale	16	<u>4,870,102</u>	<u>1,857,996</u>
		<u>20,458,124</u>	<u>13,950,775</u>
Net current assets		<u>11,143,380</u>	<u>16,965,923</u>
Total assets less current liabilities		<u>39,884,289</u>	<u>49,104,442</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30th June, 2016

	30th June, 2016 HK\$'000 (Unaudited)	31st December, 2015 HK\$'000 (Audited)
Equity attributable to owners of the Company		
Share capital	190,762	190,762
Properties revaluation reserve	98,162	98,162
Securities investments reserve	-	16,044
Financial assets measured at fair value through other comprehensive income reserve	(2,222,594)	-
Statutory reserve	668	24,028
Other reserve	(2,407)	(2,407)
Special reserve	2,499,685	2,499,685
Capital redemption reserve	138,062	138,062
Translation reserve	(413,608)	(155,193)
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale	-	127,054
Retained profits		
- declared/proposed dividends	10,186,686	19,076
- others	26,433,386	37,292,327
	36,908,802	40,247,600
Non-controlling interests	249,423	77,762
Total equity	37,158,225	40,325,362
Non-current liabilities		
Borrowings	2,416,381	5,880,000
Amounts due to associates	119,819	1,789,647
Amounts due to investee companies	-	27,085
Amounts due to non-controlling shareholders	99,003	523,768
Deferred tax liabilities	90,861	558,580
	2,726,064	8,779,080
	39,884,289	49,104,442

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30th June, 2016

1. Basis of Preparation

These 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 (“Stock Exchange”) (“Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

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

The accounting policies adopted in these unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31st December, 2015 except as described below.

In the current period, the Group has applied, for the first time, the following amendments to existing HKFRSs (“Amendments”) issued by the HKICPA, which are effective for current accounting period of the Group. The Amendments adopted by the Group in these unaudited condensed consolidated financial statements are set out below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (2011) (Amendments)	Equity Method in Separate Financial Statements

Amendments to HKAS 1 Disclosure Initiative

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- the materiality requirements in HKAS 1;
- that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income.

The application of the Amendments had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

2. Application of New and Amended Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKFRS 9 Financial Instruments

During the Period, the Group has early adopted HKFRS 9 (2014) that is effective for annual periods beginning on or after 1st January, 2018. The Group has chosen 1st January, 2016 as its date of initial application.

Accounting policies applied from 1st January, 2016

HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The final version of HKFRS 9 was issued in September 2014. It replaces the guidance in HKAS 39 “Financial Instruments: Recognition and Measurement” that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments (that are not held-for-trading) are measured at fair values with an irrevocable election at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at FVTPL. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually uses for risk management purposes.

Financial Assets

(i) Classification

From 1st January, 2016, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments (that are not held-for-trading) at FVTOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at FVTPL are recognised in profit or loss.

2. Application of New and Amended Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKFRS 9 Financial Instruments (continued)

Accounting policies applied from 1st January, 2016 (continued)

Financial Assets (continued)

(ii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where the assets’ cash flows represent solely payments of principal and interest, are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in investment income using the effective interest rate method.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains or losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in investment income/expenses. Interest income from these financial assets is included in investment income using the effective interest rate method.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within investment income/expenses in the period in which it arises. Interest income from these financial assets is included in investment income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments (that are not held-for-trading) in other comprehensive income/expenses, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as investment income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets measured at FVTPL are recognised in investment income/expenses in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets measured at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In accordance with HKFRS 9, the Group did not restate prior periods and the cumulative effect of initially applying the standard as an adjustment was recognised in either retained earnings or an appropriate equity reserve as of the opening balance as at 1st January, 2016.

2. Application of New and Amended Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKFRS 9 Financial Instruments (continued)

Accounting policies applied from 1st January, 2016 (continued)

Financial Assets (continued)

The following summarises the classification and measurement changes for the Group’s financial assets on 1st January, 2016, the Group’s date of initial application of HKFRS 9:

(i) Unlisted equity securities previously classified as available-for-sale investments

The Group elected to present in other comprehensive income changes in the fair value of all its unlisted equity securities previously classified as available-for-sale investments because these investments are not held-for-trading. As a result, the financial assets were reclassified from available-for-sale investments with original carrying amount of approximately HK\$794,693,000 to financial assets measured at FVTOCI and were remeasured at fair value at approximately HK\$891,653,000. Fair value gain of approximately HK\$16,044,000 was reclassified from the securities investments reserve to the financial assets measured at FVTOCI reserve and additional fair value gain of approximately HK\$97,393,000 (including share of other comprehensive income of associates of approximately HK\$433,000) was recognised in the financial assets measured at FVTOCI reserve upon remeasurement on 1st January, 2016.

(ii) Club debentures previously classified as available-for-sale investments

The Group elected to present in profit or loss changes in the fair value of all its club debentures previously classified as available-for-sale investments because the Group considered their investment purpose at the date of initial application of HKFRS 9. As a result, the financial assets were reclassified from available-for-sale investments with original carrying amount of approximately HK\$16,581,000 to financial assets measured at FVTPL and were remeasured at fair value at approximately HK\$78,134,000. Fair value gain of approximately HK\$61,553,000 was recognised in retained profits upon remeasurement on 1st January, 2016.

(iii) Bonds previously classified as financial assets designated as at fair value through profit or loss

The Group reclassified the financial assets designated as at fair value through profit or loss to financial assets measured at FVTPL and no change in their measurement on 1st January, 2016.

The Group has not early adopted the following new HKFRSs and amendments to existing HKFRSs (“new and amended HKFRSs”) that have been issued but are not yet effective.

HKFRS 10 and HKAS 28 (2011) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
HKAS 7 (Amendments)	Disclosure Initiative ¹
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for annual periods beginning on or after 1st January, 2017

² Effective for annual periods beginning on or after 1st January, 2018

³ Effective for annual periods beginning on or after 1st January, 2019

⁴ Effective for annual periods beginning on or after a date to be determined

2. Application of New and Amended Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1st January, 2018.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

The directors of the Company (“Directors”) are in the process of assessing the potential impact of the new and amended HKFRSs but are not yet in a position to determine whether the new and amended HKFRSs will have a significant impact on how the Group’s results of operations and financial position are prepared and presented. The new and amended HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Revenue

Revenue represents the aggregate amounts received and receivable from property rental income, sales of properties held for sale, gain/loss on sales of investments held-for-trading, hotel operation income, commission from brokerage, settlement charges from brokerage and cosmetic goods sold less returns, analysed as follows:

	Six months ended 30th June,	
	2016	2015
	HK\$’000	HK\$’000
Property rental income	482,046	760,380
Sales of properties held for sale	1,480,363	146,981
(Loss) gain on sales of investments held-for-trading	(24,351)	9,989
Hotel operation income	-	41,724
Brokerage and cosmetic income	6,811	9,887
	1,944,869	968,961

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 six reportable segments – (i) property development and trading; (ii) property leasing for retail; (iii) property leasing for non-retail; (iv) listed equity investments at FVTOCI (2015: listed available-for-sale equity investments); (v) listed investments held-for-trading and treasury products; and (vi) unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management of the Group uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
- Retail	–	Property leasing from retail properties
- Non-retail	–	Property leasing from non-retail properties
Listed equity investments at FVTOCI (2015: listed available-for-sale equity investments)	–	Listed equity securities at FVTOCI (2015: listed equity securities in available-for-sale investments)
Listed investments held-for-trading 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 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 unrealised fair value changes on investment properties and other properties together with their, if applicable, respective deferred tax. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

Unallocated corporate assets mainly comprised leasehold land and building for own use, deposit paid in respect of a property, advance to a non-controlling shareholder, deferred tax assets, tax recoverable and deferred considerations in respect of disposals of subsidiaries.

Unallocated corporate liabilities mainly comprised tax liabilities, bank loans (excluding a bank loan originated in the United Kingdom), amounts due to associates, amounts due to investee companies, amounts due to non-controlling shareholders and deferred tax liabilities (31st December, 2015: also included deposit received in respect of disposal of a subsidiary).

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2015.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business unit has different markets 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 property or asset location.

There were two major customers (2015: nil) who individually accounted for over 10% of the Group's revenue. Revenue of approximately HK\$377,836,000 and HK\$333,909,000 (2015: nil) were derived from property development and trading segment from each of the two customers in Hong Kong.

4. Operating Segments (continued)

Operating segment information is presented below:

Condensed Consolidated Statement of Comprehensive Income For the six months ended 30th June, 2016

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	6,014,754	-	-	6,014,754
- Other countries	-	-	-	-	1,346,222	-	-	1,346,222
	-	-	-	-	7,360,976	-	-	7,360,976
Revenue								
Revenue from external customers								
- Hong Kong	1,480,363	165,786	169,641	-	(24,351)	1,989	4,822	1,798,250
- Mainland China	-	23,834	19,036	-	-	-	-	42,870
- United Kingdom	-	6,344	97,405	-	-	-	-	103,749
	1,480,363	195,964	286,082	-	(24,351)	1,989	4,822	1,944,869
Revenue from external customers after non-controlling interests								
	1,036,254	195,390	285,867	-	(24,351)	1,989	4,822	1,499,971
Attributable property sales from associates								
- Hong Kong	635	-	-	-	-	-	-	635
Attributable rental revenue from associates/investee company								
- Hong Kong	-	10,170	20,056	-	-	-	-	30,226
- Mainland China	-	34,411	4,309	-	-	-	-	38,720
	1,036,889	239,971	310,232	-	(24,351)	1,989	4,822	1,569,552
Result								
Segment result								
- Hong Kong	929,352	164,757	176,814	189,653	348,001	491,901	12,415	2,312,893
- Mainland China	-	21,276	16,637	-	-	2,648	-	40,561
- United Kingdom	-	5,880	93,800	-	-	88	-	99,768
- Other countries	-	-	-	-	84,266	-	-	84,266
	929,352	191,913	287,251	189,653	432,267	494,637	12,415	2,537,488
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	528	-	-	-	-	-	-	528
- Attributable gross income								
- Hong Kong	-	9,662	19,463	-	-	-	1,132	30,257
- Mainland China	-	34,411	4,309	-	-	-	-	38,720
- Attributable operating cost								
- Hong Kong	-	(328)	(3,611)	-	-	-	-	(3,939)
- Mainland China	-	(14,742)	(1,525)	-	-	-	-	(16,267)
Non-controlling interests	(272,020)	(504)	(189)	-	-	-	-	(272,713)
	657,860	220,412	305,698	189,653	432,267	494,637	13,547	2,314,074
Finance (costs) income	-	(1,278)	(45,272)	-	1,579	-	-	(44,971)
Other gains and losses, net	(6,085)	(60)	-	-	-	-	-	(6,145)
Share of results of associates								
- income tax and others	(84)	(16,622)	(3,247)	-	-	-	(254)	(20,207)
Income tax expense	-	-	-	(19,117)	-	-	-	(19,117)
	651,691	202,452	257,179	170,536	433,846	494,637	13,293	2,223,634
Unallocated items								
Unallocated corporate expenses, net								(152,141)
Unallocated finance costs								(44,444)
Gain on disposals of subsidiaries								1,998,448
Income tax expense								(335,278)
Unallocated non-controlling interests								41,052
Operating profit for the period attributable to owners of the Company								3,731,271
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of associates)								(802,563)
- Deferred tax credit								2,308
Profit for the period attributable to owners of the Company								2,931,016
Core profit (excluding major non-cash items)								
Operating profit for the period attributable to owners of the Company								3,731,271
Major accumulated realised fair value changes together with their respective deferred tax on disposals of investment properties in current period (including fair value changes recognised in properties revaluation reserve)								
- Recognised in prior years								8,682,033
Core profit for the period attributable to owners of the Company								12,413,304

