



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

**Interim Report
For The Six Months
Ended 30th June, 2014**

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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:

Lau, Ming-wai
(*Chairman and Chief Executive Officer*)
Chan, Sze-wan
Lam, Kwong-wai
Lui, Lai-kwan

Non-executive Director:

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

Investment Committee

Lau, Ming-wai (*Chairman*)
Lam, Kwong-wai (*Chief Investment Officer*)
Chan, Kwok-wai
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

Baker & McKenzie
Sidley Austin
Sit, Fung, Kwong & Shum

Auditors

HLB Hodgson Impey Cheng Limited

Bankers

(*Listed in alphabetical order*)
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
BNP Paribas
China Everbright Bank Company Limited
Chiyu Banking Corporation Limited
Chong Hing Bank Limited
DBS Bank Ltd.
Nanyang Commercial Bank, Limited
Oversea-Chinese Banking Corporation Limited
Public Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Wing Hang Bank, Limited

Registered Office

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Hamilton HM12, Bermuda

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Website

<http://www.chineseestates.com>

Stock Code

127

Board Lot

500 shares

Investor Relations

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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, 2014 (the “Period”) together with the comparative figures for the corresponding period in 2013:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

		Six months ended 30th June,	
		2014	2013
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	3	1,241,212	4,325,125
Cost of sales		(209,088)	(2,069,517)
Gross profit		1,032,124	2,255,608
Other income	5	45,089	34,553
Investment income, net	6	422,159	28,800
Administrative expenses		(152,430)	(178,351)
Other expenses	7	(82,100)	–
Gain on disposals of properties and other fixed assets		716	4
(Loss) gain on disposals of investment properties		(2,808)	3,545
Fair value changes on investment properties		1,419,795	2,729,614
Finance costs	9	(212,379)	(222,799)
Other gains and losses, net	10	(4,897)	186,827
Share of results of associates		110,457	224,253
Profit before tax		2,575,726	5,062,054
Income tax expense	11	(115,420)	(385,951)
Profit for the period from continuing operations		2,460,306	4,676,103
Discontinued operation	12		
Profit for the period from discontinued operation		–	501
Profit for the period	8	2,460,306	4,676,604
Other comprehensive (expenses) income			
Continuing operations			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value changes on available-for-sale investments		(11,414)	(14,178)
Exchange differences on translation of foreign operations		(129,781)	76,780
Share of other comprehensive (expenses) income of associates		(33,989)	53,178
Other comprehensive (expenses) income for the period from continuing operations (net of tax)		(175,184)	115,780

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the six months ended 30th June, 2014

	Notes	Six months ended 30th June, 2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Discontinued operation	12		
<i>Item that may be reclassified subsequently to profit or loss</i>			
Fair value changes on available-for-sale investments		–	(136)
Other comprehensive (expenses) income for the period from continuing and discontinued operations (net of tax)		<u>(175,184)</u>	<u>115,644</u>
Total comprehensive income for the period		<u>2,285,122</u>	<u>4,792,248</u>
Profit for the period attributable to:			
Owners of the Company			
Continuing operations		2,446,512	4,467,758
Discontinued operation		–	310
		<u>2,446,512</u>	<u>4,468,068</u>
Non-controlling interests			
Continuing operations		13,794	208,345
Discontinued operation		–	191
		<u>13,794</u>	<u>208,536</u>
Total		<u>2,460,306</u>	<u>4,676,604</u>
Total comprehensive income for the period attributable to:			
Owners of the Company			
Continuing operations		2,271,328	4,583,538
Discontinued operation		–	226
		<u>2,271,328</u>	<u>4,583,764</u>
Non-controlling interests			
Continuing operations		13,794	208,345
Discontinued operation		–	139
		<u>13,794</u>	<u>208,484</u>
Total		<u>2,285,122</u>	<u>4,792,248</u>
Earnings per share (HK\$)	14		
Basic and diluted			
From continuing and discontinued operations		<u>1.283</u>	<u>2.342</u>
From continuing operations		<u>1.283</u>	<u>2.342</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2014

