



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

**Interim Report
For The Six Months
Ended 30th June, 2013**

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* *Should there be any discrepancy between the English and Chinese versions, the English version shall prevail.*

CORPORATE INFORMATION

Directors

Executive Directors:

Joseph Lau, Luen-hung
(Chairman and Chief Executive Officer)
Chan, Sze-wan
Lam, Kwong-wai
Lui, Lai-kwan

Non-executive Directors:

Lau, Ming-wai (Vice Chairman)
Amy Lau, Yuk-wai

Independent Non-executive Directors:

Chan, Kwok-wai
Phillis Loh, Lai-ping
Ma, Tsz-chun

Audit Committee

Chan, Kwok-wai (Chairman)
Phillis Loh, Lai-ping
Ma, Tsz-chun

Nomination Committee

Phillis Loh, Lai-ping (Chairman)
Chan, Kwok-wai
Ma, Tsz-chun

Remuneration Committee

Chan, Kwok-wai (Chairman)
Phillis Loh, Lai-ping
Ma, Tsz-chun

Special Committee

Chan, Kwok-wai
Phillis Loh, Lai-ping
Ma, Tsz-chun

Company Secretary

Lam, Kwong-wai

Solicitors

Sidley Austin
Sit, Fung, Kwong & Shum

Auditor

HLB Hodgson Impey Cheng Limited

Bankers

(Listed in alphabetical order)

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
BNP Paribas
Cathay United Bank Company, Limited
China Everbright Bank Co., Ltd.
Chiyu Banking Corporation Limited
Chong Hing Bank Limited
Hang Seng Bank, Limited
Nanyang Commercial Bank, Limited
Oversea-Chinese Banking Corporation Limited
Public Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Wing Hang Bank, Limited

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Website

<http://www.chineseestates.com>

Stock Code

127

Board Lot

500 shares

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RESULTS

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, 2013 (the “Period”) together with the comparative figures for the corresponding period in 2012:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2013

	Notes	Six months ended 30th June, 2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Unaudited) (Restated)
Continuing operations			
Revenue	3	4,325,125	863,904
Cost of sales		(2,069,517)	(54,533)
Gross profit		2,255,608	809,371
Other income	5	34,553	24,689
Investment income, net	6	28,800	749,430
Administrative expenses		(178,351)	(169,708)
Other expenses	7	–	(1,439)
Gain on disposals of properties and other fixed assets		4	348
Gain on disposals of investment properties		3,545	–
Fair value changes on investment properties		2,729,614	2,813,379
Finance costs	9	(222,799)	(170,569)
Other gains and losses, net	10	186,827	128,386
Share of results of associates		224,253	152,348
Profit before tax		5,062,054	4,336,235
Income tax expense	11	(385,951)	(165,417)
Profit for the period from continuing operations		4,676,103	4,170,818
Discontinued operation	12	501	3,009
Profit for the period from discontinued operation		501	3,009
Profit for the period	8	4,676,604	4,173,827
Other comprehensive income			
Continuing operations			
<i>Item that will not be reclassified to profit or loss</i>			
Surplus on revaluation of properties and other fixed assets		–	98,162
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value changes on available-for-sale investments		(14,178)	(6,672)
Exchange differences on translation of foreign operations		76,780	(66,570)
Share of other comprehensive income (expenses) of associates		53,178	(12,929)
		115,780	(86,171)
Other comprehensive income for the period from continuing operations (net of tax)		115,780	11,991

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the six months ended 30th June, 2013

	Notes	Six months ended 30th June, 2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Unaudited) (Restated)
Discontinued operation	12		
<i>Item that may be reclassified subsequently to profit or loss</i>			
Fair value changes on available-for-sale investments		(136)	3,113
Other comprehensive income for the period from continuing and discontinued operations (net of tax)		<u>115,644</u>	<u>15,104</u>
Total comprehensive income for the period		<u><u>4,792,248</u></u>	<u><u>4,188,931</u></u>
Profit for the period attributable to:			
Owners of the Company			
Continuing operations		4,467,758	4,156,257
Discontinued operation		310	1,685
		<u>4,468,068</u>	<u>4,157,942</u>
Non-controlling interests			
Continuing operations		208,345	14,561
Discontinued operation		191	1,324
		<u>208,536</u>	<u>15,885</u>
Total		<u><u>4,676,604</u></u>	<u><u>4,173,827</u></u>
Total comprehensive income for the period attributable to:			
Owners of the Company			
Continuing operations		4,583,538	4,168,248
Discontinued operation		226	3,227
		<u>4,583,764</u>	<u>4,171,475</u>
Non-controlling interests			
Continuing operations		208,345	14,561
Discontinued operation		139	2,895
		<u>208,484</u>	<u>17,456</u>
Total		<u><u>4,792,248</u></u>	<u><u>4,188,931</u></u>
Earnings per share (HK\$)	14		
Basic and diluted			
From continuing and discontinued operations		<u>2.342</u>	<u>2.180</u>
From continuing operations		<u>2.342</u>	<u>2.179</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30th June, 2013

	Notes	30th June, 2013 HK\$'000 (Unaudited)	31st December, 2012 HK\$'000 (Audited)
Non-current assets			
Investment properties	15	43,895,401	41,972,818
Properties and other fixed assets		591,617	521,886
Property interests held for future development		–	–
Intangible assets		–	–
Goodwill	16	322,938	322,938
Interests in associates	17	2,226,324	2,017,868
Advances to associates	18	1,670,303	1,642,668
Available-for-sale investments	19	111,949	119,012
Financial assets designated as at fair value through profit or loss		1,627,634	993,942
Loans receivable – due after one year		11	15
Deferred tax assets		27,932	35,252
Advance to a non-controlling shareholder		14,908	14,908
Pledged deposits		589,660	62,673
		51,078,677	47,703,980
Current assets			
Stock of properties	20	2,609,422	3,768,372
Investments held-for-trading		409,998	156,327
Financial assets designated as at fair value through profit or loss		7,062,239	9,575,592
Loans receivable – due within one year		32	51
Inventories for cosmetic products		2,905	3,379
Debtors, deposits and prepayments	21	2,776,110	5,092,246
Securities trading receivables and deposits		410,962	286,045
Tax recoverable		2,595	1,911
Pledged deposits		185,245	2,169,839
Time deposits, bank balances and cash		6,132,980	4,786,523
Sales proceeds held by stakeholders		1,205,632	837,425
		20,798,120	26,677,710
Assets classified as held for sale	22	1,088,011	147,569
		21,886,131	26,825,279
Current liabilities			
Creditors and accruals	23	1,040,057	636,313
Securities trading and margin payable		17,083	33,586
Deposits and receipts in advance		1,219,236	3,306,447
Tax liabilities		331,340	93,112
Borrowings – due within one year	24	9,459,494	14,171,958
		12,067,210	18,241,416
Liabilities directly associated with assets classified as held for sale	22	–	1,973
		12,067,210	18,243,389
Net current assets		9,818,921	8,581,890
Total assets less current liabilities		60,897,598	56,285,870

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30th June, 2013

	Notes	30th June, 2013 <i>HK\$'000</i> (Unaudited)	31st December, 2012 <i>HK\$'000</i> (Audited)
Equity attributable to owners of the Company			
Share capital	25	190,762	190,762
Properties revaluation reserve		98,162	98,162
Securities investments reserve		31,586	45,765
Statutory reserve		37,631	32,203
Other reserve		(2,510)	(2,537)
Special reserve		2,499,685	2,499,685
Capital redemption reserve		138,062	138,062
Translation reserve		1,144,801	1,014,869
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale		–	4,308
Retained profits			
– proposed/declared dividends		2,861,429	2,289,143
– others		40,837,311	39,236,100
		47,836,919	45,546,522
Non-controlling interests		210,668	431,803
Total equity		48,047,587	45,978,325
Non-current liabilities			
Borrowings – due after one year	24	11,493,088	9,335,617
Amounts due to associates	26	38,699	30,099
Amounts due to investee companies	26	383,935	104,935
Amounts due to non-controlling shareholders	27	252,119	220,437
Deferred tax liabilities		682,170	616,457
		12,850,011	10,307,545
		60,897,598	56,285,870

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30th June, 2013

	Attributable to owners of the Company				
	Share capital <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Securities investments reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> (note ii)	Other reserve <i>HK\$'000</i> (note i)
At 1st January, 2012 (audited)	190,762	–	67,934	29,119	(7,259)
Profit for the period	–	–	–	–	–
Other comprehensive income (expenses) for the period	–	98,162	(5,130)	–	122
Total comprehensive income (expenses) for the period	–	98,162	(5,130)	–	122
Dividend paid to non-controlling shareholders	–	–	–	–	–
Final dividend paid	–	–	–	–	–
At 30th June, 2012 (unaudited)	190,762	98,162	62,804	29,119	(7,137)
Profit for the period	–	–	–	–	–
Other comprehensive (expenses) income for the period	–	–	(19,124)	–	4,600
Total comprehensive (expenses) income for the period	–	–	(19,124)	–	4,600
PRC statutory reserve	–	–	–	3,084	–
Disposal of subsidiaries	–	–	2,085	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–
Interim dividend paid	–	–	–	–	–
At 31st December, 2012 (audited)	190,762	98,162	45,765	32,203	(2,537)
Profit for the period	–	–	–	–	–
Other comprehensive (expenses) income for the period	–	–	(14,179)	–	27
Total comprehensive (expenses) income for the period	–	–	(14,179)	–	27
PRC statutory reserve	–	–	–	5,428	–
Disposal of subsidiaries	–	–	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–
Final dividend paid	–	–	–	–	–
Special interim dividend paid	–	–	–	–	–
At 30th June, 2013 (unaudited)	<u>190,762</u>	<u>98,162</u>	<u>31,586</u>	<u>37,631</u>	<u>(2,510)</u>

Notes:

- (i) The movement of other reserve for the period represented the release of the negative reserve held by an associate of the Group upon the disposals of the relevant properties.
- (ii) The statutory reserve of the Group refers to The People's Republic of China ("PRC") statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.
- (iii) Amounts represented "Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale".

Attributable to owners of the Company

Special reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Amounts relating to non-current assets held for sale <i>HK\$'000</i> (note iii)	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
2,499,685	138,062	961,487	–	31,771,542	35,651,332	716,675	36,368,007
–	–	–	–	4,157,942	4,157,942	15,885	4,173,827
–	–	(79,621)	–	–	13,533	1,571	15,104
–	–	(79,621)	–	4,157,942	4,171,475	17,456	4,188,931
–	–	–	–	–	–	(5,698)	(5,698)
–	–	–	–	(19,076)	(19,076)	–	(19,076)
2,499,685	138,062	881,866	–	35,910,408	39,803,731	728,433	40,532,164
–	–	–	–	5,636,995	5,636,995	9,694	5,646,689
–	–	133,003	4,308	–	122,787	152	122,939
–	–	133,003	4,308	5,636,995	5,759,782	9,846	5,769,628
–	–	–	–	(3,084)	–	–	–
–	–	–	–	–	2,085	(211,996)	(209,911)
–	–	–	–	–	–	(94,480)	(94,480)
–	–	–	–	(19,076)	(19,076)	–	(19,076)
2,499,685	138,062	1,014,869	4,308	41,525,243	45,546,522	431,803	45,978,325
–	–	–	–	4,468,068	4,468,068	208,536	4,676,604
–	–	129,932	(84)	–	115,696	(52)	115,644
–	–	129,932	(84)	4,468,068	4,583,764	208,484	4,792,248
–	–	–	–	(5,428)	–	–	–
–	–	–	(4,224)	–	(4,224)	(220,773)	(224,997)
–	–	–	–	–	–	(208,846)	(208,846)
–	–	–	–	(381,524)	(381,524)	–	(381,524)
–	–	–	–	(1,907,619)	(1,907,619)	–	(1,907,619)
2,499,685	138,062	1,144,801	–	43,698,740	47,836,919	210,668	48,047,587

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2013

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	5,587,214	(471,673)
Net cash generated from (used in) investing activities		
Purchases of available-for-sale investments	(7,115)	(1,000)
Disposal of subsidiaries (Note 28)	(7,346)	–
Decrease (increase) in pledged deposits	1,457,607	(913,910)
Other investing activities	(235,041)	373,320
	1,208,105	(541,590)
Net cash (used in) generated from financing activities		
Bank loans and other loans (repaid) raised, net	(2,787,184)	1,899,193
Dividends paid	(2,497,989)	(24,774)
Other financing activities	(241,687)	(210,253)
	(5,526,860)	1,664,166
Net increase in cash and cash equivalents	1,268,459	650,903
Cash and cash equivalents at 1st January	4,820,010	4,268,499
Effect of foreign exchange rate changes	44,511	(41,279)
Cash and cash equivalents at 30th June	6,132,980	4,878,123
Analysis of the balances of cash and cash equivalents		
Time deposits, bank balances and cash	6,132,980	4,801,645
Time deposits and bank balances included in assets classified as held for sale	–	76,478
	6,132,980	4,878,123

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

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”) 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 Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The accounting policies adopted in the unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st December, 2012 except as described below.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has applied the amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income”. The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The presentation of other comprehensive income section has been modified for such disclosures accordingly.

The amendments to HKFRS 7 require disclosure of financial assets and financial liabilities that are (i) offset in the statement of financial position; or (ii) subject to master netting arrangements or similar arrangements irrespective of whether they are offset. The adoption of amendments to HKFRS 7 only affects disclosures relating to offsetting financial assets and financial liabilities, where applicable.

Under HKFRS 10, there is a single-approach for determining control for the purpose of consolidation of subsidiaries by an entity based on the concept of power, variability of returns and the ability to use power to affect the amount of returns. This replaces the previous approach which emphasised legal control under HKAS 27 (Revised) (for companies) or exposure to risks and rewards under HK(SIC) – Int 12 (for special purpose entities). The adoption of HKFRS 10 does not have any financial impact on the Group as all subsidiaries within the Group satisfy the requirements for control under HKFRS 10 and there are no new subsidiaries indentified under the new guidance.

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

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangements. HKFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, a jointly controlled entity that meets the definition of a joint venture should be accounted for using the equity method under HKAS 28 (2011). The adoption of HKFRS 11 does not have any financial impact to the Group.

HKFRS 12 specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new requirements for unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in these unaudited condensed consolidated financial statements as a result of adopting HKFRS 12.

HKFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurement. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A(j) and thereby are provided in Note 32. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

The Annual Improvements to HKFRSs 2009-2011 Cycle include a number of amendments to various HKFRSs. Of these, the following are pertinent to the Group’s operations:

The amendments to HKAS 32 “Financial Instruments: Presentation” clarify that income tax relating to distributions to holders of equity instrument should be recognised in profit or loss and income tax relating to transaction costs of an equity transaction should be recognised in equity. The adoption of the amendments to HKAS 32 does not have any financial impact to the Group as it currently does not have distributions subject to tax or costs of equity transactions that are tax-deductible.

Following the amendments to HKAS 34, the disclosure of total liabilities for a particular reportable segment is required if such information is regularly provided to the chief operating decision-maker. The adoption of the amendments to HKAS 34 does not have any impact to the Group as information relating to segment assets and liabilities have already been provided in these unaudited condensed consolidated financial statements.

Except for HKFRS 13, which is required prospective application from 1st January, 2013, the Group has applied the above new HKFRSs retrospectively.

Save as described above, the application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required for the Period.

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

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ²
HKFRS 9	Financial Instruments ²
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities ¹
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1st January, 2014

² Effective for annual periods beginning on or after 1st January, 2015

The Group is in the process of assessing the potential impact of the new and revised HKFRSs but is not yet in a position to determine whether the new and revised HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. The new and revised 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, gains/losses from sales of investments held-for-trading, interest income from loan financing, commission from brokerage, settlement charges from brokerage and cosmetic goods sold less returns, analysed as follows:

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
Property rental income	901,604	819,891
Sales of properties held-for-sale	3,393,837	31,667
Losses on sales of investments held-for-trading	(5,581)	(11,297)
Interest income from loan financing	26,787	15,690
Brokerage and cosmetic income	8,478	7,953
	<u>4,325,125</u>	<u>863,904</u>

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 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 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 available-for-sale equity investments	–	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 reportable segment of “floating rate and fixed rate notes” on available-for-sale investments was discontinued since the year ended 31st December, 2012 as a result of the disposals of two listed subsidiaries of the Group. Details of the discontinued operation are set out in Note 12 and the comparative information of the operating segment has been restated accordingly.

The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are fair value changes on investments properties and other property 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.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2012.

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

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

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

4. Operating Segments (continued)

Operating segment information is presented below:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2013

	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					
Continuing operations								
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	2,049,877	-	-	2,049,877
- Other countries	-	-	-	-	9,991,256	-	-	9,991,256
	-	-	-	-	12,041,133	-	-	12,041,133
Revenue								
Revenue from external customers								
- Hong Kong	2,354,003	567,298	189,097	-	(6,805)	3,132	32,133	3,138,858
- Mainland China	1,039,834	27,489	23,287	-	-	-	-	1,090,610
- United Kingdom	-	2,593	91,840	-	-	-	-	94,433
- Other countries	-	-	-	-	1,224	-	-	1,224
	3,393,837	597,380	304,224	-	(5,581)	3,132	32,133	4,325,125
Revenue from external customers after non-controlling interests								
	2,805,337	597,011	304,047	-	(5,581)	3,132	32,133	3,736,079
Attributable property sales from associates								
- Hong Kong	298,583	-	-	-	-	-	-	298,583
Attributable rental revenue from associates								
- Hong Kong	-	7,590	14,239	-	-	-	-	21,829
- Mainland China	-	41,205	41,375	-	-	-	-	82,580
	3,103,920	645,806	359,661	-	(5,581)	3,132	32,133	4,139,071
Result								
Segment result								
- Hong Kong	1,026,510	550,503	183,342	-	(70,774)	45,862	36,293	1,771,736
- Mainland China	331,765	24,109	20,428	-	-	4,990	-	381,292
- United Kingdom	-	2,591	91,752	-	-	-	-	94,343
- Other countries	-	-	-	-	44,775	-	-	44,775
	1,358,275	577,203	295,522	-	(25,999)	50,852	36,293	2,292,146
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	107,285	-	-	-	-	-	-	107,285
- Attributable gross income								
- Hong Kong	-	7,590	14,239	-	-	-	824	22,653
- Mainland China	-	41,205	41,375	-	-	-	-	82,580
- Attributable operating cost								
- Hong Kong	-	(674)	(2,317)	-	-	-	-	(2,991)
- Mainland China	-	(23,429)	(6,976)	-	-	-	-	(30,405)
Non-controlling interests	(256,628)	(328)	(162)	-	-	-	-	(257,118)
	1,208,932	601,567	341,681	-	(25,999)	50,852	37,117	2,214,150
Other income								
	3,338	95	-	-	-	-	-	3,433
Gain on disposals of investment properties								
	-	3,545	-	-	-	-	-	3,545
Finance costs								
	-	(1,488)	(52,687)	-	(27,738)	-	-	(81,913)
Other gains and losses, net								
	(11,709)	-	-	-	-	-	-	(11,709)
Share of results of associates								
- Income tax and others	(132)	(14,959)	2,346	-	-	-	(49)	(12,794)
Non-controlling interests	(555)	(910)	-	-	-	-	-	(1,465)
	1,199,874	587,850	291,340	-	(53,737)	50,852	37,068	2,113,247
Unallocated items								
Unallocated corporate expenses, net								
								(154,965)
Unallocated finance costs								
								(140,886)
Gain on disposal of subsidiaries								
								198,536
Income tax expense								
								(328,350)
Unallocated non-controlling interests								
								49,897
Profit for the period from continuing operations attributable to owners of the Company								
								1,737,479
Profit for the period from discontinued operation attributable to owners of the Company								
								310
Core profit from continuing and discontinued operations (excluding major non-cash items)								
								1,737,789
Major non-cash items								
- Fair value changes on investment properties (including share of results of associates and non-controlling interests)								2,787,880
- Deferred tax expense								(57,601)
Profit for the period from continuing and discontinued operations attributable to owners of the Company								
								4,468,068

4. Operating Segments (continued)

Condensed Consolidated Statement of Financial Position

At 30th June, 2013

	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	3,367,589	29,354,608	8,399,463	–	409,998	645,025	109,947	42,286,630
– Mainland China and Macau	10,459,408	1,573,815	397,615	–	–	7,115	25,507	12,463,460
– United Kingdom	–	100,600	3,765,900	–	–	–	–	3,866,500
– Other countries	–	–	–	–	9,318,147	–	–	9,318,147
Interests in associates								
– Hong Kong	33,416	423,960	1,058,889	–	–	1,432	28,839	1,546,536
– Mainland China	144,994	117,635	417,159	–	–	–	–	679,788
Advances to associates								
– Hong Kong	7,025	114	237	–	–	2	1,463	8,841
– Mainland China	977,204	60,576	623,682	–	–	–	–	1,661,462
Reportable segment assets	<u>14,989,636</u>	<u>31,631,308</u>	<u>14,662,945</u>	<u>–</u>	<u>9,728,145</u>	<u>653,574</u>	<u>165,756</u>	<u>71,831,364</u>
Assets classified as held for sale								1,088,011
Unallocated corporate assets								45,433
Consolidated total assets								<u>72,964,808</u>
Liabilities								
Segment liabilities								
– Hong Kong	690,175	907,656	183,905	–	2	23,441	84,431	1,889,610
– Mainland China and Macau	654,084	21,087	20,184	–	–	–	94	695,449
– United Kingdom	–	80,975	3,031,253	–	–	–	–	3,112,228
– Other countries	–	–	–	–	4,873,008	–	–	4,873,008
Reportable segment liabilities	<u>1,344,259</u>	<u>1,009,718</u>	<u>3,235,342</u>	<u>–</u>	<u>4,873,010</u>	<u>23,441</u>	<u>84,525</u>	<u>10,570,295</u>
Unallocated corporate liabilities								14,346,926
Consolidated total liabilities								<u>24,917,221</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>206,108</u>	<u>104,506</u>	<u>287,515</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,370</u>	

Other Material Items

For the six months ended 30th June, 2013

	Continuing operations			Total HK\$'000	Discontinued operation HK\$'000	Continuing and discontinued operations Consolidated statement of comprehensive income total HK\$'000
	Reportable segments total HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000			
Interest income	461,713	8,187	–	469,900	510	470,410
Finance costs	(81,913)	(140,886)	–	(222,799)	–	(222,799)
Net income (expense)	379,800	(132,699)	–	247,101	510	247,611
Depreciation	–	(9,111)	–	(9,111)	–	(9,111)
Fair value changes on investment properties	–	–	2,729,614	2,729,614	–	2,729,614
Costs of development recognised in respect of property project in Macau	(11,709)	–	–	(11,709)	–	(11,709)
Share of results of associates	166,328	–	57,925	224,253	–	224,253
Income tax expense	–	(328,350)	(57,601)	(385,951)	(38)	(385,989)
Non-controlling interests	(258,583)	49,897	341	(208,345)	(191)	(208,536)

4. Operating Segments (continued)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2012 (Restated)

	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					
Continuing operations								
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	1,393,031	-	-	1,393,031
- Other countries	-	-	-	-	2,770,767	-	-	2,770,767
	-	-	-	-	4,163,798	-	-	4,163,798
Revenue								
Revenue from external customers								
- Hong Kong	31,667	508,967	168,149	-	4,316	2,965	20,678	736,742
- Mainland China	-	22,318	24,168	-	-	-	-	46,486
- United Kingdom	-	2,644	93,645	-	-	-	-	96,289
- Other countries	-	-	-	-	(15,613)	-	-	(15,613)
	31,667	533,929	285,962	-	(11,297)	2,965	20,678	863,904
Revenue from external customers after non-controlling interests	29,297	533,089	284,777	-	(11,297)	2,965	20,678	859,509
Attributable property sales from associates/investees								
- Hong Kong	48,711	-	-	-	-	-	-	48,711
Attributable rental revenue from associates								
- Hong Kong	-	9,388	13,911	-	-	-	-	23,299
- Mainland China	-	43,676	41,616	-	-	-	-	85,292
	78,008	586,153	340,304	-	(11,297)	2,965	20,678	1,016,811
Result								
Segment result								
- Hong Kong	21,336	481,325	162,966	-	9,446	49,463	28,805	753,341
- Mainland China	-	19,496	20,384	-	-	2,443	-	42,323
- United Kingdom	-	2,641	93,556	-	-	-	-	96,197
- Other countries	-	-	-	-	678,220	-	-	678,220
	21,336	503,462	276,906	-	687,666	51,906	28,805	1,570,081
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	25,453	-	-	-	-	-	-	25,453
- Attributable gross income								
- Hong Kong	-	9,388	13,911	-	-	-	1,878	25,177
- Mainland China	-	43,676	41,616	-	-	-	-	85,292
- Attributable operating cost								
- Hong Kong	-	(2,033)	(2,817)	-	-	-	-	(4,850)
- Mainland China	-	(24,039)	(7,025)	-	-	-	-	(31,064)
Non-controlling interests	(1,892)	(726)	(1,106)	-	-	-	-	(3,724)
	44,897	529,728	321,485	-	687,666	51,906	30,683	1,666,365
Other income, net	277	-	-	-	-	-	-	277
Finance costs	-	(1,554)	(55,028)	-	(12,423)	-	-	(69,005)
Other gains and losses, net	(606)	-	-	-	-	-	-	(606)
Share of results of associates								
- Income tax and others	(719)	(13,282)	(20,635)	-	-	-	(164)	(34,800)
	43,849	514,892	245,822	-	675,243	51,906	30,519	1,562,231
Unallocated items								
Unallocated corporate expenses, net								(157,667)
Unallocated finance costs								(101,564)
Unallocated other gains and losses, net								(10)
Income tax expense								(63,984)
Unallocated non-controlling interests								(6,351)
Profit for the period from continuing operations attributable to owners of the Company								1,232,655
Profit for the period from discontinued operation attributable to owners of the Company								1,685
Core profit from continuing and discontinued operations (excluding major non-cash items)								1,234,340
Major non-cash items								
- Fair value changes on investment properties (including share of results of associates and non-controlling interests)								2,896,033
- Gain on revaluation of stock of properties upon transfer to investment properties								129,002
- Deferred tax expense								(101,433)
Profit for the period from continuing and discontinued operations attributable to owners of the Company								4,157,942

4. Operating Segments (continued)

Condensed Consolidated Statement of Financial Position

At 31st December, 2012

	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	3,465,036	26,790,661	10,437,781	–	154,275	2,711,447	35,481	43,594,681
– Mainland China and Macau	10,162,923	1,544,696	305,415	–	–	–	3,868	12,016,902
– United Kingdom	–	107,547	3,867,352	–	–	–	–	3,974,899
– Other countries	–	–	–	–	11,082,370	–	–	11,082,370
Interests in associates								
– Hong Kong	359,374	210,865	839,772	–	–	1,579	18,071	1,429,661
– Mainland China	118,660	106,215	363,332	–	–	–	–	588,207
Advances to associates								
– Hong Kong	7,225	86	60	–	–	2	1,448	8,821
– Mainland China	971,089	60,805	601,953	–	–	–	–	1,633,847
Reportable segment assets	<u>15,084,307</u>	<u>28,820,875</u>	<u>16,415,665</u>	<u>–</u>	<u>11,236,645</u>	<u>2,713,028</u>	<u>58,868</u>	<u>74,329,388</u>
Assets classified as held for sale								147,569
Unallocated corporate assets								52,302
Consolidated total assets								<u>74,529,259</u>
Liabilities								
Segment liabilities								
– Hong Kong	2,057,523	723,623	37,009	–	3	35,419	80,018	2,933,595
– Mainland China and Macau	1,026,552	21,402	21,073	–	–	–	–	1,069,027
– United Kingdom	–	89,791	3,244,312	–	–	–	–	3,334,103
– Other countries	–	–	–	–	6,796,841	–	–	6,796,841
Reportable segment liabilities	<u>3,084,075</u>	<u>834,816</u>	<u>3,302,394</u>	<u>–</u>	<u>6,796,844</u>	<u>35,419</u>	<u>80,018</u>	<u>14,133,566</u>
Liabilities directly associated with assets classified as held for sale								1,973
Unallocated corporate liabilities								14,415,395
Consolidated total liabilities								<u>28,550,934</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>1,017,557</u>	<u>113,756</u>	<u>238,595</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,726</u>	