4. Operating Segments (continued)
Condensed Consolidated Statement of Financial Position
At 30th June, 2016

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	3,161,770	4,160,791	3,648,757	4,782,210	8,255,473	518,059	43,753	24,570,813
- Mainland China	-	385,609	28,730	-	-	-	6,561	420,900
- United Kingdom	-	1,636,118	5,669,478	-	-	-	-	7,305,596
- Other countries	-	11	-	-	1,847,207	670,831	-	2,518,049
Interests in associates								
- Hong Kong	119,776	372,917	1,382,932	-	-	2,117	4,943	1,882,685
- Mainland China	-	114,648	61,703	-	-	-	-	176,351
Advances to associates								
- Hong Kong	1,248	-	218	-	-	5	1,141	2,612
- Mainland China	-	49,512	26,608	-	-	-	-	76,120
Reportable segment assets	<u>3,282,794</u>	<u>6,719,606</u>	<u>10,818,426</u>	<u>4,782,210</u>	<u>10,102,680</u>	<u>1,191,012</u>	<u>56,398</u>	<u>36,953,126</u>
Assets classified as held for sale								10,681,698
Unallocated corporate assets								<u>12,707,589</u>
Consolidated total assets								<u><u>60,342,413</u></u>
Liabilities								
Segment liabilities								
- Hong Kong	807,105	29,970	62,917	6,579,858	109	12,267	9,544	7,501,770
- Mainland China	-	12,388	9	-	-	-	11	12,408
- United Kingdom	-	81,798	2,512,353	-	-	-	-	2,594,151
- Other countries	-	1	-	-	4,959,878	6	-	4,959,885
Reportable segment liabilities	<u>807,105</u>	<u>124,157</u>	<u>2,575,279</u>	<u>6,579,858</u>	<u>4,959,987</u>	<u>12,273</u>	<u>9,555</u>	<u>15,068,214</u>
Liabilities directly associated with assets classified as held for sale								4,870,102
Unallocated corporate liabilities								<u>3,245,872</u>
Consolidated total liabilities								<u><u>23,184,188</u></u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>328</u>	<u>1,686,876</u>	<u>1,877,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>	

Other Material Items
For the six months ended 30th June, 2016

	Reportable segments total HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000	Condensed Consolidated statement of comprehensive income total HK\$'000
Interest income	928,087	-	-	928,087
Finance costs	(44,971)	(44,444)	-	(89,415)
Net income (expenses)	883,116	(44,444)	-	838,672
Depreciation	-	(5,795)	-	(5,795)
Fair value changes on investment properties	-	-	(891,210)	(891,210)
Share of results of associates	29,092	-	88,647	117,739
Income tax (expense) credit	(19,117)	(335,278)	2,308	(352,087)
Non-controlling interests	(272,713)	41,052	-	(231,661)

4. Operating Segments (continued)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2015

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	681,646	-	-	681,646
- Other countries	-	-	-	-	4,275,946	-	-	4,275,946
	-	-	-	-	4,957,592	-	-	4,957,592
Revenue								
Revenue from external customers								
- Hong Kong	46,909	390,014	221,986	-	9,989	4,844	5,043	678,785
- Mainland China	100,072	31,861	23,550	-	-	-	41,724	197,207
- United Kingdom	-	2,553	90,416	-	-	-	-	92,969
	146,981	424,428	335,952	-	9,989	4,844	46,767	968,961
Revenue from external customers after non-controlling interests								
	135,254	423,832	335,736	-	9,989	4,844	46,767	956,422
Attributable property sales from associates								
- Hong Kong	5,864	-	-	-	-	-	-	5,864
- Mainland China	89,279	-	-	-	-	-	-	89,279
Attributable rental revenue from associates/investee company								
- Hong Kong	-	9,880	18,952	-	-	-	-	28,832
- Mainland China	-	35,625	43,319	-	-	-	-	78,944
	230,397	469,337	398,007	-	9,989	4,844	46,767	1,159,341
Result								
Segment result								
- Hong Kong	30,461	363,679	211,694	-	(51,181)	24,720	10,703	590,076
- Mainland China	31,354	27,187	13,057	-	-	16,596	(14,296)	73,898
- United Kingdom	-	2,486	88,057	-	-	17	-	90,560
- Other countries	-	-	-	-	203,964	-	-	203,964
	61,815	393,352	312,808	-	152,783	41,333	(3,593)	958,498
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	3,762	-	-	-	-	-	-	3,762
- Mainland China	4,322	-	-	-	-	-	-	4,322
- Attributable gross income								
- Hong Kong	-	9,315	18,349	-	-	-	1,056	28,720
- Mainland China	-	35,625	43,319	-	-	-	-	78,944
- Attributable operating cost								
- Hong Kong	-	(525)	(2,997)	-	-	-	-	(3,522)
- Mainland China	-	(15,098)	(7,695)	-	-	-	-	(22,793)
Non-controlling interests	(7,616)	(535)	(194)	-	-	-	-	(8,345)
	62,283	422,134	363,590	-	152,783	41,333	(2,537)	1,039,586
Other income and expenses, net	3,671	768	-	-	-	14	-	4,453
Finance costs	-	(1,387)	(49,133)	-	(2,818)	-	-	(53,338)
Other gains and losses, net	-	217	-	-	-	-	-	217
Share of results of associates								
- Income tax and others	(6,937)	(19,296)	(19,340)	-	-	-	(147)	(45,720)
	59,017	402,436	295,117	-	149,965	41,347	(2,684)	945,198
Unallocated items								
Unallocated corporate expenses, net								(170,748)
Unallocated finance costs								(132,070)
Loss on disposals of subsidiaries								(97,235)
Income tax expense								(61,766)
Unallocated non-controlling interests								10,196
Operating profit for the period attributable to owners of the Company								
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of associates)								(454,937)
- Deferred tax expense								(154,022)
Loss for the period attributable to owners of the Company								
Core profit (excluding major non-cash items)								
Operating profit for the period attributable to owners of the Company								
Major accumulated realised fair value changes on disposal of investment properties in current period								
- Recognised in prior years								8,507,756
Core profit for the period attributable to owners of the Company								
9,001,331								

4. Operating Segments (continued)
Condensed Consolidated Statement of Financial Position
At 31st December, 2015

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	5,006,542	10,607,954	8,230,890	-	8,624,769	333,733	41,915	32,845,803
- Mainland China	-	975,946	828,809	-	-	-	6,654	1,811,409
- United Kingdom	-	116,573	4,319,308	-	-	-	-	4,435,881
- Other countries	-	11	-	-	3,088,898	725,873	-	3,814,782
Interests in associates								
- Hong Kong	142,755	357,486	1,365,871	-	-	1,722	5,029	1,872,863
- Mainland China	-	131,621	1,765,992	-	-	-	-	1,897,613
Advances to associates								
- Hong Kong	7,208	-	181	-	-	2	1,126	8,517
- Mainland China	-	30,575	16,390	-	-	-	-	46,965
Reportable segment assets	<u>5,156,505</u>	<u>12,220,166</u>	<u>16,527,441</u>	<u>-</u>	<u>11,713,667</u>	<u>1,061,330</u>	<u>54,724</u>	<u>46,733,833</u>
Assets classified as held for sale								9,239,271
Unallocated corporate assets								<u>7,082,113</u>
Consolidated total assets								<u><u>63,055,217</u></u>
Liabilities								
Segment liabilities								
- Hong Kong	1,533,734	140,762	153,900	-	210	14,006	6,273	1,848,885
- Mainland China	-	19,086	12,667	-	-	-	19	31,772
- United Kingdom	-	73,862	2,748,353	-	-	-	-	2,822,215
- Other countries	-	1	-	-	5,389,995	6	-	5,390,002
Reportable segment liabilities	<u>1,533,734</u>	<u>233,711</u>	<u>2,914,920</u>	<u>-</u>	<u>5,390,205</u>	<u>14,012</u>	<u>6,292</u>	<u>10,092,874</u>
Liabilities directly associated with assets classified as held for sale								1,857,996
Unallocated corporate liabilities								<u>10,778,985</u>
Consolidated total liabilities								<u><u>22,729,855</u></u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	<u>219,801</u>	<u>16,451</u>	<u>933,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,927</u>	