	Notes	30th June, 2014 <i>HK\$'000</i> (Unaudited)	31st December, 2013 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	15	47,682,414	45,552,614
Properties and other fixed assets		588,872	549,335
Property interests held for future development		–	–
Intangible assets		–	–
Goodwill	16	322,938	322,938
Interests in associates	17	2,421,326	2,370,531
Advances to associates	18	1,728,586	1,702,019
Available-for-sale investments	19	81,069	99,598
Financial assets designated as at fair value through profit or loss		647,311	1,080,272
Loans receivable – due after one year		8	16
Deferred tax assets		18,170	23,505
Advance to a non-controlling shareholder		14,908	14,908
Pledged deposits		1,042,505	578,803
		54,548,107	52,294,539
Current assets			
Stock of properties	20	2,312,935	2,323,246
Investments held-for-trading		699,645	894,816
Financial assets designated as at fair value through profit or loss		6,022,053	11,038,052
Loans receivable – due within one year		21	13
Inventories		14,651	3,337
Debtors, deposits and prepayments	21	2,783,680	3,055,267
Securities trading receivables and deposits		22,586	66,103
Tax recoverable		9,471	9,910
Pledged deposits		55	632,780
Time deposits, bank balances and cash		4,463,165	3,881,250
Sales proceeds held by stakeholders		1,640,843	1,546,180
		17,969,105	23,450,954
Assets classified as held for sale	22	40,214	64,733
		18,009,319	23,515,687
Current liabilities			
Creditors and accruals	23	1,651,052	1,794,252
Securities trading and margin payable		13,801	15,136
Deposits and receipts in advance		798,227	1,068,654
Tax liabilities		280,428	247,062
Borrowings – due within one year	24	3,861,415	7,386,683
Provisions		42,571	39,424
Financial guarantee liabilities		24	37
		6,647,518	10,551,248
Net current assets		11,361,801	12,964,439
Total assets less current liabilities		65,909,908	65,258,978

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 30th June, 2014

	Notes	30th June, 2014 <i>HK\$'000</i> (Unaudited)	31st December, 2013 <i>HK\$'000</i> (Audited)
Equity attributable to owners of the Company			
Share capital	25	190,762	190,762
Properties revaluation reserve		225,216	225,216
Securities investments reserve		7,809	19,223
Statutory reserve		50,188	41,760
Other reserve		(2,493)	(2,501)
Special reserve		2,499,685	2,499,685
Capital redemption reserve		138,062	138,062
Translation reserve		1,144,912	1,308,690
Retained profits			
– proposed/declared dividends		572,286	953,810
– others		43,594,839	41,729,041
		48,421,266	47,103,748
Non-controlling interests		99,811	86,017
Total equity		48,521,077	47,189,765
Non-current liabilities			
Borrowings – due after one year	24	16,174,431	16,524,293
Provisions		1,645	18,519
Amounts due to associates	26	45,719	58,727
Amounts due to investee companies	26	27,085	402,685
Amounts due to non-controlling shareholders	27	427,408	369,236
Deferred tax liabilities		712,543	695,753
		17,388,831	18,069,213
		65,909,908	65,258,978

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30th June, 2014

	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, 2013 (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)	190,762	98,162	31,586	37,631	(2,510)
Profit for the period	-	-	-	-	-
Other comprehensive income (expenses) for the period	-	127,054	(12,363)	-	9
Total comprehensive income (expenses) for the period	-	127,054	(12,363)	-	9
PRC statutory reserve	-	-	-	4,129	-
Dividend paid to non-controlling shareholders	-	-	-	-	-
Interim dividend paid	-	-	-	-	-
Special interim dividend paid	-	-	-	-	-
At 31st December, 2013 (audited)	190,762	225,216	19,223	41,760	(2,501)
Profit for the period	-	-	-	-	-
Other comprehensive (expenses) income for the period	-	-	(11,414)	-	8
Total comprehensive (expenses) income for the period	-	-	(11,414)	-	8
PRC statutory reserve	-	-	-	8,428	-
Final dividend paid	-	-	-	-	-
At 30th June, 2014 (unaudited)	190,762	225,216	7,809	50,188	(2,493)