Other Material Items

For the six months ended 30th June, 2012 (Restated)

	Continuing operations			Total HK\$'000	Discontinued operation HK\$'000	Continuing and discontinued operations Consolidated statement of comprehensive income total HK\$'000
	Reportable segments total HK\$'000	Adjustments for unallocated HK\$'000	Adjustments for major non-cash items HK\$'000			
Interest income	491,552	–	–	491,552	3,769	495,321
Finance costs	(69,005)	(101,564)	–	(170,569)	–	(170,569)
Net income (expense)	422,547	(101,564)	–	320,983	3,769	324,752
Depreciation	–	(7,410)	–	(7,410)	–	(7,410)
Fair value changes on investment properties	–	–	2,813,379	2,813,379	–	2,813,379
Gain on revaluation of stock of properties upon transfer to investment properties	–	–	129,002	129,002	–	129,002
Share of results of associates	65,208	–	87,140	152,348	–	152,348
Income tax expense	–	(63,984)	(101,433)	(165,417)	(438)	(165,855)
Non-controlling interests	(3,724)	(6,351)	(4,486)	(14,561)	(1,324)	(15,885)

5. Other Income

	Six months ended 30th June,	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other income are:		
Continuing operations		
Building management fee income	102,620	96,795
Building management fee expenses	(94,882)	(85,515)
	7,738	11,280
Forfeiture of deposits received on sales of properties	50	277
Management and maintenance service income	5,245	3,275
Interest income from loan note (Note 21(b))	8,187	–
	<u>7,738</u>	<u>11,280</u>
Discontinued operation		
Exchange gain, net	37	–
	<u>37</u>	<u>–</u>

6. Investment Income, Net

	Six months ended 30th June,	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Continuing operations		
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised loss arising on change in fair value of investments held-for-trading	(80,415)	–
Financial assets designated as at fair value through profit or loss:		
Unrealised (loss) gain arising on change in fair value of bonds	(566,470)	215,472
Realised gain arising on change in fair value of bonds	210,102	40,233
Change in fair value	(12,540)	(2,115)
Exchange component of change	–	–
Net (loss) gain arising on change in fair value of financial assets designated as at fair value through profit or loss	(368,908)	253,590
Other investment income, net	7,373	186
Dividend income on:		
Listed investments	16,446	4,400
Unlisted investments	19,620	15,734
Interest income	434,684	475,520
	<u>28,800</u>	<u>749,430</u>
Discontinued operation		
Interest income	510	3,769
	<u>510</u>	<u>3,769</u>
	<u>29,310</u>	<u>753,199</u>

Included in interest income from continuing operations is interest from bonds of approximately HK\$405,086,000 (2012: HK\$440,787,000). Included in interest income from discontinued operation is interest from unlisted fixed rate notes of approximately HK\$510,000 (2012: unlisted floating rate and fixed rate notes of approximately HK\$3,691,000).

9. Finance Costs

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
Continuing operations		
Interest on:		
Bank loans wholly repayable within five years	218,096	174,332
Bank loans wholly repayable over five years	–	21,901
Other loans wholly repayable within five years	20,319	17,561
Loan from a former subsidiary wholly repayable within five years	2,771	–
Amount due to a non-controlling shareholder	1,482	–
	<u>242,668</u>	<u>213,794</u>
Total interest	242,668	213,794
Exchange loss (gain) on translation of foreign currency loans	7,419	(5,138)
Other finance costs	35,579	18,298
	<u>285,666</u>	<u>226,954</u>
Less: Interest capitalised to stock of properties under development	(635)	(31,692)
Interest capitalised to investment properties under development	(62,232)	(24,693)
	<u>222,799</u>	<u>170,569</u>

10. Other Gains and Losses, Net

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
Included in other gains and losses, net are:		
Continuing operations		
Gain on disposal of subsidiaries (note)	198,536	–
Costs of development recognised in respect of property project in Macau	(11,709)	–
Gain on revaluation of stock of properties upon transfer to investment properties	–	129,002
Write-down of stock of properties	–	(606)
	<u>186,827</u>	<u>128,396</u>

Note: Gain on disposal of subsidiaries arose from the disposal of the Group's entire 61.96% interest in Chi Cheung Investment Company, Limited ("Chi Cheung"), a listed subsidiary of the Company, during the Period (Note 28) (2012: nil).

11. Income Tax Expense

	Six months ended 30th June,	
	2013	2012
	HK\$'000	<i>HK\$'000</i>
		(Restated)
The charge comprises:		
Continuing operations		
Current tax:		
Hong Kong Profits Tax	219,793	42,283
Other than Hong Kong	105,204	8,182
	324,997	50,465
Overprovision in prior years:		
Hong Kong Profits Tax	263	(1,404)
Other than Hong Kong	(9,464)	408
	(9,201)	(996)
Deferred tax:		
Current period charge	70,155	115,948
	385,951	165,417
Discontinued operation		
Current tax:		
Hong Kong Profits Tax	38	438
	385,989	165,855

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the Period. The PRC Enterprise Income Tax rate of 25% (2012: 25%) is used for estimation of China income tax. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. Discontinued Operation

(a) Disposal of Chi Cheung on 6th February, 2013 (“Chi Cheung Disposal”)

On 5th December, 2012, (i) Billion Up Limited (“Billion Up”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Billion Up; and (iii) an independent third party of and not connected with the Company and its connected persons (“Purchaser of Chi Cheung”) entered into a sale and purchase agreement pursuant to which Billion Up agreed to sell and the Purchaser of Chi Cheung agreed to purchase the shares of Chi Cheung held by the Group, representing approximately 61.96% of the entire issued share capital of Chi Cheung, at a total consideration of approximately HK\$559,199,000 (after adjustment). The Chi Cheung Disposal was completed on 6th February, 2013. Upon completion, Chi Cheung and its subsidiaries (“Chi Cheung Group”) ceased to be subsidiaries of the Group.

On 5th December, 2012, the Group and Chi Cheung also entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital, the shareholder’s loan and certain debt of View Success Investments Limited (“View Success”), an indirect wholly-owned subsidiary of Chi Cheung, from Chi Cheung (“View Success Acquisition”) at a total consideration of approximately HK\$41,500,000. The View Success Acquisition was completed on 23rd January, 2013. As such, the assets and liabilities of View Success did not form part of net assets disposed of on the completion of the Chi Cheung Disposal.

Details of the Chi Cheung Disposal and View Success Acquisition were set out in the announcement of the Company dated 5th December, 2012.

(b) Disposal of G-Prop (Holdings) Limited (“G-Prop”) on 6th August, 2012 (“G-Prop Disposal”)

On 16th June, 2012, Mass Rise Limited, an indirect wholly-owned subsidiary of the Company, as the first vendor (“First Vendor”) and Asian Kingdom Limited, a company indirectly wholly-owned by a Director and a controlling shareholder of the Company, as the second vendor (“Second Vendor”) entered into a sale and purchase agreement in respect of the disposal of a total of 1,512,059,473 shares of G-Prop with (i) Champion Dynasty Limited, an independent third party, as the purchaser (“Purchaser of G-Prop”); (ii) the Company and Crown Jade Limited as warrantors; and (iii) Mr. Cheung Wai Kuen as guarantor of the Purchaser of G-Prop, pursuant to which 1,018,380,590 shares of G-Prop was sold by the First Vendor to Purchaser of G-Prop and 493,678,883 shares of G-Prop was sold by the Second Vendor to the Purchaser of G-Prop at a total consideration of approximately HK\$423,661,000. The G-Prop Disposal was completed on 6th August, 2012. Upon completion, G-Prop and its subsidiaries ceased to be subsidiaries of the Group.

Details of the G-Prop Disposal were disclosed in the announcement of the Company dated 17th June, 2012.

12. Discontinued Operation (continued)

As a result of the Chi Cheung Disposal and the G-Prop Disposal, the reportable segment of “floating rate and fixed rate notes” has been discontinued since the year ended 31st December, 2012 and, in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” issued by the HKICPA, their consolidated results were therefore classified as discontinued operation and the comparative information has also been restated accordingly.

The unaudited consolidated results of the discontinued operation for the six months ended 30th June, 2013 and 2012 are set out as below:

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
Other income	37	–
Investment income, net	510	3,769
Administrative expenses	(8)	(322)
	<u>539</u>	<u>3,447</u>
Profit before tax	539	3,447
Income tax expense	(38)	(438)
	<u>501</u>	<u>3,009</u>
Profit for the period from discontinued operation	501	3,009
Other comprehensive (expense) income for the period:		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Fair value changes on available-for-sale investments	(136)	3,113
	<u>(136)</u>	<u>3,113</u>
Total comprehensive income for the period from discontinued operation (net of tax)	<u>365</u>	<u>6,122</u>
Profit for the period from discontinued operation attributable to:		
Owners of the Company	310	1,685
Non-controlling interests	191	1,324
	<u>501</u>	<u>3,009</u>
Total comprehensive income for the period from discontinued operation attributable to:		
Owners of the Company	226	3,227
Non-controlling interests	139	2,895
	<u>365</u>	<u>6,122</u>
The consolidated cash flows from discontinued operation are set out as below:		
Net cash used in operating activities	(581)	(735)
Net cash generated from investing activities	1,051	14,732
	<u>470</u>	<u>13,997</u>
Net cash inflows	470	13,997

13. Dividends

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
Interim dividend for 2013 declared after interim period end of HK20 cents (2012: HK1 cent) per share	381,524	19,076
Special interim dividend for 2013 declared after interim period end of HK\$1.30 (2012: nil) per share	2,479,905	—
	<u>2,861,429</u>	<u>19,076</u>
Special interim dividend for 2012 paid on 22nd February, 2013 of HK\$1 (2011: nil) per share	1,907,619	—
Final dividend for 2012 paid on 10th June, 2013 of HK20 cents (2011: HK1 cent) per share	381,524	19,076
Total dividends paid	<u>2,289,143</u>	<u>19,076</u>

14. Earnings per Share

From continuing and discontinued operations

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

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
		(Restated)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company:		
Continuing operations	4,467,758	4,156,257
Discontinued operation	310	1,685
	<u>4,468,068</u>	<u>4,157,942</u>
	Number of shares	
	2013	2012
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,907,619,079</u>	<u>1,907,619,079</u>

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations is based on the profit for the Period from continuing operations attributable to owners of the Company of approximately HK\$4,467,758,000 (2012: HK\$4,156,257,000 (restated)) and on the weighted average number of 1,907,619,079 (2012: 1,907,619,079) ordinary shares in issue during the Period.

From discontinued operation

Basic and diluted earnings per share from the discontinued operation is HK0.02 cents (2012: HK0.09 cents (restated)) which is calculated based on the profit for the Period from discontinued operation attributable to owners of the Company of approximately HK\$310,000 (2012: HK\$1,685,000 (restated)) and on the weighted average number of 1,907,619,079 (2012: 1,907,619,079) ordinary shares in issue during the Period.

Diluted earnings per share for the six months ended 30th June, 2013 and 2012 were the same as the basic earnings per share as there were no diluting events during both periods.

15. Investment Properties

	Fair value		Cost	Total HK\$'000
	Completed properties HK\$'000	Properties under construction HK\$'000	Properties under construction HK\$'000	
At 1st January, 2012	31,735,937	298,000	2,450,592	34,484,529
Additions	20,816	–	–	20,816
Construction costs incurred	–	75,347	775,343	850,690
Transfer from properties and other fixed assets	–	107,539	–	107,539
Transfer from stock of properties	321,494	–	–	321,494
Transfer to properties under construction	(37,600)	37,600	–	–
Transfer to assets classified as held for sale	(14,290)	–	–	(14,290)
Exchange adjustments	161,029	–	34,789	195,818
Increase in fair value recognised in the consolidated statement of comprehensive income	5,959,458	149,514	–	6,108,972
Disposal of subsidiaries	(33,700)	–	–	(33,700)
Disposals	(69,050)	–	–	(69,050)
At 31st December, 2012	38,044,094	668,000	3,260,724	41,972,818
Additions	1,486	–	–	1,486
Construction costs incurred	–	56,822	482,504	539,326
Overprovision of construction costs	(46,544)	–	–	(46,544)
Transfer to properties and other fixed assets	(75,100)	–	–	(75,100)
Transfer to assets classified as held for sale	(1,086,478)	–	–	(1,086,478)
Exchange adjustments	(193,261)	–	55,073	(138,188)
Increase in fair value recognised in the consolidated statement of comprehensive income	2,708,903	19,178	–	2,728,081
Carrying amounts				
At 30th June, 2013	39,353,100	744,000	3,798,301	43,895,401

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Property valuations as at 30th June, 2013 were carried out by B.I. Appraisals Limited ("B.I. Appraisals") and Vigers Appraisal and Consulting Limited ("Vigers Appraisal") (31st December 2012: B.I. Appraisals), independent qualified professional valuers, in respect of the Group's investment properties in Hong Kong and Mainland China. For the investment property in the United Kingdom, the valuations as at 30th June, 2013 and 31st December, 2012 were carried out by Peak Vision Appraisals Limited ("Peak Vision Appraisals"), another independent qualified professional valuer. All valuers have recent relevant experience in the valuation of similar properties in the relevant locations.

15. Investment Properties (continued)

The valuation reports for the investment properties as at 30th June, 2013 and 31st December, 2012 are signed by the respective director of B.I. Appraisals, Vigers Appraisal and Peak Vision Appraisals, who are members of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors. The valuations were performed in accordance with “The HKIS Valuation Standards 2012 Edition” issued by The Hong Kong Institute of Surveyors and the “RICS Valuation – Professional Standards (March 2012 8th Edition)” published by the Royal Institution of Chartered Surveyors.

The fair value of each investment property is individually determined at the end of each reporting period based on its market value and by adopting investment method, and/or direct comparison method, as appropriate. The valuation was relied on the discounted cash flow analysis and the capitalisation of income approach. The investment method is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current term leases, term yield rate, assumptions about rental income from future reversion leases in light of current market conditions, the assumed occupancy rate and reversionary yield rate. Judgment by the valuers is required to determine the principal valuation factors, including term yield rate and reversionary yield rate. Such yield rates were adopted after considering the investment sentiments and market expectations of properties of similar nature. Direct comparison method assumes each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

For the Group’s investment properties under development, their fair values reflect the expectations of market participants of the value of the properties when they are completed, less deductions for the costs required to complete the projects and appropriate adjustments for profit and risk. The key assumptions include present value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors’ return as a percentage of value or cost.