Other Material Items

For the six months ended 30th June, 2015

	Reportable segments total HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000	Condensed Consolidated statement of comprehensive income total HK\$'000
Interest income	235,043	-	-	235,043
Finance costs	(53,338)	(132,070)	-	(185,408)
Net income (expenses)	181,705	(132,070)	-	49,635
Depreciation	-	(41,718)	-	(41,718)
Fair value changes on investment properties	-	-	(543,529)	(543,529)
Share of results of associates	43,713	-	88,592	132,305
Income tax expense	-	(61,766)	(154,022)	(215,788)
Non-controlling interests	(8,345)	10,196	-	1,851

5. Other Income

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Included in other income are:		
Building management fee income	50,978	96,525
Building management fee expenses	(40,080)	(87,231)
	10,898	9,294
Rental services income	11,220	12,996
Property management services, leasing administration services and property administration services income	17,091	9,761
Asset management and maintenance services income	2,120	9,101
Advisory and consultancy services income	277	937
Exchange gain, net	-	1,320
Reversal of impairment in respect of other receivable and interest thereon	-	3,717
Forfeiture of deposits received on sales of stock of properties	-	12
	10,898	9,294

6. Investment Income, Net

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised loss arising on change in fair value	(14,154)	(104,515)
Financial assets measured at fair value through profit or loss (2015: financial assets designated as at fair value through profit or loss):		
Unrealised (loss) gain arising on change in fair value of bonds	(89,713)	65,008
Realised gain (loss) arising on change in fair value of bonds		
- Change in fair value	87,057	(35,185)
- Exchange component of change	8,716	(5,775)
Net gain arising on change in fair value of bonds	6,060	24,048
Other investment income, net	14,358	13,098
Dividend income on:		
Listed investment	191,167	-
Unlisted investments	45,306	15,840
Interest income	927,446	233,058
	1,170,183	181,529

Included in interest income are interests from bonds of approximately HK\$448,785,000 (2015: HK\$210,163,000) and imputed interest income from deferred considerations of approximately HK\$474,001,000 (2015: nil).

7. Profit (Loss) for the Period

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Profit (loss) for the period has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(108,200)	(159,738)
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$215,000 (2015: HK\$275,000)	(5,026)	(5,155)
	(113,226)	(164,893)
Auditors' remuneration:		
Auditors of the Company		
- Current period	(1,214)	(1,284)
Other auditors		
- Current period	(173)	(84)
- Underprovision in prior years	(127)	(118)
Depreciation	(5,795)	(41,718)
Exchange loss, net	(23,512)	-
Cost of trading properties recognised	(481,437)	(70,184)
Cost of cosmetic products recognised	(1,586)	(1,691)
Cost of inventories for hotel recognised	-	(4,631)
Share of tax of associates (included in share of results of associates)	(5,899)	(14,589)
Gross proceeds on disposal of investments held-for-trading	568,085	608,180
Carrying amount on investments held-for-trading disposed of	(591,227)	(597,410)
Transaction costs on investments held-for-trading disposed of	(1,209)	(781)
Net (loss) gain on disposal of investments held-for-trading included in revenue	(24,351)	9,989
Gross rental income from investment properties	482,046	760,380
Less: Direct operating expenses from investment properties that generated rental income during the period	(29,448)	(50,849)
Direct operating expenses from investment properties that did not generate rental income during the period	(3,434)	(3,371)
	449,164	706,160

8. Finance Costs

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Interest on:		
Bank loans	85,609	213,013
Other loans	31,999	4,603
Amount due to a non-controlling shareholder	-	10,074
Total interest	117,608	227,690
Exchange gain on translation of foreign currency loans, net	(33,578)	(1,785)
Other finance costs	6,618	26,669
	90,648	252,574
Less: Interest capitalised to stock of properties under development	(1,233)	(285)
Interest capitalised to investment properties under development	-	(66,881)
	89,415	185,408

During the Period, the Group has capitalised borrowing costs amounting to approximately HK\$1,233,000 (2015: HK\$67,166,000) on qualifying assets.

9. Other Gains and Losses, Net

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Included in other gains and losses, net are:		
Gain on disposal of a subsidiary - Pioneer Time (<i>note (i)</i>)	1,277,154	-
Gain on disposal of a subsidiary - Evergo Shanghai (<i>note (ii)</i>)	721,294	-
Impairment loss recognised in respect of interest in and advance to an associate, net	(6,083)	-
(Underprovision) overprovision for rental guarantee (<i>note (iii)</i>)	(60)	217
Loss on disposals of subsidiaries - Silvercord Group (<i>note (iv)</i>)	-	(97,235)
	1,992,265	(75,018)

Notes:

- (i) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Pioneer Time Investment Limited ("Pioneer Time"), an indirect wholly-owned subsidiary of the Company ("Pioneer Time Disposal") on 15th January, 2016. Pioneer Time held the property known as MassMutual Tower in Hong Kong. Details of the Pioneer Time Disposal are set out in Note 17(a).
- (ii) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Evergo Real Estate (Shanghai) Company Limited ("Evergo Shanghai"), an indirect wholly-owned subsidiary of the Company ("Evergo Shanghai Disposal") on 22nd June, 2016. Evergo Shanghai held the property known as Evergo Tower located in Shanghai, the People's Republic of China ("PRC"). Details of the Evergo Shanghai Disposal are set out in Note 17(b).
- (iii) The amount represented (underprovision) overprovision for rental guarantee provided to purchasers of certain shops or units of an investment property in Hong Kong disposed of in prior years.
- (iv) Loss on disposals of subsidiaries arose from the disposals of the Group's entire issued share capital of Brass Ring Limited, Union Leader Limited and Chinese Estates and Finance, Limited (now known as Silvercord Finance Limited), all are indirect wholly-owned subsidiaries of the Company, and their respective subsidiaries (collectively "Silvercord Group") ("Silvercord Disposal") on 13th January, 2015. Silvercord Group held the property known as Silvercord in Hong Kong.

10. Income Tax Expense

	Six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	163,829	45,318
Other than Hong Kong	167,444	8,387
	331,273	53,705
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	(308)	(290)
Other than Hong Kong	22,869	(16,482)
	22,561	(16,772)
Deferred tax:		
Current period (credit) charge	(1,747)	178,855
	352,087	215,788

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the Period. PRC Enterprise Income Tax for PRC subsidiaries are calculated at PRC Enterprise Income Tax rate of 25% (2015: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

13. Financial Assets Measured at Fair Value Through Profit or Loss

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
Bonds	9,630,607	-
Club debentures	63,074	-
	9,693,681	-
Analysed for reporting purpose as:		
Non-current	463,741	-
Current	9,229,940	-
	9,693,681	-

Major terms of the bonds denominated in United States dollar (“US\$”), Euro (“EUR”), Pound Sterling (“GBP”) and Singapore dollar (“SGD”) are as follows:

Notional amount	Maturity
US\$9,000,000	2017
US\$163,500,000	2018
US\$49,000,000	2019
US\$204,000,000	2020
US\$10,386,000	2021
US\$1,000,000	2022
US\$56,000,000	2023
US\$620,000	2024
US\$10,000,000	2025
US\$59,300,000	2026
EUR13,300,000	2026
US\$15,000,000	2036
US\$7,000,000	2042
US\$31,456,000	2046
EUR5,500,000	2046
US\$10,000,000	2072
US\$10,000,000	2075
US\$476,859,000	Perpetual
EUR25,600,000	Perpetual
GBP14,000,000	Perpetual
SGD51,250,000	Perpetual

14. Debtors, Deposits, Other Receivables and Prepayments

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$5,881,000 (31st December, 2015: HK\$12,315,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from cosmetic business.

The following is the aged analysis of trade receivables (net of allowance for doubtful debts), presented based on the respective revenue recognition dates, at the end of the reporting period:

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
0 - 30 days	1,712	2,443
31 - 60 days	718	649
61 - 90 days	430	362
Over 90 days	3,021	8,861
	5,881	12,315

14. Debtors, Deposits, Other Receivables and Prepayments (continued)

Included in debtors, deposits, other receivables and prepayments are consideration receivables in respect of deferred considerations of the Chengdu Project Disposal (as defined below), the Chongqing Project Disposal (as defined below) and the Pioneer Time Disposal of approximately HK\$11,092,821,000 (31st December, 2015: the Chengdu Project Disposal and the Chongqing Project Disposal of HK\$6,808,466,000).

On 30th July, 2015, the Group disposed of the entire issued share capital of Lucky Benefit Limited and Rising Sheen Limited, both are indirect wholly-owned subsidiaries of the Company, and their respective subsidiaries (“Chengdu Project Disposal”). The consideration of the Chengdu Project Disposal was HK\$6,500,000,000 of which 10% was received from Shengyu (BVI) Limited (“Shengyu”), a wholly-owned subsidiary of Evergrande Real Estate Group Limited (now known as China Evergrande Group) which is independent of and not connected with the Company, as at 31st December, 2015. In accordance with the equity and debt transfer agreement of the Chengdu Project Disposal dated 14th July, 2015, the remaining 90% of the cash consideration receivable from the Chengdu Project Disposal amounting to HK\$5,850,000,000 would be received in 4 instalments within 24 months from the date of the disposal agreement. During the Period, the Group received HK\$1,300,000,000. As at the end of the reporting period, the cash consideration receivable initially recognised at fair value and subsequently measured at amortised cost was recorded as other receivables in which the carrying amount of approximately HK\$1,943,620,000 (31st December, 2015: HK\$3,158,744,000) to be received after one year was shown as non-current.

On 27th October, 2015, the Group disposed of the entire issued share capital of Million Castle Investments Limited, an indirect wholly-owned subsidiary of the Company (“Chongqing Project Disposal”). The consideration of the Chongqing Project Disposal was HK\$1,750,000,000 of which 15% was received from Shengyu as at 31st December, 2015. In accordance with the equity and debt receivable transfer agreement of the Chongqing Project Disposal dated 19th October, 2015, the remaining 85% of the cash consideration receivable from the Chongqing Project Disposal amounting to HK\$1,487,500,000 would be received in 4 instalments within 24 months from the date of the disposal agreement. During the Period, the Group received HK\$262,500,000. As at the end of the reporting period, the cash consideration receivable initially recognised at fair value and subsequently measured at amortised cost was recorded as other receivables in which the carrying amount of approximately HK\$514,082,000 (31st December, 2015: HK\$839,614,000) to be received after one year was shown as non-current.