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	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)	(220,774)	(224,998)
-	-	-	-	-	-	(208,845)	(208,845)
-	-	-	-	(381,524)	(381,524)	-	(381,524)
-	-	-	-	(1,907,619)	(1,907,619)	-	(1,907,619)
<u>2,499,685</u>	<u>138,062</u>	<u>1,144,801</u>	<u>-</u>	<u>43,698,740</u>	<u>47,836,919</u>	<u>210,668</u>	<u>48,047,587</u>
-	-	-	-	1,849,669	1,849,669	(24,651)	1,825,018
-	-	163,889	-	-	278,589	-	278,589
-	-	163,889	-	1,849,669	2,128,258	(24,651)	2,103,607
-	-	-	-	(4,129)	-	-	-
-	-	-	-	-	-	(100,000)	(100,000)
-	-	-	-	(381,524)	(381,524)	-	(381,524)
-	-	-	-	(2,479,905)	(2,479,905)	-	(2,479,905)
<u>2,499,685</u>	<u>138,062</u>	<u>1,308,690</u>	<u>-</u>	<u>42,682,851</u>	<u>47,103,748</u>	<u>86,017</u>	<u>47,189,765</u>
-	-	-	-	2,446,512	2,446,512	13,794	2,460,306
-	-	(163,778)	-	-	(175,184)	-	(175,184)
-	-	(163,778)	-	2,446,512	2,271,328	13,794	2,285,122
-	-	-	-	(8,428)	-	-	-
-	-	-	-	(953,810)	(953,810)	-	(953,810)
<u>2,499,685</u>	<u>138,062</u>	<u>1,144,912</u>	<u>-</u>	<u>44,167,125</u>	<u>48,421,266</u>	<u>99,811</u>	<u>48,521,077</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2014

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	5,792,103	5,587,214
Net cash (used in) generated from investing activities		
Decrease in pledged deposits	169,023	1,457,607
Purchases of available-for-sale investments	–	(7,115)
Disposal of subsidiaries (Note 28)	–	(7,346)
Other investing activities	(233,961)	(235,041)
	(64,938)	1,208,105
Net cash used in financing activities		
Bank loans and other loans repaid, net	(3,897,797)	(2,787,184)
Dividends paid	(953,810)	(2,497,988)
Other financing activities	(241,102)	(241,688)
	(5,092,709)	(5,526,860)
Net increase in cash and cash equivalents	634,456	1,268,459
Cash and cash equivalents at 1st January	3,881,250	4,820,010
Effect of foreign exchange rate changes	(52,541)	44,511
Cash and cash equivalents at 30th June	<u>4,463,165</u>	<u>6,132,980</u>
Analysis of the balances of cash and cash equivalents		
Time deposits, bank balances and cash	<u>4,463,165</u>	<u>6,132,980</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

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 consolidated financial statements for the year ended 31st December, 2013 except as described below.

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

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 “Disclosure of Interests in Other Entities” and HKAS 27 (Revised in 2011) “Separate Financial Statements”.

The amendments to HKAS 32 clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The amendments to HKAS 36 remove the unintended disclosure requirements made by HKFRS 13 “Fair Value Measurement” on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal.

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

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39 ⁴
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ²
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ²
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ²
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions ¹

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

² Effective for annual periods beginning on or after 1st January, 2016

³ Effective for annual periods beginning on or after 1st January, 2017

⁴ No mandatory effective date yet determined but is available for adoption

HKFRS 9 (Issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (Revised in November 2010) adds requirements for the financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The date when entities would be required to apply HKFRS 9 was previously stated at 1st January, 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced. The application of HKFRS 9 might affect the classification, measurement and presentation of the Group’s financial assets and financial liabilities.

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,	
	2014	2013
	HK\$'000	HK\$'000
Continuing operations		
Property rental income	966,996	901,604
Sales of properties held for sale	252,473	3,393,837
Gains (losses) on sales of investments held-for-trading	14,268	(5,581)
Interest income from loan financing	3	26,787
Brokerage and cosmetic income	7,472	8,478
	<u>1,241,212</u>	<u>4,325,125</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 of the Group uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
– Retail	–	Property leasing from retail properties
– Non-retail	–	Property leasing from non-retail properties
Listed 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.

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 properties together with their, if applicable, respective deferred tax. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2013.

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

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

There was no major customer who individually accounted for over 10% of the Group’s revenue.

4. Operating Segments (continued)

Operating segment information is presented below:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2014