For the Group’s investment properties under construction at cost, when their fair values were not reliably measurable, they were measured at cost, less any impairment loss, until the earlier of the date of construction is completed and the date at which fair values become reliably measurable.

16. Goodwill

	<i>HK\$’000</i>
Cost	
At 1st January, 2012	377,627
Derecognised on disposal of subsidiaries (note)	(6,941)
	<hr/>
At 31st December, 2012 and 30th June, 2013	370,686
Impairment	
At 1st January, 2012, 31st December, 2012 and 30th June, 2013	47,748
	<hr/>
Carrying amounts	
At 31st December, 2012 and 30th June, 2013	<u><u>322,938</u></u>

Note: The derecognition was resulted from the G-Prop Disposal.

17. Interests in Associates

	30th June, 2013 <i>HK\$'000</i>	31st December, 2012 <i>HK\$'000</i>
Cost of investment in associates – unlisted	283,758	283,758
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,942,566	1,734,110
	<u>2,226,324</u>	<u>2,017,868</u>

The Company provided corporate guarantee to secure bank loans granted to its associates. The fair value of the financial guarantee contract was determined by Norton Appraisals Limited, independent qualified professional valuer, and it was recognised as interests in associates and financial guarantee liabilities in the Group's unaudited condensed consolidated statement of financial position.

The investment properties held by the Group's principal associates were revalued as at 30th June, 2013 by B.I. Appraisals. B.I. Appraisals continues to adopt investment method and/or direct comparison method as the valuation methodologies. The valuation methods and significant assumptions applied in determining the fair values of investment properties as detailed in Note 15.

18. Advances to Associates

	30th June, 2013 <i>HK\$'000</i>	31st December, 2012 <i>HK\$'000</i>
Interest-bearing advances to associates	67,400	67,384
Interest-free advances to associates	1,602,903	1,575,284
	<u>1,670,303</u>	<u>1,642,668</u>

The advances to associates are unsecured. An amount of approximately HK\$977,204,000 (31st December, 2012: HK\$971,089,000) was expected to be repayable in 2016 and the amount is therefore shown as non-current. For the remaining HK\$693,099,000 (31st December, 2012: HK\$671,579,000), the Group will not demand for repayment within one year from the end of the reporting period and the amounts are therefore shown as non-current. The interest-bearing advances to associates bear interest at the prevailing market rates.

19. Available-for-sale Investments

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
Available-for-sale investments comprise:		
Unlisted equity securities:		
– Incorporated in Hong Kong	84,354	98,532
– Incorporated elsewhere	11,014	3,899
	<u>95,368</u>	<u>102,431</u>
Club debentures	16,581	16,581
	<u>111,949</u>	<u>119,012</u>
Total	<u>111,949</u>	<u>119,012</u>
Analysis for reporting purposes as:		
Non-current assets	<u>111,949</u>	<u>119,012</u>

20. Stock of Properties

During the Period, according to the work certified for the site formation and slope stabilisation for the Macau Land (as defined hereinafter), an additional construction cost was incurred and classified as “Stock of Properties” amounted to approximately HK\$6,780,000 and such amount has been reclassified from “Stock of Properties” to “Debtors, Deposits and Prepayments”.

As set out in the Company’s announcements dated 17th June, 14th August, and 5th September, 2012, Moon Ocean Ltd. (“Moon Ocean”), a wholly-owned subsidiary of the Company, received three notices (“Previous Notices”) from the Land, Public Works and Transport Bureau of Macau Special Administrative Region of the People’s Republic of China (“Macau”) (“LPWT”) regarding (i) the transfers of the rights deriving from the land concession for the five plots of land adjacent to the Macau International Airport (according to the Group’s record, formerly known as Lots 1C; 2; 3; 4 and 5 (parcels 5A & 5B), Avenida Wai Long, Taipa, Macau, and registered in the Macau Land Registry under Nos. 22993, 22991, 22995, 22990 and 22989 and now known as Lots 1C1; 1C2; 1C3; 2a; 2b; 2d; 3; 4a; 4b; 5a1; 5a2; 5a3; 5b1; 5b2; 5b3; 5b4; 5b5; 5b6; A3a; A3b; A4a; A4b; E1a; E1b; E2 and E3 and registered in the Macau Land Registry under No. 22989) (“Macau Land”) from five Macau companies to which the land concession was originally granted (“Original Owners”) to Moon Ocean and the amendment of the related land concession contracts; and (ii) the increase of residential gross floor area of the Macau Land from 392,505 to 537,560 square meters and an exchange of 9 small pieces of land with a total site area of approximately 1,282 square meters initially forming part of the Macau Land for 8 small pieces of adjacent land with a total site area of approximately 5,204 square meters as announced on 9th March, 2011 (“2011 Revision”). Details of the Previous Notices, related appeals, legal opinions and actions taken by the Group to the Macau government were set out in Notes 34, 38 and 50 to the consolidated financial statements of the Group for the year ended 31st December, 2012.

On 16th April, 2013, Moon Ocean received a notice (“Fourth Notice”) from the LPWT stating that (i) the Chief Executive of Macau declared the previous act of approval of the 2011 Revision by the Chief Executive of Macau was invalid (“Second Decision”); and (ii) Moon Ocean may present objection against the Second Decision within 15 days from the gazetting of the Second Decision and may also appeal to the Court of Second Instance of Macau. Details of the Fourth Notice were disclosed in the Company’s announcement dated 16th April, 2013. The Second Decision was then published on the official bulletin of the Macau government dated 17th April, 2013.

On 15th May, 2013, Moon Ocean and two purchasers of La Scala jointly lodged an appeal to the Court of Second Instance of Macau against the Second Decision (“Second Decision Appeal”). Details of lodging the Second Decision Appeal were disclosed in the Company’s announcement dated 15th May, 2013.

20. Stock of Properties (continued)

In preparing the unaudited condensed consolidated financial statements of the Group for the Period, the Directors have sought the legal opinion from the Macau legal adviser regarding the Previous Notices, the Fourth Notice and the appeals made against the decisions made by the Chief Executive of Macau as stated in the Previous Notices and the Fourth Notice (“Macau Legal Opinion”).

Based on the Macau Legal Opinion, the Previous Notices, the Fourth Notice, the appeals made against the decisions made by the Chief Executive of Macau as stated in the Previous Notices and the Fourth Notice and all available information, the Group has reclassified the costs incurred during the Period for the construction project of the Macau Land of approximately HK\$6,780,000 (“2013 Construction Cost”) to “Debtors, Deposits and Prepayments” (Note 21(a)) in the unaudited condensed consolidated statement of financial position of the Group as at 30th June, 2013.

21. Debtors, Deposits and Prepayments

Trade receivables:

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$135,990,000 (31st December, 2012: HK\$35,381,000) comprised rental receivables billed in advance and settlements from tenants are expected upon receipts of billings and properties sales proceeds receivables.

The following is the aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period:

	30th June, 2013 <i>HK\$'000</i>	31st December, 2012 <i>HK\$'000</i>
0 – 30 days	13,416	4,264
31 – 60 days	3,745	22,244
61 – 90 days	646	1,201
Over 90 days	118,183	7,672
	<u>135,990</u>	<u>35,381</u>

Other receivables and prepayments as at 30th June, 2013 mainly comprised the following:

- (a) During the Period, the 2013 Construction Cost of approximately HK\$6,780,000 was reclassified from “Stock of Properties” to “Debtors, Deposits and Prepayments” and such amount was recognised as “Costs of Development Recognised in respect of Property Project in Macau”. Furthermore, during the Period, the 2013 Macau Project Cost (as defined hereinafter) of approximately HK\$4,929,000 for maintaining the sales office and the show flat was incurred and classified as “Debtors, Deposits and Prepayments” and such amount was recognised as “Costs of Development Recognised in respect of Property Project in Macau”.

Included in “Debtors, Deposits and Prepayments” (net of impairment) were (i) the 2013 Construction Cost reclassified from “Stock of Properties” (Note 20) during the Period and (ii) the prepayments related to the costs incurred during the Period mainly for the presale of the residential units in the property project of the Macau Land of approximately HK\$4,929,000 (excluding inter-company transaction of approximately HK\$804,000 in respect of rental charges and building management fee of office premises charged to Moon Ocean by its fellow subsidiary) (“2013 Macau Project Cost”). The 2013 Construction Cost and the 2013 Macau Project Cost were recognised as “Costs of Development Recognised in respect of Property Project in Macau” and were included in “Other Gains and Losses, Net” (Note 10) in the unaudited condensed consolidated statement of comprehensive income for the Period.

As at 30th June, 2013, included in other receivables (net of impairment) were balances brought forward from 31st December, 2012 of (i) the cost of acquisition of the land concession amounted to approximately HK\$1,329,023,000 paid to the Original Owners (“Land Costs”); and (ii) the premium paid to the Macau government in relation to the 2011 Revision amounted to approximately HK\$624,073,000 (“Premium”). Details of the Land Costs and the Premium were set out in Notes 34 and 38 in the consolidated financial statements of the Group for the year ended 31st December, 2012.

21. Debtors, Deposits and Prepayments (continued)

- (b) Included in other receivables as at 31st December, 2012 were the loan note in the principal amount of US\$300,000,000 (equivalent to approximately HK\$2,327,070,000) received from the purchaser of the Group's entire 49% interest in Grandday Group Limited ("Grandday Group") as part of the consideration for the disposal ("Grandday Disposal") ("Loan Note") pursuant to the sale and purchase agreement entered into on 5th September, 2012. Details of the Grandday Disposal were set out in the announcement of the Company dated 5th September, 2012.

The Loan Note with maturity date of 7th June, 2013, secured by the share charge ("Share Charge") over the 49 shares in Grandday Group and carried interest at 2% per annum, was fully redeemed by the purchaser in the amount of US\$100,000,000 (equivalent to approximately HK\$775,565,000) on 4th March, 2013 and US\$200,000,000 (equivalent to approximately HK\$1,551,130,000) on 6th March, 2013 respectively, together with all interests accrued thereon. The Share Charge was discharged and released on 6th March, 2013.

Save as mentioned above, the terms, provisions, guarantee, indemnities and undertakings contained in the sale and purchase agreement (including without limiting the buy option, the sale option, the indentures security and the automatic sale contained therein) and the other transactional documents in relation to the Grandday Disposal shall remain in full force and effect to the extent not already performed or discharged.

Details of the redemption of the Loan Note were set out in the announcement of the Company dated 6th March, 2013.

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

- (a) **Disposals of certain shops or units of an investment property in Hong Kong ("Sale Units")**

During the Period, an indirect wholly-owned subsidiary of the Company ("Vendor of the Sale Units") has entered into a series of preliminary sale and purchase agreements ("Preliminary Agreements") with independent third parties and three companies wholly-owned by a close family member of a Director and a substantial shareholder of the Company ("Connected Parties") (collectively "Purchasers of the Sale Units"). Pursuant to the Preliminary Agreements, the Vendor of the Sale Units would sell the Sale Units to the Purchasers of the Sale Units upon the terms and conditions contained therein. As at 30th June, 2013, the Preliminary Agreements had been entered into for an aggregate consideration of approximately HK\$1,081,728,000 (after discount) including an aggregate consideration of approximately HK\$39,096,000 (after discount) for the Preliminary Agreements entered into with the Connected Parties. Completion of these transactions will take place in the second half of 2013. Up to the date of approval of these unaudited condensed consolidated financial statements, most of the sales of the Sale Units have been completed.

- (b) **Disposal of a shop of another investment property in Hong Kong ("Property") ("Disposal Unit")**

An indirect non-wholly owned subsidiary of the Company has entered into a preliminary sale and purchase agreement with an independent third party for the sale of the Disposal Unit in June 2013 at a consideration of approximately HK\$4,750,000 and the completion of the sale will take place in August 2013.

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

In accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, the Sale Units and the Disposal Unit have been presented as assets classified as held for sale and were stated at fair value in the unaudited condensed consolidated statements of financial position as at 30th June, 2013.

As at 31st December, 2012, as a result of the sale and purchase agreement for the Chi Cheung Disposal as disclosed in Note 12(a) and the sale and purchase agreements for sales of certain shops of the Property (“2012 Disposal Units”) entered into during the year ended 31st December, 2012, the consolidated assets and liabilities of Chi Cheung and the 2012 Disposal Units were presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale correspondingly in the consolidated statements of financial position as at 31st December, 2012.

The major classes of assets and liabilities of the Sale Units and the Disposal Unit (31st December, 2012: Chi Cheung Group and the 2012 Disposal Units) in aggregate classified as assets held for sale and liabilities directly associated with assets classified as held for sale correspondingly are as follows:

	30th June, 2013 <i>HK\$'000</i>	31st December, 2012 <i>HK\$'000</i>
Investment properties	1,088,011	14,290
Available-for-sale investments	–	98,057
Debtors, deposits and prepayments	–	1,735
Time deposits and bank balances	–	33,487
	<hr/>	<hr/>
Assets classified as held for sale	<u>1,088,011</u>	<u>147,569</u>
	<hr/>	<hr/>
Creditors and accruals	–	279
Tax liabilities	–	1,694
	<hr/>	<hr/>
Liabilities directly associated with assets classified as held for sale	<u>–</u>	<u>1,973</u>

23. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$247,841,000 (31st December, 2012: HK\$339,738,000).

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

	30th June, 2013 <i>HK\$'000</i>	31st December, 2012 <i>HK\$'000</i>
0 – 90 days	29,174	36,717
Over 90 days	218,667	303,021
	<hr/>	<hr/>
	<u>247,841</u>	<u>339,738</u>

24. Borrowings

	30th June, 2013 <i>HK\$'000</i>	31st December, 2012 <i>HK\$'000</i>
Secured bank loans	15,670,188	16,710,889
Other secured loans	4,872,394	6,796,686
Unsecured loan from a former subsidiary	410,000	–
	20,952,582	23,507,575
Less: Amounts due within one year	(9,459,494)	(14,171,958)
Amounts due after one year	11,493,088	9,335,617

25. Share Capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2012, 31st December, 2012 and 30th June, 2013	5,000,000,000	500,000
Issued and fully paid:		
At 1st January, 2012, 31st December, 2012 and 30th June, 2013	1,907,619,079	190,762

26. Amounts due to Associates and Investee Companies

The amounts due to associates and investee companies are unsecured and interest-free. The associates and investee companies will not demand for repayment within one year from the end of the reporting period and the amounts are therefore shown as non-current.