The consideration of the Pioneer Time Disposal was approximately HK\$12,448,280,000 (after adjustment) of which HK\$5,000,000,000 was received from Shengyu as at the end of the reporting period. In accordance with the equity and debt transfer agreement of the Pioneer Time Disposal dated 12th November, 2015, the remaining of the cash consideration receivable from the Pioneer Time Disposal amounting to approximately HK\$7,448,280,000 would be received in 6 instalments within 6 years from the date of completion of the Pioneer Time Disposal. As at the end of the reporting period, the cash consideration receivable initially recognised at fair value and subsequently measured at amortised cost was recorded as other receivables in which the carrying amount of approximately HK\$4,887,005,000 to be received after one year was shown as non-current.

15. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$37,847,000 (31st December, 2015: HK\$64,975,000).

The following is the aged analysis of trade payables at the end of the reporting period:

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
0 - 90 days	22,926	50,813
Over 90 days	14,921	14,162
	37,847	64,975

16. Assets Classified as Held For Sale/Liabilities Directly Associated with Assets Classified as Held For Sale

(a) Windsor Disposal

On 23rd December, 2015, (i) China Entertainment and Land Investment Company, Limited (“CELIC”), a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of CELIC; (iii) Magic Square Limited (“Magic Square”), a company wholly-owned by Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”), a substantial shareholder and a controlling shareholder of the Company; and (iv) Mr. Joseph Lau, being the guarantor of Magic Square, entered into a sale and purchase agreement, pursuant to which CELIC agreed to sell and Magic Square agreed to acquire the entire issued share capital of Keep Speed Company Limited (“Keep Speed”), an indirect wholly-owned subsidiary of the Company.

On the same date, (i) Good Top Limited (“Good Top”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Good Top; (iii) Best Range Limited (“Best Range”), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of Best Range, entered into a sale and purchase agreement, pursuant to which Good Top agreed to sell and Best Range agreed to acquire the entire issued share capital of Jumbo Grace Limited (“Jumbo Grace”), an indirect wholly-owned subsidiary of the Company.

On 2nd February, 2016, the disposals of Keep Speed and Jumbo Grace and its subsidiary (holding the property known as Windsor House in Hong Kong) (collectively “Windsor Group”) (“Windsor Disposal”) was duly approved by the independent shareholders of the Company at the special general meeting. The Windsor Disposal has not yet completed up to the date of this announcement. As a result of the Windsor Disposal, the consolidated assets and liabilities of the Windsor Group have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively in the unaudited condensed consolidated statement of financial position as at 30th June, 2016 in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Details of the Windsor Disposal were set out in the announcements of the Company dated 23rd December, 2015 and 2nd February, 2016 and the circular of the Company dated 15th January, 2016.

(b) Pioneer Time Disposal on 15th January, 2016

During the year ended 31st December, 2015, Great System Investment Limited (“Great System”), an indirect wholly-owned subsidiary of the Company, and Shengyu entered into an equity and debt transfer agreement, pursuant to which Great System agreed to sell and Shengyu agreed to acquire the entire issued share capital of Pioneer Time.

The Pioneer Time Disposal was completed on 15th January, 2016. As at 31st December, 2015, a deposit of HK\$1,250,000,000 had been received by the Group and included in deposits and receipts in advance. As a result of the Pioneer Time Disposal, the assets and liabilities of Pioneer Time had been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively in the consolidated statement of financial position as at 31st December, 2015 in accordance with HKFRS 5.

Further details of the Pioneer Time Disposal are set out in Note 17(a).

16. Assets Classified as Held For Sale/Liabilities Directly Associated with Assets Classified as Held For Sale
(continued)

At the end of the reporting period, the major classes of assets and liabilities classified as assets held for sale and liabilities directly associated with assets classified as held for sale correspondingly are as follows:

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
Assets classified as held for sale		
Investment properties	10,479,000	8,657,600
Property, plant and equipment	1,084	505,585
Financial asset measured at fair value through profit or loss	15,000	-
Debtors, deposits, other receivables and prepayments	31,074	4,539
Pledged deposits	139,285	59,313
Bank balances and cash	16,255	12,234
	<u>10,681,698</u>	<u>9,239,271</u>
Liabilities directly associated with assets classified as held for sale		
Creditors and accruals	19,391	2,910
Deposits and receipts in advance	188,955	46,265
Tax liabilities	24,230	6,214
Borrowing	4,610,000	1,785,000
Deferred tax liabilities	27,526	17,607
	<u>4,870,102</u>	<u>1,857,996</u>
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale		
Properties revaluation reserve	-	127,054

17. Disposals of Subsidiaries

(a) Pioneer Time Disposal on 15th January, 2016

The Pioneer Time Disposal was completed on 15th January, 2016 at a consideration of approximately HK\$12,448,280,000 (after adjustment). Upon completion, Pioneer Time ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Pioneer Time Disposal were set out in the announcements of the Company dated 12th November, 2015 and 15th January, 2016 and the circular of the Company dated 3rd December, 2015.

	2016 HK\$'000
The net assets of Pioneer Time as at the date of disposal were as follows:	
Investment properties	8,657,600
Property, plant and equipment	505,585
Debtors, deposits, other receivables and prepayments	5,006
Bank balances and cash	554
Creditors and accruals	(1,268)
Deposits and receipts in advance	(54,249)
Tax liabilities	(1,763)
Deferred tax liabilities	(17,651)
Amount due to the Group	<u>(1,053,961)</u>
Net assets disposed of	8,039,853
Sale of amount due to the Group	1,053,961
Gain on disposal of a subsidiary	<u>1,277,154</u>
	<u>10,370,968</u>
Satisfied by:	
Cash consideration received	5,000,000
Present value of deferred consideration (note)	<u>5,372,854</u>
	10,372,854
Expenses incurred for disposal	<u>(1,886)</u>
	<u>10,370,968</u>
Net cash inflow arising on disposal:	
Cash consideration	12,448,280
Cash consideration receivable (note)	(7,448,280)
Deposit received in prior year	<u>(1,250,000)</u>
Cash consideration received during the Period	3,750,000
Expenses incurred for disposal	(1,886)
Bank balances and cash disposed of	<u>(554)</u>
	<u>3,747,560</u>

The gain on the Pioneer Time Disposal was included in other gains and losses, net (Note 9(i)) in the unaudited condensed consolidated statement of comprehensive income.

Note: The deferred consideration represents the consideration of approximately HK\$7,448,280,000 receivable in cash by instalments within 6 years from the date of completion of the Pioneer Time Disposal. Subsequent to the end of the reporting period, the Group received HK\$5,700,000,000.

17. Disposals of Subsidiaries (continued)

(b) Evergo Shanghai Disposal on 22nd June, 2016

During the Period, Digi-Star Limited (“Digi-Star”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party to dispose of the entire issued share capital of Evergo Shanghai.

The Evergo Shanghai Disposal was completed on 22nd June, 2016 at a consideration of equivalent to approximately HK\$1,355,843,000. Upon completion, Evergo Shanghai ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group.

	2016
	HK\$'000
The net assets of Evergo Shanghai as at the date of disposal were as follows:	
Investment properties	1,037,057
Equipment	195
Debtors, deposits, other receivables and prepayments	1,527
Tax recoverable	185
Bank balances and cash	49,168
Creditors and accruals	(9,289)
Deposits and receipts in advance	(17,328)
Deferred tax liabilities	(438,081)
Net assets disposed of	<u>623,434</u>
Release of translation reserve upon disposal	9,053
Gain on disposal of a subsidiary	<u>721,294</u>
	<u><u>1,353,781</u></u>
Satisfied by:	
Cash consideration	1,355,843
Expenses incurred for disposal	(2,062)
	<u><u>1,353,781</u></u>
Net cash outflow arising on disposal:	
Cash consideration	1,355,843
Cash consideration receivable (note)	(1,355,843)
Cash consideration received during the Period	-
Expenses incurred for disposal	(2,062)
Bank balances and cash disposed of	(49,168)
	<u><u>(51,230)</u></u>

The gain on the Evergo Shanghai Disposal was included in other gains and losses, net (Note 9(ii)) in the unaudited condensed consolidated statement of comprehensive income.

Note: Subsequent to the end of the reporting period, the entire amount of consideration receivable was received.

18. Capital Commitments

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	37,297	102,257
Renovation of properties	22,410	6,997
Investee company's contribution	171,600	171,600
Capital investment in limited partnership (<i>note</i>)	109,965	126,901
	341,272	407,755

Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to approximately HK\$775,790,000) in an exempted limited partnership formed under the Exempted Limited Partnership Law (Revised) of the Cayman Islands ("Cayman Islands Partnership"). Up to the end of the reporting period, approximately US\$85,825,000 (equivalent to approximately HK\$665,825,000) (31st December, 2015: US\$83,625,000 (equivalent to approximately HK\$648,214,000)) among the contribution has been paid by the Group.

19. Contingent Liabilities and Assets

Contingent Liabilities

	30th June, 2016 HK\$'000	31st December, 2015 HK\$'000
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000	15,000

Contingent Assets

Post-completion development upside sharing or compensation upside sharing on the case of Moon Ocean Ltd. ("Moon Ocean")

On 1st September, 2014, (i) Data Dynasty Limited ("Data Dynasty"), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Data Dynasty; (iii) One Midland Limited ("One Midland"), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of One Midland, entered into a sale and purchase agreement, namely "Moon Ocean SP Agreement", pursuant to which Data Dynasty agreed to sell and One Midland agreed to acquire the entire issued share capital of Value Eight Limited ("Value Eight"), Value Eight held investments relating to the Macau Land (as defined below) through Moon Ocean ("Moon Ocean Disposal").

Subject to completion of the Moon Ocean Disposal on 31st October, 2014, (a) if judgments are made in favour of Moon Ocean in the appeals to its legal case in the Macau Special Administrative Region of the PRC ("Macau") ("Appeals") and have become final and the title to the Macau land previously held by Moon Ocean ("Macau Land") is vested on Moon Ocean again, One Midland shall pay to Data Dynasty the development upside sharing pursuant to the Moon Ocean SP Agreement; or (b) if judgments are made against Moon Ocean in the Appeals and have become final, One Midland shall pay to Data Dynasty the compensation upside sharing pursuant to the Moon Ocean SP Agreement.