	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	-	-	-	-	154,829	-	-	154,829
- Other countries	-	-	-	-	7,887,086	-	-	7,887,086
	-	-	-	-	8,041,915	-	-	8,041,915
Revenue								
Revenue from external customers								
- Hong Kong	139,426	606,580	205,897	-	14,268	2,534	4,941	973,646
- Mainland China	113,047	29,706	23,351	-	-	-	-	166,104
- United Kingdom	-	2,786	98,676	-	-	-	-	101,462
	252,473	639,072	327,924	-	14,268	2,534	4,941	1,241,212
Revenue from external customers after non-controlling interests								
	217,617	638,744	327,825	-	14,268	2,534	4,941	1,205,929
Attributable property sales from associates/investees								
- Hong Kong	1,482,656	-	-	-	-	-	-	1,482,656
Attributable rental revenue from associates								
- Hong Kong	-	8,481	16,559	-	-	-	-	25,040
- Mainland China	-	37,009	43,750	-	-	-	-	80,759
	1,700,273	684,234	388,134	-	14,268	2,534	4,941	2,794,384
Result								
Segment result								
- Hong Kong	481,590	582,568	189,394	-	(40,606)	39,313	13,496	1,265,755
- Mainland China	4,992	26,661	20,601	-	-	4,517	-	56,771
- United Kingdom	-	2,727	96,572	-	-	18	-	99,317
- Other countries	-	-	-	-	44,577	-	-	44,577
	486,582	611,956	306,567	-	3,971	43,848	13,496	1,466,420
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	15,017	-	-	-	-	-	-	15,017
- Attributable gross income								
- Hong Kong	-	8,481	16,559	-	-	-	987	26,027
- Mainland China	-	37,009	43,750	-	-	-	-	80,759
- Attributable operating cost								
- Hong Kong	-	(1,012)	(2,847)	-	-	-	-	(3,859)
- Mainland China	-	(23,057)	(8,081)	-	-	-	-	(31,138)
Non-controlling interests	(22,935)	(286)	(87)	-	-	-	-	(23,308)
	478,664	633,091	355,861	-	3,971	43,848	14,483	1,529,918
Other income and expenses, net	(81,834)	-	-	-	-	-	-	(81,834)
Costs of development recognised								
in respect of property project in Macau								
	(2,153)	-	-	-	-	-	-	(2,153)
Loss on disposals of investment properties	-	(2,808)	-	-	-	-	-	(2,808)
Finance costs	-	(1,556)	(55,099)	-	(13,247)	-	-	(69,902)
Other gains and losses, net	-	(2,744)	-	-	-	-	-	(2,744)
Share of results of associates								
- Income tax and others	(7,388)	(9,661)	(17,160)	-	-	-	(86)	(34,295)
Non-controlling interests	(16)	(67)	-	-	-	-	-	(83)
	387,273	616,255	283,602	-	(9,276)	43,848	14,397	1,336,099
Unallocated items								
Unallocated corporate expenses, net								
								(119,028)
Unallocated finance costs								
								(142,477)
Income tax expense								
								(103,608)
Unallocated non-controlling interests								
								9,597
Operating profit for the period from continuing operations attributable to owners of the Company								
Operating profit for the period from discontinued operation attributable to owners of the Company								
Operating profit for the period from continuing and discontinued operations								
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of associates and non-controlling interests)								
								1,477,741
- Deferred tax expense								
								(11,812)
Profit for the period from continuing and discontinued operations attributable to owners of the Company								
2,446,512								

4. **Operating Segments** (continued)
Condensed Consolidated Statement of Comprehensive Income (continued)
For the six months ended 30th June, 2014

HK\$'000

Core profit (excluding major non-cash items)	
Operating profit for the period from continuing and discontinued operations	980,583
Major accumulated realised fair value changes recognised in prior years on disposals of investment properties in current period	19,732
	<hr/>
Core profit for the period from continuing and discontinued operations attributable to owners of the Company	1,000,315
	<hr/> <hr/>

Condensed Consolidated Statement of Financial Position
At 30th June, 2014

	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	4,402,712	25,864,311	13,009,324	–	699,645	327,265	52,644	44,355,901
– Mainland China and Macau	9,957,692	1,108,977	1,273,411	–	–	14,886	29,273	12,384,239
– United Kingdom	–	130,415	4,632,958	–	–	–	–	4,763,373
– Other countries	–	–	–	–	6,821,240	–	–	6,821,240
Interests in associates								
– Hong Kong	33,626	523,671	1,120,226	–	–	1,479	34,613	1,713,615
– Mainland China	139,968	111,559	456,185	–	–	–	–	707,712
Advances to associates								
– Hong Kong	7,105	258	122	–	–	2	1,486	8,973
– Mainland China	992,555	60,228	666,830	–	–	–	–	1,719,613
Reportable segment assets	<u>15,533,658</u>	<u>27,799,419</u>	<u>21,159,056</u>	<u>–</u>	<u>7,520,885</u>	<u>343,632</u>	<u>118,016</u>	<u>72,474,666</u>
Assets classified as held for sale								
Unallocated corporate assets								40,214
								<u>42,546</u>
Consolidated total assets								<u>72,557,426</u>
Liabilities								
Segment liabilities								
– Hong Kong	1,116,381	581,206	77,020	–	–	14,825	81,335	1,870,767
– Mainland China and Macau	530,646	23,905	23,038	–	–	–	–	577,589
– United Kingdom	–	92,277	3,291,217	–	–	–	–	3,383,494
– Other countries	–	–	–	–	2,887,602	–	–	2,887,602
Reportable segment liabilities	<u>1,647,027</u>	<u>697,388</u>	<u>3,391,275</u>	<u>–</u>	<u>2,887,602</u>	<u>14,825</u>	<u>81,335</u>	<u>8,719,452</u>
Unallocated corporate liabilities								
								15,316,897
Consolidated total liabilities								<u>24,036,349</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	<u>854,056</u>	<u>46,305</u>	<u>125,435</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,397</u>	