27. Amounts due to Non-controlling Shareholders

The amounts due to non-controlling shareholders are unsecured and interest-free, except for a principal amount of approximately HK\$40,080,000 which bears interest at the rate mutually agreed by both parties. The non-controlling shareholders will not demand for repayment within one year from the end of the reporting period and the amounts are therefore shown as non-current.

28. Disposal of Subsidiaries

As disclosed in Note 12(a), Billion Up, the Company and an independent third party entered into a sale and purchase agreement for disposal of the Group's entire 61.96% interest in Chi Cheung on 5th December, 2012 at a total consideration of approximately HK\$559,199,000 (after adjustment). The Chi Cheung Disposal was completed on 6th February, 2013. Upon completion, Chi Cheung Group ceased to be subsidiaries of the Group and its consolidated results, assets and liabilities ceased to be consolidated with those of the Group.

As disclosed in Note 12(a), since the View Success Acquisition was completed on 23rd January, 2013, before completion of the Chi Cheung Disposal, the assets and liabilities of View Success did not form part of net assets disposed of at the date of completion of the Chi Cheung Disposal.

28. Disposal of Subsidiaries (continued)

HK\$'000

The net assets of Chi Cheung Group at the date of disposal were as follows:

Loan to the Group	410,000
Available-for-sale investments	97,937
Debtors, deposits and prepayments	3,029
Time deposits and bank balances	563,264
Creditors and accruals	(490,434)
Tax liabilities	(1,416)
	<hr/>
Net assets disposed of:	582,380
Non-controlling interests	(220,774)
Cumulative gain on available-for-sale investments reclassified from equity	(4,224)
Gain on disposal of subsidiaries	198,536
	<hr/>
	555,918
	<hr/> <hr/>
Satisfied by:	
Cash consideration received	559,199
Expenses incurred for disposal	(3,281)
	<hr/>
	555,918
	<hr/> <hr/>
Net cash outflow arising on disposal:	
Cash consideration received	559,199
Expenses incurred for disposal	(3,281)
Time deposits and bank balances disposed of	(563,264)
	<hr/>
	(7,346)
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The gain on disposal of subsidiaries was included in "Other Gains and Losses, Net" (Note 10) in these unaudited condensed consolidated statement of comprehensive income.

29. Capital Commitments

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	489,663	612,980
Development expenditure of properties in Mainland China	4,218,856	4,325,394
Development expenditure of properties in Macau	2,772,500	2,781,962
Capital investment in Mainland China	380,705	–
Renovation of properties	2,305	2,305
	<hr/>	<hr/>
	7,864,029	7,722,641
	<hr/> <hr/>	<hr/> <hr/>

The Group's associate had capital commitments which were authorised and contracted for at the end of the reporting period of approximately HK\$810,536,000 (31st December, 2012: HK\$571,202,000), of which the Group's share of commitments amounted to approximately HK\$202,634,000 (31st December, 2012: HK\$142,801,000).

30. Contingent Liabilities

(a) The appeals to the Court of Second Instance of Macau with regard to the decisions as stated in the Previous Notices and the Fourth Notice

As disclosed in Notes 20 and 21 in these unaudited condensed consolidated financial statements and Notes 34 and 38 in the consolidated financial statements for the year ended 31st December, 2012, Moon Ocean filed the appeals to the Court of Second Instance of Macau against the decisions made by the Chief Executive of Macau as stated in the Previous Notices and the Fourth Notice. Up to the date of the approval of these unaudited condensed consolidated financial statements, the appeals are still in progress and there is no notice from the Court of Second Instance of Macau regarding the timing for legal procedures to be conducted.

During the course of the development of La Scala project on the Macau Land, Moon Ocean has entered into construction contracts with certain contractors. The aggregate amount of these construction contracts are approximately HK\$2,772,500,000 as at 30th June, 2013 (31st December, 2012: HK\$2,781,962,000) although none of construction contractors, including China Construction Engineering (Macau) Company Limited which is the main construction contractor with construction contract sum of approximately HK\$2,252,457,000 (31st December, 2012: HK\$2,252,677,000), has commenced construction work on the Macau Land. Should the final outcome of the appeals be unfavourable to the Group, Moon Ocean may consider entering into cancellation agreements with these contractors for the development of La Scala project on the Macau Land. Adjustments may be necessary to be made to the liabilities arising from the outstanding contractual obligations under these construction contracts should there be claims from construction contractors.

Regarding the presale of La Scala commenced since March 2012, the Group recorded contracted sales on sale of properties of approximately HK\$3,825,269,000 as at 30th June, 2013 and 31st December, 2012 representing presale of 302 units of La Scala, after cancellation of 2 contracted sales, and sales deposits of approximately HK\$383,853,000 have been received by the Group. Should the final outcome of the appeals be unfavourable to the Group, Moon Ocean may consider entering into cancellation agreements with purchasers of La Scala in the presale and refunding the deposits received. Adjustments may be necessary should there be claims made by purchasers of La Scala in the presale.

The Directors are of the opinion that the Group will pursue for further legal proceedings to appeals made to the decisions as stated in the Previous Notices and the Fourth Notice. The Directors are of the opinion that, based on the Macau Legal Opinion, there is strong legal argument to win the appeals.

(b) Litigation in respect of a presale transaction of one unit of La Scala

On 3rd March, 2012, two purchasers of La Scala ("Plaintiffs") jointly signed a binding offer letter with Moon Ocean for which the Plaintiffs agreed to acquire one residential unit of La Scala ("Binding Offer Letter"). According to the Binding Offer Letter, the Plaintiffs paid the first deposit amounting to approximately HK\$603,000 ("First Deposit") to Moon Ocean on the date of signing the Binding Offer Letter.

On 18th July, 2012, the Court of First Instance of Macau issued a writ of summons to Moon Ocean regarding to (i) the request from the Plaintiffs to cancel the Binding Offer Letter and (ii) claim against Moon Ocean to return the First Deposit as the terms of the Binding Offer Letter are inconsistent with the presale agreement ("Litigation"). On 24th September, 2012, the lawyer of Moon Ocean representing Moon Ocean filed a defence to the Court of First Instance of Macau. The first court hearing of the Litigation would be held on 30th April, 2014.

Up to the date of the approval of these unaudited condensed consolidated financial statements, no judgement of the Litigation is issued by the Court of First Instance of Macau. The Directors consider that the Litigation is still in the preliminary stage and the outcome of the Litigation is uncertain.

(c) Other contingent liabilities

	30th June, 2013 <i>HK\$'000</i>	31st December, 2012 <i>HK\$'000</i>
Guarantees given to banks, in respect of banking facilities utilised by associates	802,592	822,500
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
Repurchase guarantee given to banks in respect of mortgages facilities given to property purchasers by subsidiaries	252,084	302,586
	<u>1,069,676</u>	<u>1,140,086</u>

31. Material Related Party Transactions

During the Period, the Group entered into the following material transactions with related parties:

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
Interest income received from associates	2,007	2,501
Management and maintenance service income received from a Director and a substantial shareholder	5,245	3,275
Property management service income received from companies controlled by a Director and a substantial shareholder	7,650	7,653
Rent and building management fee paid to associates	1,171	1,074
Consideration received for the disposal of a residential unit of the Group's stock of property held for sale to an associate of a Director and a substantial shareholder (note (i))	<u>22,708</u>	<u>–</u>

Interest income was charged at the prevailing market rate based on outstanding balance during the Period. Management and maintenance service income and property management service income were charged at the terms agreed by both parties. Rent and building management fee were determined on terms similar to those applicable to transactions with unrelated parties. Considerations for sales of properties were determined with reference to the prevailing market value.

Notes:

- (i) As set out in the Company's announcement dated 6th February, 2013, an associate of a Director and a substantial shareholder of the Company entered into a preliminary sale and purchase agreement for the acquisition of a residential unit of the Group's stock of property held for sale at a consideration of approximately HK\$22.7 million. The transaction had been completed on 5th April, 2013.
- (ii) During the Period, an indirect wholly-owned subsidiary of the Company, entered into preliminary sale and purchase agreements with three companies wholly-owned by a close family member of a Director and a substantial shareholder of the Company for the acquisition of certain commercial shops of the Group's investment property at a total consideration of approximately HK\$39.1 million (after discount) with deposits received of approximately HK\$6.0 million as at 30th June, 2013. The transactions are expected to be completed in the second half of 2013.
- (iii) As set out in the Company's announcement dated 8th March, 2012, companies wholly-owned by a Director and a substantial shareholder of the Company and his associate and close family members respectively had issued letters of offer to purchase or entered into agreements to acquire certain residential units of the Group's stock of property under development and stock of property held for sale at a total consideration of approximately HK\$179.7 million. Among which, the acquisition of a residential unit of the stock of property held for sale at a consideration of approximately HK\$9.0 million had been completed during the Period. At the end of the reporting period, the total deposits received in respect of the remaining transactions not yet completed amounted to approximately HK\$17.1 million with balance of consideration aggregated to approximately HK\$153.6 million.

Details of the balances with related parties at the end of the reporting period are set out in Notes 18, 26 and 27.

32. Fair Value Measurements of Financial Instruments

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

Financial assets	Fair value as at 30th June, 2013 <i>HK\$'000</i>	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(1) Investments held-for-trading	409,998	Level 1	Quoted prices in active markets	N/A	N/A
(2) Financial assets designated as at fair value through profit or loss	8,689,873	Level 1	Quoted prices in active markets	N/A	N/A
(3) Unlisted equity securities classified as available-for-sale investments	84,064 (mainly comprised 6.475% equity investment in New Hong Kong Tunnel Company Limited HK\$82,835,000) (note)	Level 3	Discounted cash flow The key inputs are: forecast dividend income, discount rate and contract terms (if any)	Forecast dividend income taking into account management's experience and dividend records over the past three years Discount rate ranging from 1% below Prime rate to Prime rate	The higher the forecast dividend income, the higher the fair value The higher the discount rate, the lower the fair value

Note: If the following unobservable inputs to the valuation model were 5% higher while all the other variables were held constant, the effect on the carrying amount of the unlisted equity securities would increase (decrease) by or vice versa:

Unobservable inputs	<i>HK\$'000</i>
Dividend income	4,142
Discount rate	(333)

During the Period, there was no transfer amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

32. Fair Value Measurements of Financial Instruments *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity securities HK\$'000
At 1st January, 2013	98,242
Total losses recognised in other comprehensive income	(14,178)
	<hr/>
At 30th June, 2013	84,064
	<hr/> <hr/>

Included in other comprehensive income is a loss of HK\$14,178,000 relating to unlisted equity securities classified as available-for-sale investments held at the end of the current reporting period and is reported as changes of "Securities Investments Reserve".

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in these unaudited condensed consolidated financial statements approximate to their fair values.

33. Comparative Figures

Certain comparative figures have been reclassified to separately reflect the results of the continuing operations and discontinued operation and to conform with the current period's presentation.

INTERIM DIVIDEND AND SPECIAL INTERIM DIVIDEND

The Board has declared an interim dividend of HK20 cents per share for the Period (the “Interim Dividend”) (2012: HK1 cent per share) and a special interim dividend of HK\$1.30 per share for the Period (the “Special Interim Dividend”) (2012: nil).

Dividend warrants for both Interim Dividend and Special Interim Dividend will be posted on or about 16th August, 2013 to shareholders whose names appear on the register of members of the Company on 8th August, 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on 8th August, 2013. In order to qualify for the Interim Dividend and Special 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 7th August, 2013.

FINANCIAL OPERATION REVIEW

Results

Continuing Operations

Revenue

Revenue for the Period amounted to HK\$4,325.1 million (2012: HK\$863.9 million), an 400.6% increase over the same period of last year and comprised property sales of HK\$3,393.8 million (2012: HK\$31.7 million), gross rental income of HK\$901.6 million (2012: HK\$819.9 million); loss on sales of investments held-for-trading on a net basis of HK\$5.6 million (2012: HK\$11.3 million) and others of HK\$35.3 million (2012: HK\$23.6 million). The increase in revenue was mainly due to the increase in sales of development properties and the gross rental income.

Gross Profit

Gross profit for the Period amounted to HK\$2,255.6 million (2012: HK\$809.4 million), an 178.7% increase as compared with the same period of last year which was mainly due to the increase in profit from property sales of HK\$1,336.9 million and HK\$92.4 million from property leasing.

Property Leasing

For property leasing, the rental revenue in retail section jumped by 11.9% to HK\$597.4 million and rental revenue in non-retail section jumped by 6.4% to HK\$304.2 million respectively during the Period. The total rental income in revenue for the Period recorded an increase of 10.0% to HK\$901.6 million as compared with the same period of last year of HK\$819.9 million.

Together with the attributable rental revenue generated from associates of HK\$104.4 million (2012: HK\$108.6 million), the total attributable rental revenue to the Group after non-controlling interests reached approximately HK\$1,005.5 million (2012: HK\$926.5 million), which achieved an 8.5% increase over the same period of last year.

Attributable net rental income for the Period showed HK\$943.2 million, an 10.8% increase over HK\$851.2 million in 2012.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Continuing Operations (continued)

Property Development and Trading

During the Period, the attributable properties sales revenue and the relevant attributable profit from the Group and its associates recorded an increase of 38.8 times to HK\$3,103.9 million (2012: HK\$78.0 million) and an increase of 25.9 times to HK\$1,208.9 million (2012: HK\$44.9 million) respectively.

The Group generated substantial sales revenue and attributable profit in the first half of 2013 from sales of properties, namely Phase II of Splendid City (100% interest) and Tower 1 of The Metropolis (100% interest), both in Chengdu, as well as One WanChai in Wanchai (87.5% interest).

The major components recorded in gross profit are sales of: Phase II of Splendid City and Tower 1 of The Metropolis generated profit of HK\$332.8 million and HK\$1.8 million respectively and an underprovision for construction cost for previously sold units of Phase I of Splendid City of HK\$2.8 million (2012: profits on sales of i-home in Tai Kok Tsui of HK\$13.9 million, City 151 in Kau Pui Lung Road of HK\$0.1 million and loss on sale of MOD 595 in Mongkok of HK\$0.2 million).