The Appeals comprise (i) the appeal against the Chief Executive of Macau's declaration of the previous act of the Chief Executive of Macau in confirming the approval of the transfers of the rights deriving from the land concession for the Macau Land to Moon Ocean and the amendments of the related land concession contracts in March 2006 invalid ("First Decision Appeal"); and (ii) the appeal against the notice from the Land, Public Works and Transport Bureau of Macau that the Chief Executive of Macau declared the previous act of approval of the increase of residential gross floor area of the Macau Land and an exchange of land in March 2011 by the Chief Executive of Macau was invalid ("Second Decision Appeal").

The arrangement of the development upside sharing or the compensation upside sharing (as the case may be) allows the Group to share the possible upside or compensation in relation to the Macau Land and the La Scala project post completion of the Moon Ocean SP Agreement.

19. Contingent Liabilities and Assets *(continued)*

Contingent Assets (continued)

Post-completion development upside sharing or compensation upside sharing on the case of Moon Ocean Ltd. (“Moon Ocean”) *(continued)*

The aggregate amount of all the development upside sharing or the compensation upside sharing (as the case may be) payable by One Midland to Data Dynasty shall be subject to a maximum amount of HK\$12,500,000,000.

The Directors consider the aggregate amount of all the development upside sharing or the compensation upside sharing (as the case may be) payable by One Midland to Data Dynasty and the maximum amount of HK\$12,500,000,000 for the development upside sharing or the compensation upside sharing (as the case may be) are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The Court of Final Appeal of Macau denied the First Decision Appeal in its judgment on 22nd June, 2016. Up to the date of this announcement, the Second Decision Appeal is still in progress.

Details of the Moon Ocean Disposal, the development upside sharing and the compensation upside sharing were set out in the announcement of the Company dated 2nd September, 2014 and the circular of the Company dated 23rd September, 2014.

INTERIM DIVIDEND

During the Period, the Board had paid a final dividend of HK1 cent per share (payment date: 6th June, 2016) (2015: HK1 cent per share) and special interim dividend of HK\$2 per share (payment date: 20th January, 2016) (2015: HK\$4 per share). Subsequent to the Period, the Board had also declared special interim dividends of (i) HK\$2.1 per share (payment date: 11th August, 2016) and (ii) HK\$3.23 per share (payable on or about: 1st September, 2016).

In order to maintain a continuous dividend payment record, the Board has resolved to declare a nominal interim dividend of HK1 cent per share (2015: HK30 cents per share) for the Period (the "Interim Dividend").

Dividend warrants for the Interim Dividend will be posted on or about 23rd September, 2016 to shareholders whose names appear on the register of members of the Company on 13th September, 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on 13th September, 2016. 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 12th September, 2016.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Period amounted to HK\$1,944.9 million (2015: HK\$969.0 million), an increase of 100.7% over the same period of last year and comprised gross rental income of HK\$482.1 million (2015: HK\$760.4 million), property sales of HK\$1,480.4 million (2015: HK\$147.0 million), loss on sales of investments held-for-trading on a net basis of HK\$24.4 million (2015: profit of HK\$10.0 million) and others of HK\$6.8 million (2015: HK\$51.6 million). The increase in revenue was mainly due to the increase in sales of trading properties.

Gross Profit

Gross profit for the Period amounted to HK\$1,356.4 million (2015: HK\$767.7 million), an increase of 76.7% as compared with the same period of last year which was mainly due to the increase in profit from property sales of HK\$867.5 million while the decrease in net rental income of HK\$257.0 million.

Property Leasing

For property leasing, the rental revenue in retail and non-retail section have decreased significantly by 53.8% to HK\$196.0 million and 14.8% to HK\$286.1 million respectively during the Period. The total rental income in revenue for the Period recorded a decrease of 36.6% to HK\$482.1 million as compared with the same period of last year of HK\$760.4 million.

Together with the attributable rental revenue generated from associates and an investee company of HK\$68.9 million (2015: HK\$107.8 million), the total attributable rental revenue to the Group after non-controlling interests amounted to approximately HK\$550.2 million (2015: HK\$867.3 million), which representing a decline of 36.6% over the same period of last year.

Attributable net rental income for the Period showed HK\$526.1 million, a 33.0% decrease over HK\$785.7 million in the same period of last year.

The decline in attributable rental revenue and net rental income were mainly due to the disposals of subsidiaries holding MassMutual Tower and The ONE in January 2016 and July 2015 respectively, since then the results of those subsidiaries were not consolidated to the Group. For those properties remain as at 30th June, 2016, the attributable rental revenue and net rental income maintained stable performance over the same period of last year. In addition, the newly acquired properties in the United Kingdom contributed rental revenue and net rental income of HK\$15.6 million and HK\$14.5 million respectively during the Period.

Property Development and Trading

During the Period, the attributable property sales revenue and the relevant attributable profit from the Group and its associates recorded an increase of 350.0% to HK\$1,036.9 million (2015: HK\$230.4 million) and 956.0% to HK\$657.9 million (2015: HK\$62.3 million) respectively.

The major component recorded in gross profit is sales of 55 Conduit Road located in Mid-Levels West (70% interest) had contributed an attributable profit to the Group of HK\$657.4 million (including 1 unit and 1 car parking space of 55 Conduit Road sold to a connected person as disclosed in section headed “Other Information and Events After the Reporting Period” below) (2015: sales of Phase I, Phase II and parking spaces of Splendid City in Chengdu (100% interest) generated profit of HK\$0.5 million, HK\$1.9 million and HK\$6.7 million respectively; Tower 1 of The Metropolis in Chengdu (100% interest) generated profit of HK\$22.3 million; and One WanChai and parking spaces at The Zenith in Wanchai (both 87.5% interest) had contributed an attributable profit of HK\$25.1 million and HK\$1.5 million respectively).

In respect of properties held by associates, Greenville Residence in Yuen Long (50% interest) generated profit of HK\$0.5 million (2015: The Coronation in Chongqing (25% interest) generated profit of HK\$4.3 million) as reflected in the share of results of associates.

As at 30th June, 2016, deposits received from stock of properties contracted to be sold amounted to HK\$499.8 million. Of which, deposits of HK\$458.5 million were received from presale of 88 units of One South Lane in Kennedy Town (100% interest) with contracted sale of HK\$467.3 million (after discount), together with deposits of HK\$40.8 million were received for 7 units and 3 car parking spaces of 55 Conduit Road with contracted sale of HK\$489.6 million (after cash rebate) and its attributable interest of sales to the Group amounted to HK\$342.7 million.

In summary, the Group together with associates executed properties sale agreements, including presale agreements to third parties, recorded an attributable contracted sales of HK\$539.8 million (after cash rebate) (2015: HK\$390.7 million) during the Period. Total attributable property sales profit recognised for the Period was HK\$657.9 million (2015: HK\$62.3 million).

Securities Investments

The Group has in the ordinary and normal course of business conducted its securities investment activities. During the Period, the Group recorded a realised loss of HK\$24.4 million (2015: realised gain of HK\$10.0 million) on disposal of listed investments held-for-trading (the gains/losses of which was included in revenue) with gross proceeds of HK\$568.1 million (2015: HK\$608.2 million). However, a realised gain from sale of bonds of HK\$95.8 million (2015: realised loss of HK\$41.0 million) was recognised. The net realised gain for the Period was HK\$71.4 million (2015: net realised loss of HK\$31.0 million).

Furthermore, the Group recorded an unrealised loss of HK\$103.9 million (2015: HK\$39.5 million) representing the changes in fair value of listed investments held-for-trading and bonds, which had no effect on the cash flow of the Group.

Summing up the above and adding the net income from net dividend income, interest income, other net investment income and other finance income of HK\$636.9 million (2015: net income from interest income, other investment income and other finance costs of HK\$220.5 million), the gain recognised on securities investments was HK\$604.4 million (2015: HK\$150.0 million).

The respective income/expense from securities investments under different categories are further elaborated below.

Listed Equity Investment at Fair Value Through Other Comprehensive Income

In May 2016, the Group acquired 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) (“Shengjing Bank”) at the total consideration of approximately HK\$6,926.2 million included in financial assets measured at FVTOCI. During the Period, the after-expenses dividend income of HK\$189.6 million and the withholding tax of HK\$19.1 million, making a net dividend income of HK\$170.5 million was recognised in the unaudited condensed consolidated statement of comprehensive income and an unrealised loss on fair value changes of HK\$2,314.5 million was recorded as an other comprehensive expense. The Group believes that the decrease in share price of Shengjing Bank from May to end June 2016, among other things, was because of the slowdown in PRC economic growth and the challenging environment on risk management in the PRC banking industry. The fair value change is a non-cash item and will not affect the cash flow of the Group.

Shengjing Bank is a joint stock company and a commercial bank incorporated in the PRC and is principally engaged in corporate banking, retail banking and treasury business. Its corporate banking products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, and remittance and settlement services. The H shares of Shengjing Bank are listed on the main board of the Stock Exchange. Its headquarters are located in Shenyang, Liaoning Province, the PRC, which is a leading commercial bank in Northeast China.

Listed Investments Held-for-trading and Treasury Products

The listed investments held-for-trading and treasury products recorded a profit before and after finance income of HK\$432.3 million and HK\$433.9 million (2015: before and after finance cost of HK\$152.8 million and HK\$150.0 million) respectively for the Period.

Profit from the listed investments held-for-trading and treasury products reflected in the unaudited condensed consolidated statement of comprehensive income for the Period comprised a realised loss on listed securities of HK\$24.4 million (2015: realised gain of HK\$10.0 million), a realised gain on bonds of HK\$95.8 million (2015: realised loss of HK\$41.0 million), an unrealised loss on fair value changes of listed securities and bonds of HK\$103.9 million (2015: HK\$39.5 million) and interest income and other net investment income of HK\$464.8 million (2015: HK\$223.3 million). Net relevant finance income for the Period was HK\$1.6 million (2015: net finance costs of HK\$2.8 million) including interest expense of HK\$32.0 million (2015: HK\$4.6 million) and exchange gain of HK\$33.6 million (2015: HK\$1.8 million).