4. **Operating Segments** *(continued)*
Other Material Items
For the six months ended 30th June, 2014

	Continuing operations			Discontinued operation	Continuing and discontinued operations
	Reportable segments total	Adjustments for unallocated	Adjustments for major non-cash items		Consolidated statement of comprehensive income total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	448,538	-	-	448,538	448,538
Finance costs	(69,902)	(142,477)	-	(212,379)	(212,379)
Net income (expenses)	378,636	(142,477)	-	236,159	236,159
Depreciation	-	(9,127)	-	(9,127)	(9,127)
Fair value changes on investment properties	-	-	1,419,795	1,419,795	1,419,795
Costs of development recognised in respect of property project in Macau	(2,153)	-	-	(2,153)	(2,153)
Share of results of associates	52,511	-	57,946	110,457	110,457
Income tax expense	-	(103,608)	(11,812)	(115,420)	(115,420)
Non-controlling interests	(23,391)	9,597	-	(13,794)	(13,794)

4. Operating Segments (continued)
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
Operating profit for the period from continuing operations attributable to owners of the Company								
Operating profit for the period from discontinued operation attributable to owners of the Company								
Core profit for the period from continuing and discontinued operations (excluding major non-cash items)								
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. Operating Segments (continued)
Condensed Consolidated Statement of Financial Position
At 31st December, 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	3,847,767	26,221,008	10,343,349	–	894,816	752,624	47,323	42,106,887
– Mainland China and Macau	10,256,012	1,288,181	1,105,379	–	–	7,115	3,799	12,660,486
– United Kingdom	–	125,329	4,316,229	–	–	–	–	4,441,558
– Other countries	–	–	–	–	12,415,690	–	–	12,415,690
Interests in associates								
– Hong Kong	33,235	489,895	1,085,054	–	–	1,309	29,695	1,639,188
– Mainland China	161,920	115,225	454,198	–	–	–	–	731,343
Advances to associates								
– Hong Kong	7,096	204	137	–	–	2	1,477	8,916
– Mainland China	987,345	60,190	645,568	–	–	–	–	1,693,103
Reportable segment assets	<u>15,293,375</u>	<u>28,300,032</u>	<u>17,949,914</u>	<u>–</u>	<u>13,310,506</u>	<u>761,050</u>	<u>82,294</u>	<u>75,697,171</u>
Assets classified as held for sale								64,733
Unallocated corporate assets								<u>48,322</u>
Consolidated total assets								<u>75,810,226</u>
Liabilities								
Segment liabilities								
– Hong Kong	1,166,264	828,949	169,516	–	2	16,389	84,007	2,265,127
– Mainland China and Macau	950,374	23,744	19,628	–	–	–	–	993,746
– United Kingdom	–	93,323	3,222,249	–	–	–	–	3,315,572
– Other countries	–	–	–	–	6,453,230	–	–	6,453,230
Reportable segment liabilities	<u>2,116,638</u>	<u>946,016</u>	<u>3,411,393</u>	<u>–</u>	<u>6,453,232</u>	<u>16,389</u>	<u>84,007</u>	<u>13,027,675</u>
Unallocated corporate liabilities								<u>15,592,786</u>
Consolidated total liabilities								<u>28,620,461</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	<u>1,837,954</u>	<u>128,222</u>	<u>256,903</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,314</u>	

Other Material Items

For the six months ended 30th June, 2013

	Continuing operations			Total HK\$'000	Discontinued operation Total 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 (expenses)	<u>379,800</u>	<u>(132,699)</u>	<u>–</u>	<u>247,101</u>	<u>510</u>	<u>247,611</u>
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	<u>(258,583)</u>	<u>49,897</u>	<u>341</u>	<u>(208,345)</u>	<u>(191)</u>	<u>(208,536)</u>