Sales of One WanChai and parking spaces at The Zenith in Wanchai (87.5% interest) recognised during the Period had contributed an attributable profit to the Group of HK\$871.2 million and HK\$3.0 million respectively (2012: parking spaces at The Zenith of HK\$6.5 million).

In respect of properties held by associates, Kwong Kin Trade Centre in Tuen Mun (40% interest) and Greenville Residence in Yuen Long (50% interest) generated profit of HK\$2.7 million and HK\$0.2 million respectively (2012: The Hermitage in West Kowloon (25% interest), Hing Wai Centre in Aberdeen (50% interest) and Shiu Fai Terrace in Stubbs Road (50% interest) generated profit of HK\$17.8 million, HK\$6.7 million and HK\$0.1 million respectively) as reflected in the share of results of associates.

During the Period, the forfeited deposits received for Phase II of Splendid City of HK\$0.1 million (2012: HK\$0.3 million) was recorded in other income.

At 30th June, 2013, deposits received from stock of properties contracted to be sold for which the revenue and profit to be recognised in late 2013 amounted to HK\$17.5 million. Of which, a total of HK\$5.4 million deposits were received from sales contracted for Phase II of Splendid City and Tower 1 of The Metropolis, with average selling price of approximately Renminbi (“RMB”) 0.9 million and RMB1.8 million per unit respectively. The sales contracted for Phase II of Splendid City and Tower 1 of The Metropolis were 126 units of RMB113.1 million (equivalent to approximately HK\$142.9 million) and 6 units of RMB10.7 million (equivalent to approximately HK\$13.5 million) respectively. Deposits received for 7 units of One WanChai contracted for sale of HK\$121.5 million as at 30th June, 2013 were HK\$12.1 million, with average selling price of approximately HK\$17,787 per square foot, and the attributable interest of sales to the Group was HK\$106.3 million. The sales recorded for The Coronation (15% interest) were 738 units and the attributable interest of sales to the Group was HK\$1,458.4 million, the attributable income from sales of The Coronation is expected to be recognised in the second half of 2013 upon receipt of dividend income.

The presale recorded of La Scala in Macau was 302 units of HK\$3,825.3 million with deposits received of HK\$383.9 million.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Continuing Operations (continued)

Property Development and Trading *(continued)*

In summary, the Group together with associates and an investee company, executed properties sale agreements, including presale agreements, to third parties with an attributable amount contracted sales of HK\$1,127.9 million (2012: HK\$6,333.2 million to third parties and connected persons) during the Period. Total attributable property sales profit recognised for the Period was HK\$1,208.9 million (2012: HK\$44.9 million).

Securities Investments

Under the low interest rate environment, the Group has closely managed the securities investments with a view to yield enhancement. During the Period, the Group recorded a realised loss of HK\$5.6 million (2012: HK\$11.3 million) on disposal of listed investments held-for-trading (the loss of which was included in revenue) with gross proceeds of HK\$2,072.8 million (2012: HK\$1,374.8 million). In addition, a realised gain from sale of bonds of HK\$197.6 million (2012: HK\$38.1 million) was recognised. The net realised gain for the Period was HK\$192.0 million (2012: HK\$26.8 million).

Furthermore, the Group recorded an unrealised loss of HK\$646.9 million representing the changes in fair value of listed securities and bonds (2012: gain of HK\$215.5 million from bonds), which had no effect to the cash flow of the Group.

During both periods, there was no acquisition and disposal on listed equity securities included in available-for-sale investments.

Summing up the above and adding the net income from dividend, interest income, other investment income and other finance costs of HK\$401.2 million (2012: HK\$432.9 million), the loss recognised on securities investments was HK\$53.7 million (2012: profit of HK\$675.2 million).

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

Listed Available-for-sale Equity Investments

The Group had not acquired and disposed any listed available-for-sale equity investments for the first half of 2013 and 2012.

Listed Investments Held-for-trading and Treasury Products

The listed investments held-for-trading and treasury products recorded a loss before or after finance costs of HK\$26.0 million (2012: profit of HK\$687.7 million) and HK\$53.7 million (2012: profit of HK\$675.2 million) respectively for the Period.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Continuing Operations (continued)

Securities Investments *(continued)*

Listed Investments Held-for-trading and Treasury Products (continued)

Loss from the listed investments held-for-trading reflected in the unaudited condensed consolidated statement of comprehensive income for the Period comprised a gross loss totaling HK\$5.6 million (2012: HK\$11.3 million), an unrealised loss on fair value changes of HK\$646.9 million (2012: gain of HK\$215.5 million), a realised gain on bonds of HK\$197.6 million (2012: HK\$38.1 million) and dividend, interest income and other investment income of HK\$428.9 million (2012: HK\$445.4 million). Net relevant finance costs for the Period of HK\$27.7 million (2012: HK\$12.5 million) including interest expense of HK\$20.3 million (2012: HK\$17.6 million) and exchange loss of HK\$7.4 million (2012: gain of HK\$5.1 million).

Other Income and Expenses

Other income for the Period mainly comes from net building management fee income, management and maintenance service income and loan note interest income increased to HK\$34.6 million (2012: HK\$24.7 million), representing an increase of 40.1% as compared with the same period of last year.

During the Period, administrative expenses increased by 5.1% to HK\$178.4 million (2012: HK\$169.7 million (restated)) and finance costs increased by 30.6% to HK\$222.8 million (2012: HK\$170.6 million), including exchange loss of HK\$7.4 million (2012: gain of HK\$5.1 million) on foreign currency loan hedged for foreign currency securities investments.

Other gains and losses recorded a net gain of HK\$186.8 million comprised of gain on disposal of Chi Cheung Investment Company, Limited (“Chi Cheung”) on 6th February, 2013 (“Chi Cheung Disposal”) of HK\$198.5 million and costs of development recognised in respect of property project in Macau of HK\$11.7 million (2012: HK\$128.4 million including gain on revaluation of stock of properties upon transfer to investment properties of HK\$129.0 million).

Disposal of a Listed Subsidiary

On 5th December, 2012, (i) Billion Up Limited (“Billion Up”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Billion Up; and (iii) a third party independent of and not connected with the Company and its connected persons (“Purchaser of Chi Cheung”) entered into a sale and purchase agreement pursuant to which Billion Up agreed to sell and the Purchaser of Chi Cheung agreed to purchase the shares of Chi Cheung held by the Group, representing approximately 61.96% of the entire issued share capital of Chi Cheung. The Chi Cheung Disposal was completed on 6th February, 2013. Details of the Chi Cheung Disposal were set out in the announcement of the Company dated 5th December, 2012.

Associates

The share of results of associates for the Period was a profit of HK\$224.3 million as compared to HK\$152.3 million for the same period of last year, the increase of which was mainly due to the recognition on attributable profit from sale of One WanChai (12.5% interest) of HK\$104.1 million.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Continuing Operations *(continued)*

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 30th June, 2013, by B.I. Appraisals Limited (“B.I. Appraisals”) and Vigers Appraisal and Consulting Limited (“Vigers Appraisal”) whereas the investment property in the United Kingdom was revalued by Peak Vision Appraisals Limited (“Peak Vision Appraisals”). B.I. Appraisals, Vigers Appraisal and Peak Vision Appraisals are independent property valuers. An increase in fair value of HK\$2,729.6 million (2012: HK\$2,813.4 million) was recorded during the Period mainly as a result of the upturn of the properties markets in Hong Kong and Mainland China. This unrealised fair value gain will not affect the cash flow of the Group.

Discontinued Operation

The business segment of “floating rate and fixed rate notes” on available-for-sale investments was discontinued since year 2012 as a result of the Chi Cheung Disposal (as disclosed in the paragraph “Disposal of a Listed Subsidiary” above) and the disposal of G-Prop (Holdings) Limited on 6th August, 2012. Details of the discontinued operation are set out in Note 12 to these unaudited condensed consolidated financial statements.

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

Continuing and Discontinued Operations

Profit

Profit attributable to owners of the Company for the Period was HK\$4,468.1 million as compared to HK\$4,157.9 million for the same period of last year. The increase in profit for the Period was mainly due to the increase in profit from trading of properties, but partially offset by the decrease in investment income from securities investment. Earnings per share for the Period was HK\$2.34 (2012: HK\$2.18).

Core Profit

If the net gain on the major non-cash items of HK\$2,730.3 million (2012: HK\$2,923.6 million) are excluded, the Group will have a core profit attributable to owners of the Company for the Period of HK\$1,737.8 million (2012: HK\$1,234.3 million) and a core earnings per share of HK91.1 cents (2012: HK64.7 cents), which were both increase of 40.8% to the same period of last year respectively.

The major non-cash items were fair value gain on investment properties together with their respective deferred tax of HK\$2,730.3 million (2012: fair value gain on investment properties together with their respective deferred tax and gain on revaluation of stock of properties totaling HK\$2,923.6 million).

Dividends

Special interim dividend of HK\$1 (year ended 31st December, 2011: nil) per share in total amount of HK\$1,907.6 million and final dividend of HK20 cents (year ended 31st December, 2011: HK1 cent) per share in total amount of HK\$381.5 million for the year ended 31st December, 2012 were paid in cash on 22nd February, 2013 and 10th June, 2013 respectively.

FINANCIAL OPERATION REVIEW *(continued)*

Profit, Core Profit, Dividends, Repurchase and Cash Payment Ratio *(continued)*

Continuing and Discontinued Operations *(continued)*

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\$1,737.8 million (2012: HK\$1,234.3 million) or HK91.1 cents (2012: HK64.7 cents) per share; and (b) cash interim dividend of HK20 cents (2012: HK1 cent) per share and special interim dividend of HK\$1.30 (2012: nil) per share declared for the Period, the ratio of such cash payment to the core profit is 164.7% (2012: 1.5%).

Net Asset Value

As at 30th June, 2013, the Group's total net asset to owners of the Company amounted to approximately HK\$47,836.9 million (31st December, 2012: HK\$45,546.5 million), an increase of HK\$2,290.4 million or 5.0% when compared with 31st December, 2012. With the total number of ordinary shares in issue of 1,907,619,079 as at 30th June, 2013 (31st December, 2012: 1,907,619,079 shares), the net asset value per share to owners of the Company was HK\$25.08, an increase of 5.0% over 31st December, 2012 (HK\$23.88 per share). 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\$4,583.8 million; and (b) payment of special interim and final dividends totaling HK\$2,289.1 million.

There was no transaction on the listed equity securities investments categorised as available-for-sales investments for the Period. The carrying amounts of the listed equity securities investments reserve as at 30th June, 2013 and 31st December, 2012 were nil.

Other than the Chi Cheung Disposal, sales of the Sale Units and Disposal Unit contracted for (as disclosed in the paragraph "Assets Classified as Held for Sale" below), commitment for an equity investment (as disclosed in the paragraph "Unlisted Securities Investment" 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

As at 31st December, 2012, the carrying amount of the listed securities investments and treasury products was HK\$10,725.9 million. During the Period, the portfolio was decreased by a net disposal of HK\$979.1 million. After deducting the fair value loss of HK\$646.9 million for the Period, the listed securities investments portfolio of the Group became HK\$9,099.9 million as at 30th June, 2013 representing 12.5% of total assets, which formed part of the Group's cash management activities.

As at 30th June, 2013, the portfolio of HK\$9,099.9 million (31st December, 2012: HK\$10,725.9 million) comprised (a) listed equity securities (investments held-for-trading) of HK\$410.0 million (31st December, 2012: HK\$156.3 million) and (b) bonds (financial assets designated as at fair value through profit or loss) of HK\$8,689.9 million (31st December, 2012: HK\$10,569.6 million).

FINANCIAL OPERATION REVIEW *(continued)*

Securities Investments *(continued)*

Unlisted Securities Investment

During the Period, the Group, among the total contribution commitment of US\$50.0 million (equivalent to approximately HK\$387.8 million), has contributed US\$0.9 million (equivalent to approximately HK\$7.1 million) to an available-for-sale investment.

Notes Held by a Listed Subsidiary

The fixed rate notes held by Chi Cheung (included in assets classified as held for sale as at 31st December, 2012 with carrying amounts of HK\$98.1 million) were disposed of with the Chi Cheung Disposal during the Period.

Assets Classified as Held for Sale

During the Period, an indirect wholly-owned subsidiary of the Company (“Vendor of the Sale Units”) has entered into a series of preliminary sale and purchase agreements (“Preliminary Agreements”) with independent third parties and three companies wholly-owned by a close family member of a Director and a substantial shareholder of the Company (“Connected Parties”) (collectively “Purchasers of the Sale Units”). Pursuant to the Preliminary Agreements, the Vendor of the Sale Units would sell certain shops or units of an investment property in Hong Kong (“Sale Units”) to the Purchasers of the Sale Units upon the terms and conditions contained therein. As at 30th June, 2013, the Preliminary Agreements had been entered into for an aggregate consideration of approximately HK\$1,081.7 million (after discount) including an aggregate consideration of approximately HK\$39.1 million (after discount) for the Preliminary Agreements entered into with the Connected Parties. Completion of these transactions will take place in the second half of 2013.

An indirectly owned subsidiary (75% interest) of the Company has entered into a preliminary sale and purchase agreement with an independent third party for sale of one shop at another investment property in Hong Kong (“Disposal Unit”) in June 2013 at a consideration of approximately HK\$4.8 million and the completion of the sale will take place in August 2013.

The Sale Units and Disposal Unit have been presented as assets classified as held for sale and were stated at fair value in the unaudited condensed consolidated statements of financial position as at 30th June, 2013.

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, 2013 and 31st December, 2012 were 1,907,619,079.

FINANCIAL OPERATION REVIEW *(continued)*

Debt and Gearing

As at 30th June, 2013, the Group's bank and other borrowings amounted to HK\$20,952.6 million (31st December, 2012: HK\$23,507.6 million). Cash and deposits at banks amounted to HK\$6,133.0 million (31st December, 2012: HK\$4,786.5 million (excluding time deposits and bank balances classified as assets held for sale)), pledged deposits amounted to HK\$774.9 million (31st December, 2012: HK\$2,232.5 million) and net borrowings amounted to HK\$14,044.7 million (31st December, 2012: HK\$16,488.6 million).