Other Income and Expenses

Other income for the Period, which mainly came from net building management fee income, asset management and maintenance services income, property management services, leasing administration services and property administration services income, advisory and consultancy services income and rental services income, decreased to HK\$51.5 million (2015: HK\$60.4 million), representing a decrease of 14.7% as compared with the same period of last year.

During the Period, administrative expenses decreased by 10.5% to HK\$192.8 million (2015: HK\$215.3 million). Finance costs decreased by 51.8% to HK\$89.4 million (2015: HK\$185.4 million) during the Period, including exchange gain of HK\$33.6 million (2015: HK\$1.8 million) on foreign currency loans hedged for foreign currency securities investments. The decrease in administrative expenses and finance costs were mainly due to the disposals of subsidiaries during the Period and the year of 2015.

Other gains and losses recorded a net gain of HK\$1,992.3 million mainly comprised gain on the Pioneer Time Disposal and the Evergo Shanghai Disposal of HK\$1,277.2 million and HK\$721.3 million respectively (2015: net loss of HK\$97.0 million mainly comprised loss on the Silvercord Disposal of HK\$97.2 million).

Disposals of Subsidiaries

- 1) The Pioneer Time Disposal was completed on 15th January, 2016 at a consideration of approximately HK\$12,448.3 million (after adjustment). Upon completion, Pioneer Time ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group. The Group recorded a gain on the Pioneer Time Disposal of HK\$1,277.2 million.

Details of the Pioneer Time Disposal were set out in the announcements of the Company dated 12th November, 2015 and 15th January, 2016 and the circular of the Company dated 3rd December, 2015.

- 2) During the Period, Digi-Star, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party to dispose of the entire issued share capital of Evergo Shanghai. The Evergo Shanghai Disposal was completed on 22nd June, 2016 at a consideration of equivalent to approximately HK\$1,355.8 million. Upon completion, Evergo Shanghai ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group. The Group recorded a gain on the Evergo Shanghai Disposal of HK\$721.3 million.

Associates

The share of results of associates for the Period was a profit of HK\$117.7 million as compared to HK\$132.3 million for the same period of last year, the decrease of which was mainly due to no rental income was generated for the Period from Platinum located in Shanghai which was disposed of by an associate during the year of 2015.

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 30th June, 2016 by B.I. Appraisals Limited (“B.I. Appraisals”) whereas the investment properties in the United Kingdom were revalued by Peak Vision Appraisals Limited (“Peak Vision Appraisals”). B.I. Appraisals and Peak Vision Appraisals are independent property valuers. A decrease in fair value of investment properties of HK\$891.2 million (2015: HK\$543.5 million) was recorded during the Period. The unrealised fair value changes will not affect the cash flow of the Group.

Profit, Core Profit, Dividends, Repurchase and Cash Payment Ratio

Profit

Profit attributable to owners of the Company for the Period was HK\$2,931.0 million as compared to loss of HK\$115.4 million for the same period of last year. The result of profit for the Period was mainly arising from increase in attributable property sales profit, gains on the Pioneer Time Disposal and Evergo Shanghai Disposal, net profit from the segment of the listed investments held-for-trading and treasury products and dividend income from listed equity investment at FVTOCI and imputed interest income from deferred consideration receivables which were included in investment income, net. Earnings per share for the Period was HK\$1.54 (2015: loss per share of HK\$0.06).

Core Profit

The Group disposed of certain investment properties through disposals of subsidiaries during the Period, the costs of which are stated at fair value. Before disposal, such gain/loss on fair value change is unrealised and recognised at the end of each reporting period, but excluded from core profit as non-cash items. In the period of disposal, such unrealised gain/loss has become realised; and in computing core profit, accumulated fair value gain/loss from prior years and current period are included as cash items.

If the net loss on the major non-cash items of HK\$800.3 million (2015: HK\$609.0 million) are excluded, but the accumulated realised fair value gain together with the respective deferred tax on disposals of investment properties recognised in prior years of HK\$8,682.0 million (including those recognised in properties revaluation reserve) (2015: HK\$8,507.7 million) is included, the Group will have a core profit attributable to owners of the Company for the Period of HK\$12,413.3 million (2015: HK\$9,001.3 million) and a core earnings per share of HK650.7 cents (2015: HK471.9 cents), which were both increased 37.9% over the same period last year.

The major non-cash items represented the attributable unrealised fair value loss on investment properties together with their respective deferred tax from the Group and its associates of HK\$800.3 million (2015: HK\$609.0 million).

Dividends

Conditional special interim dividend of HK\$2 per share, which was conditional upon completion of the Pioneer Time Disposal in total amount of HK\$3,815.2 million was paid in cash on 20th January, 2016 (2015: special interim dividend of HK\$4 per share in total amount of HK\$7,630.5 million was paid in cash on 13th January, 2015 and HK\$2.6 per share in total amount of HK\$4,959.8 million was declared on 15th June, 2015 and paid in cash on 15th July, 2015).

Final dividend of HK1 cent (year ended 31st December, 2014: HK1 cent) per share in total amount of HK\$19.1 million for the year ended 31st December, 2015 was paid in cash on 6th June, 2016.

Total dividends of HK\$3,834.3 million were paid in cash during the Period.

Special interim dividends of HK\$2.1 per share in total amount of HK\$4,006.0 million was declared on 19th July, 2016 and subsequently paid in cash on 11th August, 2016 and HK\$3.23 per share in total amount of HK\$6,161.6 million was declared on 9th August, 2016 and will be payable on or about 1st September, 2016.

Repurchase

During the Period, the Company had not repurchased any of the Company's share.

Cash Payment Ratio

Based on (a) the core profit for the Period of HK\$12,413.3 million (2015: HK\$9,001.3 million) or HK650.7 cents (2015: HK471.9 cents) per share; (b) special interim dividend of HK\$2 (2015: HK\$4) per share paid during the Period; (c) special interim dividend of HK\$2.1 per share declared; and (d) cash interim dividend of HK1 cent (2015: HK30 cents) per share declared, the ratio of such cash payment to the core profit is 63.2% (2015: 91.1%).

Net Asset Value

As at 30th June, 2016, the Group's net asset attributable to owners of the Company amounted to approximately HK\$36,908.8 million (31st December, 2015: HK\$40,247.6 million), a decrease of HK\$3,338.8 million or 8.3% when compared with 31st December, 2015. With the total number of ordinary shares in issue of 1,907,619,079 as at 30th June, 2016 (31st December, 2015: 1,907,619,079), the net asset value per share attributable to owners of the Company was HK\$19.35 (31st December, 2015: HK\$21.10). The movement in net asset value was mainly due to (a) total comprehensive income for the Period attributable to owners of the Company of HK\$336.6 million; (b) increase in net asset upon early adoption of HKFRS 9 (2014) of HK\$158.9 million (net of tax); (c) payment of final dividend of HK\$19.1 million; and (d) payment of special interim dividend of HK\$3,815.2 million.

During the Period, the Group acquired a listed equity investment categorised as financial assets measured at FVTOCI and an unrealised loss on fair value changes of HK\$2,314.5 million was recorded as an other comprehensive expense. The carrying amount of the loss on fair value changes of listed equity investment included in financial assets measured at FVTOCI reserve was HK\$2,314.5 million as at 30th June, 2016 (31st December, 2015: in securities investments reserve of nil).

Other than disposal of subsidiaries holding Windsor House (as disclosed in the paragraph "Assets Classified as Held for Sale/Liabilities Directly Associated with Assets Classified as Held for Sale" below), the existing projects and those disclosed in the interim results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

Securities Investments

Listed Equity Investment at Fair Value Through Other Comprehensive Income

During the Period, the Group acquired 577,180,500 H shares of Shengjing Bank at the total consideration of approximately HK\$6,926.2 million, after deducting the fair value loss of HK\$2,314.5 million for the Period, the carrying amount of listed equity investment categorised as financial assets measured at FVTOCI as at 30th June, 2016 was HK\$4,611.7 million.

Listed Investments Held-for-trading and Treasury Products

As at 31st December, 2015, the carrying amount of the listed investments held-for-trading and treasury products was HK\$11,433.5 million. During the Period, the portfolio was decreased by a net disposal of HK\$1,659.7 million. After deducting the fair value loss of HK\$103.9 million for the Period, the listed investments held-for-trading and treasury products portfolio of the Group became HK\$9,669.9 million as at 30th June, 2016, which formed part of the Group's cash management activities.

As at 30th June, 2016, the portfolio of listed securities investments and treasury products of HK\$14,281.6 million (31st December, 2015: HK\$11,433.5 million) comprised (a) listed equity securities (investments held-for-trading) of HK\$39.3 million (31st December, 2015: HK\$364.2 million); (b) bonds (financial assets measured at FVTPL) of HK\$9,630.6 million (31st December, 2015: financial assets designated as at fair value through profit or loss of HK\$11,069.3 million); and (c) listed equity investment (financial assets measured at FVTOCI) of HK\$4,611.7 million (31st December, 2015: nil), representing 23.7% of total assets.

Unlisted Securities Investments

The Group had committed to make a capital contribution of US\$100.0 million (equivalent to approximately HK\$775.8 million) in the Cayman Islands Partnership. At as 30th June, 2016, the Group has contributed US\$85.8 million (equivalent to approximately HK\$665.8 million) and the carrying amount was HK\$569.4 million, which was included in financial assets measured at FVTOCI.

Assets Classified as Held for Sale/Liabilities Directly Associated with Assets Classified as Held for Sale

On 23rd December, 2015, (i) CELIC, a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of CELIC; (iii) Magic Square, a company wholly-owned by Mr. Joseph Lau, a substantial shareholder and a controlling shareholder of the Company; and (iv) Mr. Joseph Lau, being the guarantor of Magic Square, entered into a sale and purchase agreement, pursuant to which CELIC agreed to sell and Magic Square agreed to acquire the entire issued share capital of Keep Speed, an indirect wholly-owned subsidiary of the Company, at a consideration equal to the aggregate of (a) the net asset value or liability of Keep Speed as at the date of completion; and (b) the aggregate face amount of all sums due or owing by Keep Speed to other members of the Group (other than the Jumbo Grace Group (as defined below)) less the aggregate face amount of all sums due and owing to Keep Speed by any member of the Group (other than the Jumbo Grace Group) as at the date of completion.