Total debt to equity ratio was 43.6% (31st December, 2012: 51.1%) and net debt to equity ratio was 29.2% (31st December, 2012: 35.9%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$48,047.6 million (31st December, 2012: HK\$45,978.3 million). The decrease of total debt to equity ratio and net debt to equity ratio were mainly due to the decrease in borrowings and increase in total equity.

However, if the listed securities investments and treasury products of HK\$9,099.9 million (31st December, 2012: HK\$10,725.9 million) are included, the net debt to equity ratio will be 10.3% (31st December, 2012: 12.5%).

As at 30th June, 2013, the Group's bank and other borrowings were denominated in Hong Kong dollar (53.2%), United States dollar ("US\$") (19.6%), Pound Sterling ("GBP") (14.5%) and RMB (12.7%). Of the Group's bank and other borrowings of HK\$20,952.6 million, 45.2%, 2.4% and 52.4% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. US\$ and RMB investment securities were hedged by US\$ and RMB borrowings respectively. The Group's bank and other borrowings in Hong Kong dollar, US\$ and RMB were carried at interest rates calculated mainly with reference to HIBOR/cost of funds; bank borrowings in GBP were effectively carried at fixed rate; and bank borrowings in RMB were carried at interest rates calculated with reference to borrowing rates quoted by Peoples' Bank of China. As at 30th June, 2013, about 85.5% of the Group's borrowings were on floating rate basis and 14.5% 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, 2013, the Group had pledged the following assets:

- (a) The Group's investment properties, properties and other fixed assets and time deposits with their respective carrying amounts of approximately HK\$35,965.7 million (31st December, 2012: HK\$39,283.9 million), nil (31st December, 2012: HK\$481.9 million) and HK\$774.9 million (31st December, 2012: HK\$426.6 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) The Group's investments held-for-trading and bonds with carrying amounts of approximately HK\$9,099.9 million (31st December, 2012: investments held-for-trading and bonds and cash deposits of HK\$10,706.6 million and HK\$1,806.0 million respectively) 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\$4,872.4 million (31st December, 2012: HK\$6,796.7 million) was utilised as at 30th June, 2013 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 OPERATION REVIEW *(continued)*

Pledge of Assets *(continued)*

- (d) The Group has subordinated and assigned its advances to associates of approximately HK\$1,595.1 million (31st December, 2012: HK\$1,567.5 million) to financial institutions to secure general banking credit facilities granted to the associates.

Repurchase Guarantee

Certain mortgagee banks have provided end-user financing to purchasers of Splendid City and The Metropolis and the Group has provided repurchase guarantees to these mortgagee banks for securing the obligations of such purchasers for repayments. Such guarantees will be terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the mortgagee banks.

The total outstanding amount of repurchase guarantee as at 30th June, 2013 was RMB199.5 million (equivalent to approximately HK\$252.1 million) (31st December, 2012: RMB243.2 million (equivalent to approximately HK\$302.6 million)) and disclosed in the contingent liabilities.

Financial and Interest Income/Expenses

Continuing and Discontinued Operations

Interest income was included in revenue, other income and investment income. Interest income for the Period was HK\$470.4 million, representing a decrease of 5.0% from the same period of last year of HK\$495.3 million.

Finance costs included interest expenses on bank and other loan, loan from a former subsidiary and amount due to a non-controlling shareholder, exchange difference on foreign currency loans, arrangement fee and facility and commitment fee expenses. Interest expenses for the Period amounted to HK\$179.8 million, representing an 14.2% increase over the interest expenses of HK\$157.4 million recorded for the same period of last year. The increase in interest expenses was mainly due to the increase in interest rate during the Period. Interest capitalised for the Period was HK\$62.9 million as compared to HK\$56.4 million for the same period of last year. The average interest rate over the period under review was 2.26% (2012: 1.67%), 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, 2013, the Group employed a total of 664 staff in Hong Kong (31st December, 2012: 711 staff) including about 301 staff (31st December, 2012: 336 staff) employed under the estate management company in Hong Kong. Besides, there was a total of 385 staff (31st December, 2012: 357 staff) in the offices at Mainland China and Macau, which included about 163 staff (31st December, 2012: 193 staff) of the estate management company in Chengdu.

FINANCIAL OPERATION REVIEW *(continued)*

Remuneration Policies, Share Option Scheme and Share Award Scheme *(continued)*

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 ("Scheme") in 2009. The 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 Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the 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, share of results of associates and taxation) for the Period amounted to HK\$354.0 million (2012: HK\$155.6 million). The Group's net investment in Mainland China as at 30th June, 2013 amounted to HK\$10,102.9 million (31st December, 2012: HK\$9,395.7 million) representing approximately 21.0% of the Group's total equity.

Further, the Group's investment property in the United Kingdom with carrying amount of GBP292.1 million as at 30th June, 2013 (equivalent to approximately HK\$3,457.1 million) (31st December, 2012: GBP285.9 million (equivalent to approximately HK\$3,582.0 million)) contributed a profit of HK\$113.7 million (2012: HK\$61.8 million) to the Group for the Period. As at 30th June, 2013, the Group's net investment in the United Kingdom amounted to HK\$754.3 million (31st December, 2012: HK\$640.8 million) representing approximately 1.6% of the Group's total equity.

Listed Subsidiary

Following the completion of Chi Cheung Disposal on 6th February, 2013, the Group did not own any listed subsidiary at the end of the reporting period.

Property Valuation

Property valuations have been carried out by B.I. Appraisals and Vigers Appraisal, independent qualified professional valuers, in respect of the Group's investment properties in Hong Kong and Mainland China as at 30th June, 2013 (31st December, 2012: B.I. Appraisals). For the investment property in the United Kingdom, the valuations as at 30th June, 2013 and 31st December, 2012 were both 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 2013 interim results.

FINANCIAL OPERATION REVIEW *(continued)*

Property Valuation *(continued)*

The Group's investment properties were valued at HK\$44,983.4 million (31st December, 2012: HK\$41,987.1 million) (including those classified as assets held for sale), an 7.1% increase over 2012 after adjusted for the additions, disposals and reclassification of investment properties during the Period. The increase in fair value of approximately HK\$2,729.6 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\$57.9 million (adjusted deferred tax expense of HK\$6.3 million) for the Period. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in these unaudited condensed consolidated financial statements. Investment property under development at Chinese Estates Plaza, Chengdu was stated at cost of HK\$3,798.3 million will be carried at fair value, until the earlier of the date when its fair value first becomes reliably measurable or the date of the completion of the property.

The increase in fair value of HK\$2,729.6 million or 7.1% was mainly attributable to the Group's major investment properties in Hong Kong. Such increase has reflected an upturn in the property markets of Hong Kong and Mainland China for the Period. Rental renewals of The ONE, Windsor House and Silvercord for the Period have shown a continuous increase over the end of 2012.

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 99.08% during the Period. The high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

The Group's overall gross rental growth was 11.71% with rental income of HK\$756.4 million for the Period as compared with the corresponding period of last year. The rental income from Hong Kong retail portion showed an upward momentum with 11.46% growth while the non-retail portion recorded steady growth of 12.46%. The increase in gross rental income is mainly attributable to the fully let out of Silvercord and The ONE as well as the high reversionary rental rate of retail properties. Retail rents were generally raised due to the increase in tenants' business turnover benefited from the continuous growth of Mainland China tourists' spending and the improved local consumption.

During the Period, the average occupancy rate of the shops of Causeway Place was approximately 90.12%. Certain shops have been disposed of subsequent to end of the Period.

The overall rental income of Windsor House was raised 13.20% for the Period as compared with the corresponding period of last year. Its average occupancy rate was approximately 98.17% during the Period. Windsor House provides shoppers a cozy shopping environment with a diversified trade mix. Various marketing and promotion activities are held in Windsor House from time to time which boosts shoppers' traffic flow and thus increases tenants' business turnover. As a result, Windsor House recorded steady rental growth and high occupancy rate.

As for Silvercord, the overall rental income was raised 24.96% for the Period as compared with the corresponding period of last year. All the shops were fully let out throughout the first half of 2013. Benefited from the prosperous shopping atmosphere of Canton Road, Tsim Sha Tsui, as well as the introduction of several luxury and premium brands in the shopping mall, Silvercord's rental rate and property value are generally uplifted.

BUSINESS REVIEW *(continued)*

Hong Kong Property Investment *(continued)*

The tallest retail complex of its kind in Hong Kong, The ONE recorded 4.07% increase of its overall rental income for the Period as compared with the corresponding period of last year. All the shops were fully leased out throughout the Period with many of the shops are popular fashion brands and well-known trademarks.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon Reclamation Area, the average occupancy rate was approximately 99.05% during the Period.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon Reclamation Area, the occupancy rate was approximately 35.96% as at 30th June, 2013.

The occupancy rate for the Group's office properties maintained at a high level throughout the first half of 2013. During the Period, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 95.24%, 99.12% and 97.62% respectively, bringing the approximate occupancy rate of the overall office portfolio to 97.17%.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving 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 40,726 square feet will be redeveloped. Superstructure work is in progress. Completion of the project is re-scheduled to the second quarter of 2014 and it is expected to be launched in the first quarter of 2014.

No. 1 South Lane and No. 34 Hill Road, is located in the Western District and enjoys close proximity to the future Hong Kong University MTR Station. It will be redeveloped into a luxury residential/retail tower with a total gross floor area of around 41,966 square feet and consists of 92 residential units. Foundation work is in progress. Completion of the project is re-scheduled to the third quarter of 2015 and it is expected to be launched in the third quarter of 2013.

The Group has a two-phase redevelopment project in Wanchai (87.5% interest) undertaken with the Urban Renewal Authority. All residential units of The Zenith (Phase I project) were sold. One WanChai (Phase II project with preservation of the core elements of Wanchai Market) is a residential/commercial complex development with total gross floor area of approximately 159,700 square feet which provides 237 residential units and retail properties. Certificate of compliance was issued in January 2013 and residential units are being handed over to individual purchasers. 212 units were sold and recognised up to 30th June, 2013, representing 89.45% of total units.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area of about 36,000 square feet which provides a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. Superstructure work is in progress. Launching of the project is scheduled for mid 2014.

BUSINESS REVIEW *(continued)*

Hong Kong Property Development *(continued)*

The Hermitage (25% interest), is one of the Group's joint venture development projects in West Kowloon Reclamation Area. 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, 2013, 962 units were sold and recognised, representing 99.79% of total units.

The Coronation (15% interest), is another joint venture development project of the Group in West Kowloon Reclamation Area. 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. Certificate of compliance was issued in December 2012 and the residential units are being handed over to individual purchasers. 738 units (i.e. 99.73%) were sold up to 30th June, 2013.

Macau Property Development

La Scala is a high-end residential project located in Avenida Wai Long, Taipa, Macau with a total residential gross floor area of approximately 5,786,296 square feet (excluding car park area and outdoor facilities area). It will comprise 26 residential tower blocks and will be developed in phases. Phase I development will comprise 9 residential tower blocks and provide in aggregate 899 residential units. Site formation work and the first stage excavation works for the Phase I development have been completed. Next stage construction works and the presale of the Phase I development are suspended.

Mainland China Property Investment

The average occupancy rate of the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen was approximately 99.42% for the Period.

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex and has a gross floor area of around 263,708 square feet. The average occupancy rates of the office and retail spaces for the Period were approximately 93.55% and 74.61% respectively.

Platinum (50% interest), a 20-storey Grade A office building located at Taicang Road of Huangpu District in Shanghai, has a gross floor area of about 466,464 square feet. The average occupancy rate for the Period was approximately 93.64%.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 75.19% for the Period.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 89.63% for the Period.

BUSINESS REVIEW *(continued)*

Mainland China Property Development

Splendid City, a residential and commercial project located at Yingbin Avenue of Jinniu District in Chengdu, has a site area of approximately 795,625 square feet and a corresponding gross floor area of approximately 3.74 million square feet. It will comprise 19 residential tower blocks with a commercial building and will be developed in two phases. Phase I of Splendid City provides in aggregate 1,226 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet and a commercial building with gross floor area of approximately 272,740 square feet. Phase I had been completed in November 2010 and the residential units had been handed over to individual purchasers. As at 30th June, 2013, 1,212 units of Phase I were sold, representing 98.86% of total units. Phase II of Splendid City provides 1,625 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet. The whole Phase II had been completed in December 2012 and some of the residential units are being handed over to individual purchasers. 1,092 units were sold and 126 units were presold out of 1,305 units launched (i.e. 93.33%) up to 30th June, 2013.

The Metropolis is a residential project located at Yixue Lane and Tangba Street of Jinjiang District in Chengdu, with site area of approximately 194,411 square feet and corresponding gross floor area of approximately 1.65 million square feet. It will comprise 3 twin residential tower blocks and will be developed in phases. Tower 1 provides 572 units with flat size ranging from gross floor area of approximately 704 square feet to 2,692 square feet. Tower 1 had been completed in December 2012 and the residential units are being handed over to individual purchasers. Since its sales launch of Tower 1, 296 units were sold and 6 units were presold (i.e. 52.80%) up to 30th June, 2013. Final interior fitting work of Tower 2 is in progress and expected to be completed in September 2013. Building plan of Tower 3 is pending the government's approval.

Chinese Estates Plaza, a commercial and residential project at Tidu Street of Qingyang District in Chengdu, has a site area of about 404,267 square feet with a development scale of 3.2 million square feet. It will comprise a Grade A office building, a five stars hotel, a shopping centre and 4 residential tower blocks. Superstructure construction and fit-out works are in progress. Completion of the commercial and residential portions are scheduled for early 2014 and end 2014 respectively. Residential portion is expected to be launched by the fourth quarter of 2014.

The commercial and residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), has a site area of around 2,207,546 square feet and a gross floor area of approximately 11.08 million square feet. Its piling work and the associated substructure work are in progress. The project will be developed in four phases and Phase I will be divided into several zones. Completion of the first zone of Phase I is re-scheduled to the second quarter of 2014 and the overall Phase I is expected to be completed in the third quarter of 2016.

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, 2013.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

Disposal of Chi Cheung Group

As announced on 5th December, 2012, the Group had entered into a sale and purchase agreement with an independent third party in relation to the disposal of 209,931,186 shares in Chi Cheung Investment Company, Limited (“Chi Cheung”) (now known as LT Holdings Limited), the then subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), representing (i) all the share interests of the Group in Chi Cheung; and (ii) approximately 61.96% of the entire issued share capital of Chi Cheung as at the date of the announcement, at a final consideration of approximately HK\$559,199,000. The disposal was completed on 6th February, 2013.