On the same date, (i) Good Top, an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Good Top; (iii) Best Range, a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of Best Range, entered into a sale and purchase agreement, pursuant to which Good Top agreed to sell and Best Range agreed to acquire the entire issued share capital of Jumbo Grace, an indirect wholly-owned subsidiary of the Company, and its subsidiary (holding the property known as Windsor House in Hong Kong) (collectively "Jumbo Grace Group") at a consideration equal to the aggregate of (a) the consolidated net asset value or liability of the Jumbo Grace Group as at the date of completion; and (b) the aggregate face amount of all sums due or owing by the Jumbo Grace Group to other members of the Group (other than Keep Speed and the Jumbo Grace Group) less the aggregate face amount of all sums due and owing to any company of the Jumbo Grace Group by any member of the Group (other than Keep Speed and the Jumbo Grace Group) as at the date of completion.

As a result of the Windsor Disposal, the consolidated assets and liabilities of the Windsor Group have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively in the unaudited condensed consolidated statement of financial position as at 30th June, 2016 in accordance with HKFRS 5.

Details of the Windsor Disposal were set out in the announcements of the Company dated 23rd December, 2015 and 2nd February, 2016 and the circular of the Company dated 15th January, 2016.

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, 2016 and 31st December, 2015 were 1,907,619,079.

Debt and Gearing

As at 30th June, 2016, the Group's bank and other borrowings amounted to HK\$10,025.8 million (31st December, 2015: HK\$14,531.8 million) (excluding bank borrowings presented as liabilities directly associated with assets classified as held for sale). Cash and deposits at banks amounted to HK\$1,898.5 million (31st December, 2015: HK\$2,849.8 million) (excluding cash and deposits at banks presented as assets classified as held for sale), pledged deposits amounted to HK\$1,067.1 million (31st December, 2015: HK\$202.8 million) (excluding pledged deposits presented as assets classified as held for sale) and net borrowings amounted to HK\$7,060.2 million (31st December, 2015: HK\$11,479.2 million).

Total debt to equity ratio was 27.0% (31st December, 2015: 36.0%) and net debt to equity ratio was 19.0% (31st December, 2015: 28.5%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$37,158.2 million (31st December, 2015: HK\$40,325.4 million). The decrease in the total debt to equity ratio and the net debt to equity ratio were mainly due to the decrease in borrowings following the bank borrowing of Windsor Group was presented as liabilities directly associated with assets classified as held for sale.

If the listed securities investments and treasury products of HK\$14,281.6 million (31st December, 2015: HK\$11,433.5 million) are included, there would be a net cash position of HK\$7,221.4 million (31st December, 2015: net debt of HK\$45.7 million or net debt to equity ratio of 0.1%).

As at 30th June, 2016, the Group's bank and other borrowings of HK\$10,025.8 million (excluding bank borrowings presented as liabilities directly associated with assets classified as held for sale), 75.9%, 0.6% and 23.5% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. Of which the Group's bank and other borrowings were denominated in HK\$ (22.1%), GBP (43.7%), US\$ (28.1%), EUR (3.3%) and SGD (2.8%). GBP, US\$, EUR and SGD investment securities were hedged by GBP, US\$, EUR and SGD borrowings. The Group's bank and other borrowings in HK\$, US\$, EUR and SGD were carried at interest rates calculated mainly with reference to Hong Kong Interbank Offered Rate and cost of funds; bank and other borrowings in GBP were effectively carried at fixed rate and carried at interest rates calculated with reference to London Interbank Offered Rate and cost of funds. As at 30th June, 2016, about 75.4% of the Group's borrowings were on floating rate basis and 24.6% were on fixed rate basis. No hedging for interest rate is subsisted at the end of the reporting period.

Pledge of Assets

As at 30th June, 2016, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of approximately HK\$18,590.4 million (including investment properties presented as assets classified as held for sale), stock of properties of HK\$961.7 million and time deposits of HK\$263.5 million (including time deposits presented as assets classified as held for sale) (31st December, 2015: investment properties of HK\$26,527.8 million (including investment properties presented as assets classified as held for sale), properties of HK\$505.5 million (presented as assets classified as held for sale), stock of properties of HK\$958.0 million and time deposits of HK\$253.4 million (including time deposits presented as assets classified as held for sale)) 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, bonds and listed equity investment at FVTOCI with carrying amounts of approximately HK\$10,277.2 million (31st December, 2015: investments held-for-trading and bonds of HK\$11,433.5 million) and cash deposits of HK\$942.9 million (31st December, 2015: HK\$8.6 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which approximately HK\$4,959.7 million (31st December, 2015: HK\$5,389.8 million) was utilised as at 30th June, 2016 as borrowings due within one year.
- (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.

Financial and Interest Income/Expenses

Interest income was included in revenue and investment income (2015: revenue, other income and investment income). Interest income for the Period was HK\$928.1 million, representing an increase of 294.9% over the same period of last year of HK\$235.0 million.

Finance costs included interest expenses on bank loans and other loans; exchange difference on translation of foreign currency loans; and arrangement fee and facility and commitment fee expenses. Interest expenses for the Period amounted to HK\$116.4 million, representing a decrease of 27.5% over the same period of last year of HK\$160.5 million. Interest capitalised for the Period was HK\$1.2 million as compared to HK\$67.2 million for the same period of last year. The decrease in interest expenses and interest capitalised were mainly due to decrease in total borrowings following certain disposals of subsidiaries during the Period and the year of 2015. The average interest rate over the period under review was 1.59% (2015: 2.93%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 30th June, 2016, the Group employed a total of 572 staff (31st December, 2015: 582 staff) in Hong Kong including about 254 staff (31st December, 2015: 269 staff) employed under the estate management company in Hong Kong and 4 staff (31st December, 2015: 4 staff) in the offices in Mainland China.

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 Directors 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 during the Period.

The Company had adopted a share award scheme ("Share Award Scheme") in 2009. The Share Award Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Share Award Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the Share Award Scheme during the Period.

Mainland China and United Kingdom

Profit contribution from the Group's investment in Mainland China (mainly included in gross profit, fair value changes on investment properties, gain on disposal of a subsidiary, share of results of associates and taxation) for the Period amounted to HK\$581.0 million (2015: HK\$80.3 million). The Group's net investment in Mainland China as at 30th June, 2016 amounted to HK\$838.1 million (31st December, 2015: HK\$1,772.9 million) representing approximately 2.3% of the Group's total equity.

The Group acquired investment properties in the United Kingdom in April and May 2016. As at 30th June, 2016, the Group's investment properties in the United Kingdom with carrying amount of GBP658.5 million (equivalent to approximately HK\$6,865.9 million) (31st December, 2015: GBP351.5 million (equivalent to approximately HK\$4,037.1 million)) contributed a net loss of HK\$59.9 million (2015: net profit of HK\$28.4 million) to the Group for the Period, the loss mainly included loss on fair value changes on investment properties of HK\$98.2 million. GBP exchange loss of foreign operations included in other comprehensive expense amounted to HK\$262.6 million. As at 30th June, 2016, the Group's net investment in the United Kingdom amounted to HK\$3,561.2 million (31st December, 2015: HK\$1,613.1 million) representing approximately 9.6% of the Group's total equity.

Listed Subsidiary

The Group did not own any listed subsidiary at the end of the reporting period.

Property Valuation

Property valuations in respect of the Group's investment properties in Hong Kong and Mainland China have been carried out by B.I. Appraisals as at 30th June, 2016 (31st December, 2015: B.I. Appraisals and Vigers Appraisal and Consulting Limited), independent qualified professional valuer. For the investment properties in the United Kingdom, the valuations as at 30th June, 2016 and 31st December, 2015 were carried out by Peak Vision Appraisals, another independent qualified professional valuer. Their valuations were based on investment method and/or direct comparison method as the valuation methodologies and were used in preparing 2016 interim results.

The Group's investment properties were valued at HK\$22,966.1 million (31st December, 2015: HK\$30,598.9 million) (including those presented as assets classified as held for sale), a 3.9% decrease over 2015 after adjusted for the additions, disposals and exchange adjustments of investment properties during the Period. The decrease in fair value of approximately HK\$891.2 million was recognised in the unaudited condensed consolidated statement of comprehensive income for the Period. The Group also shared an increase in fair value of investment properties of associates of HK\$88.6 million (adjusted deferred tax credit of HK\$0.1 million) for the Period.

The decline in fair value of approximately HK\$891.2 million was mainly due to decrease in fair values of the retail properties in Hong Kong as a result of rental rates of certain retail business sectors have shown indications of reaching their peaks. The fair value change is a non-cash item and will not affect the cash flow of the Group.

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 94.00% during the Period. The high occupancy rate was attributable to the prime locations of the Group's retail properties.

During the Period, the average occupancy rate of Windsor House shopping mall was approximately 94.83%.

The average occupancy rate of the shops of Causeway Place was approximately 80.48% during the Period.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, all the shops were fully let out as of 30th June, 2016.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the average occupancy rate was approximately 57.89% during the Period.

The occupancy rate for the Group's office properties maintained at a high level throughout the Period. During the Period, the average occupancy rates of Windsor House and Harcourt House were approximately 98.32% and 98.07% respectively, bringing the approximate occupancy rate of the overall office portfolio to 98.22%.

In January 2016, the Group disposed the company holding MassMutual Tower. The Group has also in December 2015 entered into a disposal agreement to dispose the companies holding Windsor House and such transaction is expected to be completed in early September 2016.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and sale of trading properties has recorded a pleasing results.

No. 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 41,108 square feet will be redeveloped. Superstructure work is in progress. Completion of the project is re-scheduled to first half of 2017.

One South Lane is located in the Western District and enjoys close proximity to the HKU MTR Station. It will be redeveloped into a luxury residential/retail tower with a total gross floor area of around 41,353 square feet and consists of 92 residential units. Superstructure and fitting-out works are in progress. Completion of the project is re-scheduled to the third quarter of 2016. Since its pre-sales commenced in September 2014, 88 units were presold up to 30th June, 2016, representing 95.65% of total units.