Administrative Procedures for Repossession of Land in Macau by Macau Government

As set out in the Company’s announcement dated 17th June, 2012, Moon Ocean Ltd., a wholly-owned subsidiary of the Company (“Moon Ocean”), received a notice of preliminary hearing dated 15th June, 2012 (the “Hearing Notice”) from the Land, Public Works and Transport Bureau (the “LPWT”) of the Macau Special Administrative Region of the PRC (“Macau”) regarding the transfers of the rights deriving from the land concession for the five plots of land adjacent to the Macau International Airport (according to the Company’s record, formerly known as Lots 1C; 2; 3; 4 and 5 (parcels 5A & 5B), Avenida Wai Long, Taipa, Macau, and registered in Macau Land Registry under Nos. 22993, 22991, 22995, 22990 and 22989 and now known as Lots 1C1; 1C2; 1C3; 2a; 2b; 2d; 3; 4a; 4b; 5a1; 5a2; 5a3; 5b1; 5b2; 5b3; 5b4; 5b5; 5b6; A3a; A3b; A4a; A4b; E1a; E1b; E2 and E3 and registered in the Macau Land Registry under No. 22989) (the “Macau Land”) from five Macau companies to which the land concession was originally granted (the “Original Owners”) to Moon Ocean (the “Land Transfers”) and the amendment of the related land concession contracts.

It was stated in the Hearing Notice that (i) the Chief Executive of Macau had approved the initiation of the procedures for declaring the act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid and returning the Macau Land to the Original Owners (the “Matter”); and (ii) Moon Ocean might make written submission regarding the Matter within 15 days from the receipt of the Hearing Notice.

The Group’s Macau legal adviser made the submission which set out basis for opposing the Matter on 29th June, 2012 and as set out in the Company’s announcement dated 14th August, 2012, Moon Ocean received a notice from the LPWT stating that (i) the Chief Executive of Macau had declared the previous act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid (the “Decision”); and (ii) Moon Ocean might present objection to the Decision within 15 days from the gazetting of the Decision and might also appeal to the Court of Second Instance. The Decision was then published on the official bulletin of the Macau government dated 15th August, 2012.

As announced on 28th August, 2012, the Group’s Macau legal adviser filed on behalf of Moon Ocean an objection to the Decision. As Moon Ocean had not received any reply from the Chief Executive of Macau regarding such objection, Moon Ocean and a purchaser of La Scala jointly lodged an appeal to the Court of Second Instance against the Decision on 14th September, 2012 as disclosed in the announcement published on the same date.

As set out in the Company’s announcement dated 5th September, 2012, Moon Ocean received a notice of preliminary hearing (the “Second Hearing Notice”) from the LPWT regarding certain revision of the terms of the land concession for the Macau Land and exchange of land approved by the Chief Executive of Macau in March 2011 (the “2011 Revision”).

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD *(continued)*

Administrative Procedures for Repossession of Land in Macau by Macau Government *(continued)*

It was stated in the Second Hearing Notice that (i) the Chief Executive of Macau had approved the initiation of the procedures for declaring the act of the Chief Executive of Macau in confirming the approval of the 2011 Revision on 9th March, 2011 invalid (the “Second Matter”); and (ii) Moon Ocean might make written submission on the issues regarding the subject matter of the above procedures within 15 days from the receipt of the Second Hearing Notice.

The 2011 Revision mainly involved an increase of residential gross floor area of the Macau Land from 392,505 to 537,560 square metres and an exchange of 9 small pieces of land with a total site area of approximately 1,282 square metres initially forming part of the Macau Land for 8 small pieces of adjacent land with a total site area of approximately 5,204 square metres. Moon Ocean had paid a premium of approximately MOP642 million (equivalent to approximately HK\$624 million) in consideration of the 2011 Revision.

The Group’s Macau legal adviser made the submission which set out basis for opposing the Second Matter on 19th September, 2012 and as set out in the Company’s announcement dated 16th April, 2013, Moon Ocean received a notice from the LPWT stating that (i) the Chief Executive of Macau had declared the previous act of the Chief Executive of Macau in confirming the approval of the 2011 Revision invalid (the “Second Decision”); and (ii) Moon Ocean might present objection to the Second Decision within 15 days from the gazetting of the Second Decision and might also appeal to the Court of Second Instance. The Second Decision was then published on the official bulletin of the Macau government dated 17th April, 2013.

As announced on 15th May, 2013, Moon Ocean and two purchasers of La Scala jointly lodged an appeal to the Court of Second Instance against the Second Decision. Moon Ocean and such purchasers also applied in the appeal to stay the appeal proceedings in relation to the Second Decision pending the final decision on the appeal lodged on 14th September, 2012 against the Decision.

The Group continues seeking legal advice for appropriate legal actions on the above matters. The outcome of the Matter and the Second Matter are thus pending for any subsequent decision(s) of the Chief Executive of Macau or judgment(s) from the court of Macau.

In case of the Decision and the Second Decision becoming final, the Group will seek legal advice for appropriate actions to be taken in respect of La Scala project. The Group is determined to pursue claims it may have against the Macau government and/or the Original Owners for compensation for the losses of the Group.

Contract for Services – Continuing Connected Transactions

As announced on 15th July, 2013, the Group has on 15th July, 2013 entered into a contract for services (the “Contract”) with Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”) (an Executive Director, the chairman of the Board (the “Chairman”) and the Chief Executive Officer (“CEO”) and controlling shareholder of the Company) in respect of the provision of the property management services, leasing administration services and general administration services to commercial properties beneficially owned by Mr. Joseph Lau and/or his associates. The Contract will remain in full force until and including 14th July, 2016.

As Mr. Joseph Lau is a connected person of the Company, the Contract and the transactions contemplated thereunder constituted continuing connected transactions for the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

PROSPECTS

Although the markets are still cautious on the solidity of the recent economic recovery of the United States and the adverse effect of its withdrawal of quantitative easing, the unresolved European debt crisis as well as the slowdown in China's economic growth, the global economy is still expected to continue growing mildly in the times ahead.

The Group sees a strong outlook for its core businesses. Benefited from well-located retail investment properties with snug shopping environment and well thought out trade mixes, our shopping malls like The ONE, Silvercord and Windsor House recorded satisfactory rental growth and high occupancy rate during the Period. We expect that the customer flow and spending will be increased as a result of our continued efforts in marketing and promotion activities.

Given the lack of new supply for commercial premises in prime locations, the occupancy rate of the Group's well-located offices, including MassMutual Tower, Harcourt House and Windsor House remains high throughout the Period. It is expected that the Group's retail and office investment properties will continue to generate stable and significant recurrent income.

The Group remains confident in the prospects for the residential property market in Hong Kong. Though the introduction of the Residential Properties (First-hand Sales) Ordinance has slowed down the pace for the selling of the Group's first-hand properties like One WanChai and the launch of various stamp duties have inevitably caused short-term volatility and uncertainty toward the residential property market, the underlying housing demand remains strong.

In addition, though the government has indicated that there will be more land available for residential development, the supply of the number of completed residential units especially for high-end residential properties will remain limited in the foreseeable future. We are confident that our luxury residential projects situated in prestigious locations such as One WanChai, No. 1 South Lane and No. 34 Hill Road, No. 12 Shiu Fai Terrace and No. 55 Conduit Road will be pursued by buyers.

Residential property markets in the major cities of Mainland China has experienced stable growth in the first half of 2013. The Group believes that the objectives of the macro-control measures put forth by the Central Government are to foster the long-term sustainable growth and development of the markets. It is foreseeable that the economy will resume relatively high growth rates. With the thoroughly implementation of the urbanization development strategy by the Central Government, the Group expects the outlook of residential property markets of the Mainland China to remain positive.

During the first half of 2013, the Group achieved good sales performance over The Metropolis and Splendid City in Chengdu, which is the core city in the western China. Given the prime locations and superb quality, The Metropolis, Splendid City and the ready-for-launch Chinese Estates Plaza, will continue to be well sought after by the buyers in the second half of 2013. The Group is confident that the sales of these projects will continue to perform well.

In summary, despite of various challenging and uncertainties, the Board is optimistic towards its core businesses and will seize the business opportunities to achieve long-term sustainable growth for the benefit of the Group and its shareholders as a whole.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 30th June, 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Appendix 10 of Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:–

Name of Directors	Number of Shares Held	<i>Note</i>	Capacity	Percentage of Issued Share Capital
Mr. Joseph Lau	1,430,700,768	*	Founder and beneficiary of trust	74.99%
Lau, Ming-wai ("Mr. MW Lau")	1,430,700,768	*	Beneficiary of trust	74.99%
Lui, Lai-kwan ("Ms. Lui")	1,430,700,768	*	Interest of children under 18	74.99%

Note:

* These shares were indirectly owned by a discretionary trust of which Mr. Joseph Lau was the founder. Mr. Joseph Lau, Mr. MW Lau, the children of Ms. Lui and certain other family members of Mr. Joseph Lau were eligible beneficiaries of that trust.

All the interests stated above represent long positions. The percentage shown was the number of shares the relevant Directors were interested in expressed as a percentage of the number of issued shares as at 30th June, 2013.

Save as disclosed above, none of the other Directors and chief executives of the Company had or were deemed under the SFO to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as at 30th June, 2013.

During the Period, none of the Directors and chief executives of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30th June, 2013, so far as are known to any Directors or chief executives of the Company, the following parties (other than Directors or chief executives of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:–

Name of Substantial Shareholders	Number of Shares Held	Note	Capacity	Percentage of Issued Share Capital
Alto Trust Limited	1,430,700,768	#	Trustee and interest in controlled corporation	74.99%
Solar Bright Ltd.	1,430,700,768	#	Beneficiary of a trust and interest in controlled corporation	74.99%
Global King (PTC) Ltd.	1,199,715,948	#	Trustee	62.89%
Joseph Lau Luen Hung Investments Limited	230,984,820	#	Beneficial owner	12.10%

Note:

Alto Trust Limited as trustee of a discretionary trust held the entire issued share capital of Solar Bright Ltd. and therefore was regarded as interested in the same parcel of shares held by Solar Bright Ltd.. Solar Bright Ltd. held the entire issued share capital of Global King (PTC) Ltd. and all issued units in a unit trust of which Global King (PTC) Ltd. was the trustee and therefore was regarded as interested in the same parcel of shares held by Global King (PTC) Ltd. as trustee of the unit trust. Solar Bright Ltd. also held the entire issued share capital of Joseph Lau Luen Hung Investments Limited and therefore was also regarded as interested in the same parcel of shares held by Joseph Lau Luen Hung Investments Limited. As such, the 1,430,700,768 shares of the Company in which Solar Bright Ltd. was deemed to be interested represented the aggregate of the 1,199,715,948 shares and 230,984,820 shares of the Company held by Global King (PTC) Ltd. and Joseph Lau Luen Hung Investments Limited respectively, which was referred to in the interests of Mr. Joseph Lau and Mr. MW Lau as well as the interests of children under 18 of Ms. Lui as disclosed under "Directors' and Chief Executives' Interests in the Securities of the Company and Associated Corporation".

All the interests stated above represent long positions. As at 30th June, 2013, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

SHARE AWARD SCHEME

The Company had adopted a share award scheme (the "Share Award Scheme") in 2009. The Share Award Scheme is a long-term incentive arrangement for the selected employees. The purpose of the Share Award Scheme is to recognise and reward certain employees of the Group for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. It also intends to attract suitable professional recruits to join the Group and to assist in the further development of the Group. Details of the Share Award Scheme were set out in the circular of the Company dated 23rd December, 2008. No share was granted under the Share Award Scheme during the Period.

AUDIT COMMITTEE REVIEW

The interim results for the Period are unaudited and have not been reviewed by the auditor of the Company. The Audit Committee of the Company, comprised all the Independent Non-executive Directors, 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.2.1 – Chairman and Chief Executive

Mr. Joseph Lau acts as both the Chairman and CEO since December 2006. The Board considers that this structure will not impair the balance of power and authority of the Board. At present, the Board also believes that under the leadership of Mr. Joseph Lau as the Chairman and CEO, the Board's decision could be made effectively and it is beneficial to the management and development of the Group's businesses. The Board would still consider segregation of the roles of the Chairman and the CEO if and when appropriate.

Code Provision A.1.8 – Directors' Insurance

The Company had arranged insurance cover in respect of legal action against its Directors for years and the latest policy was expired in August 2012. During the negotiation process of renewing the latest policy, it was found that the premium has been increased substantially and as such, the latest policy has not been renewed upon expiry. The Company has been in continuous dialogue with various insurance brokers and insurance companies to source competitive premium quotations and would arrange for appropriate insurance coverage accordingly as soon as practicable.

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

Mr. MW Lau, a Non-executive Director ("NED"), was unable to attend the annual general meeting of the Company held on 23rd May, 2013 ("AGM") as he had a business engagement. Ms. Amy Lau, Yuk-wai, another NED, was also unable to attend the AGM as she was not in Hong Kong on the date of AGM. All the Independent Non-executive Directors had attended the AGM.

Code Provision E.1.2 – Chairman Attending Annual General Meeting

Mr. Joseph Lau, the Chairman, was unable to attend the AGM as he had a business engagement. Mr. Chan, Kwok-wai, the chairman of Audit Committee and Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. The chairman of 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. 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 monthly salary of Ms. Chan, Sze-wan and Mr. Lam, Kwong-wai (“Mr. Lam”) have been increased to HK\$47,030 and HK\$143,520 respectively for the year ending 31st December, 2013 with reference to their respective duties and responsibilities in the Group as well as the prevailing market condition.

As mentioned in the annual report of the Company for the year ended 31st December, 2012 (“2012 Annual Report”), Mr. Lam has been appointed as a non-executive director of Chi Cheung, a company whose shares are listed on the Stock Exchange, since 7th February, 2013. The name of Chi Cheung has been subsequently changed to LT Holdings Limited in June 2013.

Mr. Chan, Kwok-wai has retired as an independent non-executive director of Junefield Department Store Group Limited, a company whose shares are listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 29th May, 2013.

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 2012 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
Joseph Lau, Luen-hung
Chairman

Hong Kong, 24th July, 2013