55 Conduit Road (70% interest) is a luxury residential development in Mid-Levels West with total residential gross floor area of around 87,800 square feet which provides 35 residential units. The occupation permit and the certificate of compliance were issued in March 2015 and November 2015 respectively and it has been launched in December 2015. As at 30th June, 2016, 20 units were contracted for sale, representing 57.14% of total units, of which 13 units had been handed over to individual purchasers.

The Hermitage (25% interest) is one of the Group's joint venture development projects in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. As at 30th June, 2016, 99.79% of total units were sold.

The Coronation (15% interest) is another joint venture development project of the Group in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 740 residential units and retail properties with a total gross floor area of around 650,600 square feet. As at 30th June, 2016, 99.86% of total units were sold.

Kwun Tong Town Centre Project (Development Areas 2 and 3) (10% interest) is a joint venture development project of the Group awarded by the Urban Renewal Authority. Its total site area is approximately 234,160 square feet. Total gross floor area of around 1,853,561 square feet will be developed. Foundation work was completed. Excavation and lateral support works and pile cap works are in progress and the whole project is expected to be completed in the first quarter of 2021.

Mainland China Property Investment

During the Period, the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen were fully let out.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 73.21% for the Period.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 87.29% for the Period.

In June 2016, the Group disposed the company holding Evergo Tower, a 21-storey office and shopping complex located at Central Huaihai Road in Shanghai. The average occupancy rates of the office and retail spaces of Evergo Tower for the Period immediately before disposal were approximately 79.66% and 85.75% respectively.

An associate of the Group disposed the company holding Platinum (50% interest), an office building in Shanghai in September 2015.

Mainland China Property Development

The Group disposed the companies holding the property projects known as Splendid City, The Metropolis and Chinese Estates Plaza, all located in Chengdu in July 2015 and The Coronation (25% interest) located in Chongqing in October 2015.

Overseas Property Investment

River Court is a Grade A freehold office building situate at 116-129 Fleet Street, London, United Kingdom. It provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces. It was fully let out as of 30th June, 2016.

In April 2016, the Group acquired 14 St George Street, a Grade A freehold office building located in London, United Kingdom. The building comprises approximately 51,861 square feet of office accommodation arranged over lower ground, ground and four upper floors. It was fully let out as of 30th June, 2016.

In May 2016, the Group acquired a mixed use freehold building located in 61-67 (odd) Oxford Street and 11-14 Soho Street, London, United Kingdom, comprising approximately 55,162 square feet in aggregate. The building provides retail, office and residential accommodation, occupying approximately 33,850 square feet, 13,735 square feet and 7,577 square feet respectively, over lower ground, ground and six upper floors. It was fully let out as of 30th June, 2016.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

Disposal of a Subsidiary holding MassMutual Tower – Major Transaction

The Group has on 12th November, 2015 entered into an equity and debt transfer agreement in relation to, inter alia, disposal of a wholly-owned subsidiary of the Company that ultimately held the commercial property known as MassMutual Tower located in Wanchai, Hong Kong to an independent third party (“MMT Transaction”). MMT Transaction constituted a major transaction of the Company under the Listing Rules. MMT Transaction was completed on 15th January, 2016 at the final consideration of approximately HK\$12,448.3 million. Details of MMT Transaction were set out in the Company’s announcement dated 12th November, 2015, circular dated 3rd December, 2015, and announcement dated 15th January, 2016.

Disposal of a Residential Unit of 55 Conduit Road – Connected Transaction

As announced on 21st December, 2015, the Group accepted a tender submitted by Ms. Amy Lau, Yuk-wai, a non-executive director of the Company, to purchase a residential unit together with a car parking space of the Group’s luxury residential development located in Mid-Levels West, Hong Kong, namely 55 Conduit Road at the purchase price of HK\$124,118,000 (before cash rebate). The transaction constituted a connected transaction of the Company under the Listing Rules. Completion took place on 5th April, 2016.

Disposal of Subsidiaries holding Windsor House – Major and Connected Transactions

As announced on 23rd December, 2015, the Group has on 23rd December, 2015 entered into sale and purchase agreements, in relation to, inter alia, disposal of the wholly-owned subsidiaries of the Company that ultimately held the property known as Windsor House located in Causeway Bay, Hong Kong to the companies wholly-owned by Mr. Joseph Lau, Luen-hung, a substantial shareholder and a controlling shareholder of the Company, at a consideration capped at HK\$12,010.0 million in total (“Windsor Transactions”). Windsor Transactions constituted major and connected transactions of the Company under the Listing Rules and were approved by the independent shareholders of the Company at the special general meeting of the Company held on 2nd February, 2016. Details of Windsor Transactions were set out in the announcement of the Company dated 23rd December, 2015 and the circular of the Company dated 15th January, 2016. Completion shall take place in early September 2016.

Acquisition of a Property in the United Kingdom

In March 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire a freehold property situate at 14 St George Street, London, United Kingdom at a consideration of GBP121.7 million. Completion of the acquisition took place on 15th April, 2016.

Acquisition of a Property in the United Kingdom – Discloseable Transaction

As announced on 21st March, 2016, the Group has on 21st March, 2016 entered into a sale and purchase agreement with an independent third party to acquire a freehold property situate at 61-67 (odd) Oxford Street and 11-14 Soho Street, London, United Kingdom at a consideration of GBP182.8 million (before rent top up and allowance for stamp duty land tax of the United Kingdom). The acquisition constituted a discloseable transaction of the Company under the Listing Rules. Completion of the acquisition took place on 20th May, 2016.

Acquisition of Equity Interest in Shengjing Bank Co., Ltd.

The Group has entered into a sale and purchase agreement with an independent third party on 6th May, 2016, in relation to the acquisition of 577,180,500 H shares in Shengjing Bank, at a consideration of approximately HK\$6,926.2 million.

Disposal of a Subsidiary holding Evergo Tower, Shanghai

The Group has on 19th May, 2016 entered into an equity transfer agreement in relation to, inter alia, disposal of a wholly-owned subsidiary of the Company that held the office and shopping complex known as Evergo Tower located in Shanghai, the PRC to an independent third party, at the final consideration of equivalent to approximately HK\$1,355.8 million. Completion of the disposal took place in June 2016.

PROSPECTS

The geopolitical tensions in Europe and Middle East as well as the United Kingdom’s public referendum to leave the European Union will continue to cause global economic and political uncertainty. In Mainland China, the economic prospect is still promising, notwithstanding the current economic slowdown and domestic rebalancing. It is believed that with stable political situation and strong central government leadership, the “One Belt and One Road” policy will continue to promote gradual economic growth and sustainable development.

In Hong Kong, there are signs of recovery from the slowdown in inbound tourism and hopefully the decline in retail sales can be curbed soon. The residential property market remained quiet during the first quarter of 2016. However, gradual sales pick-up has been recorded starting from the second quarter of 2016. The Group’s properties under development held for sale in Hong Kong are located at good hillside location, and the Group remains optimistic in its property development business in Hong Kong.

Subsequent to the disposal of the company holding MassMutual Tower in January 2016 and the disposal of the companies holding Windsor House which is anticipated to be completed in early September 2016, contribution of rental income from these properties to the Group in year 2016 will be significantly lowered. In addition, taking into account the disposal of the company holding The ONE in July 2015, it is expected that the Group’s rental revenue and net rental income in year 2016 will record a sizeable decrease when compared to that of the year 2015.

The Group has expanded its property investment portfolio overseas during the Period. The Group will remain watchful to the domestic and global market changes and will consider replenishing its land bank if good opportunity arises.

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 all 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

Throughout the Period, the Company had applied the principles and complied with the code provisions and certain recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except the following deviations:-

Code Provision A.6.7 – Independent Non-executive Directors and Non-executive Directors Attending General Meetings

Mr. Lau, Ming-wai, a Non-executive Director (“NED”), was unable to attend the special general meeting of the Company held on 2nd February, 2016 (“SGM”) and the annual general meeting of the Company held on 19th May, 2016 (“AGM”) as he had business engagement. Ms. Amy Lau, Yuk-wai, another NED, was also unable to attend the SGM and AGM as she was not in Hong Kong on the dates of SGM and AGM. Ms. Phillis Loh, Lai-ping, an INED, was unable to attend the SGM as she had business engagement.

Code Provision E.1.2 – Chairman Attending Annual General Meeting

Mr. Lau, Ming-wai, the chairman of the Board, was unable to attend the AGM as he had business engagement. Mr. Chan, Kwok-wai, the chairman of the Audit Committee and the Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. The chairman of the Nomination Committee, Ms. Phillis Loh, Lai-ping had attended the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). All Directors, after specific enquiries by the Company, confirmed that they had 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 (the “Relevant Employees”) who, because of office or employment, are likely to be in possession of unpublished inside information in relation to the Group’s securities had been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed that they had 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, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULES 13.51B(1) AND 13.51(2) OF THE LISTING RULES

The annual remuneration of Ms. Chan, Sze-wan, Executive Director and Chief Executive Officer of the Company, has been increased to HK\$1,200,000 with effect from 1st August, 2016 with reference to her duties and responsibilities in the Group as well as the prevailing market condition.

Mr. Lam, Kwong-wai, Executive Director of the Company, has been appointed as an independent non-executive director of Lifestyle China Group Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited, since 24th June, 2016.

Save those changes mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51B(1) and 13.51(2) of the Listing Rules, since the publication of 2015 Annual Report.

APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders for their continuing support. We would also like to express our sincere thanks to all staff members for their dedication and hard work.

On behalf of the Board
Lau, Ming-wai
Chairman

Hong Kong, 30th August, 2016

As at the date of this announcement, the Board comprised Ms. Chan, Sze-wan, Ms. Chan, Lok-wan and Mr. Lam, Kwong-wai as Executive Directors, 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 results announcement is published on the website of the Company (<http://www.chineseestates.com>) and the HKExnews website (<http://www.hkexnews.hk>).

Results Highlights will also be posted on the Company's website on 30th August, 2016.