5. Other Income

	Six months ended 30th June,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other income are:		
Continuing operations		
Building management fee income	101,739	102,620
Building management fee expenses	(89,602)	(94,882)
	12,137	7,738
Forfeiture of deposits received on sales of stock of properties	114	50
Management and maintenance service income	4,331	5,245
Property management services, leasing administration services and general administration services income	5,831	–
Rental service income	6,484	–
Interest income from loan note (note)	–	8,187
	<u>–</u>	<u>8,187</u>
Discontinued operation		
Exchange gain, net	–	37
	<u>–</u>	<u>37</u>

Note: The loan note, which represented part of the consideration for the disposal of Grandday Group Limited (“Grandday”) (an available-for-sale investment of the Group) in 2012 and carried interest at 2% per annum, was fully redeemed by the purchaser together with all interest accrued thereon in 2013 (Note 30(c)).

6. Investment Income, Net

	Six months ended 30th June,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	(54,874)	(80,415)
Financial assets designated as at fair value through profit or loss:		
Unrealised loss arising on change in fair value of bonds	(278,387)	(566,470)
Realised (loss) gain arising on change in fair value of bonds	(103,752)	210,102
Change in fair value	(559)	(12,540)
Exchange component of change	–	–
Net loss arising on change in fair value of financial assets designated as at fair value through profit or loss	(382,698)	(368,908)
Other investment income, net	5,699	7,373
Dividend income on:		
Listed investments	–	16,446
Unlisted investments	405,887	19,620
Interest income	448,145	434,684
	<u>422,159</u>	<u>28,800</u>
Discontinued operation		
Interest income	–	510
	<u>–</u>	<u>510</u>
	<u>422,159</u>	<u>29,310</u>

Included in interest income from continuing operations are interests from bonds of approximately HK\$421,576,000 (2013: HK\$405,086,000). Included in interest income from discontinued operation for the six months ended 30th June, 2013 is interest from unlisted fixed rate notes of approximately HK\$510,000.

9. Finance Costs

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Continuing operations		
Interest on:		
Bank loans wholly repayable within five years	242,385	218,096
Other loans wholly repayable within five years	14,047	20,319
Amount due to a non-controlling shareholder	8,212	1,482
Loan from a former subsidiary wholly repayable within five years	—	2,771
	<u>264,644</u>	<u>242,668</u>
Total interest	264,644	242,668
Exchange (gain) loss on translation of foreign currency loans, net	(800)	7,419
Other finance costs	19,387	35,579
	<u>283,231</u>	<u>285,666</u>
Less: Interest capitalised to stock of properties under development	(631)	(635)
Interest capitalised to investment properties under development	(70,221)	(62,232)
	<u>212,379</u>	<u>222,799</u>

10. Other Gains and Losses, Net

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Included in other gains and losses, net are:		
Continuing operations		
Costs of development recognised in respect of property project in Macau (Note 21)	(2,153)	(11,709)
Underprovision for rental guarantee (note (i))	(2,744)	—
Gain on disposal of subsidiaries (note (ii))	—	198,536
	<u>—</u>	<u>198,536</u>

Notes:

- (i) The amount represented underprovision in rental guarantee provided to purchasers of certain shops or units of an investment property disposed of in current and prior periods.
- (ii) Gain on disposal of subsidiaries for the six months ended 30th June, 2013 arose from the disposal of the Group's entire 61.96% interest in Chi Cheung Investment Company, Limited (now known as LT Commercial Real Estate Limited) ("Chi Cheung"), a listed subsidiary of the Company, on 6th February, 2013 ("Chi Cheung Disposal") (Note 28).

11. Income Tax Expense

	Six months ended 30th June,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Continuing operations		
Current tax:		
Hong Kong Profits Tax	76,476	219,793
Other than Hong Kong	8,102	105,204
	84,578	324,997
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	(286)	263
Other than Hong Kong	8,417	(9,464)
	8,131	(9,201)
Deferred tax:		
Current period charge	22,711	70,155
	115,420	385,951
Discontinued operation		
Current tax:		
Hong Kong Profits Tax	–	38
	115,420	385,989

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the Period. The PRC Enterprise Income Tax rate of 25% (2013: 25%) is used for estimation of PRC Enterprise Income Tax. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. Discontinued Operation

As a result of the Chi Cheung Disposal and the disposal of the Group's entire 41.93% interest in G-Prop (Holdings) Limited (now known as Common Splendor International Health Industry Group Limited), another listed subsidiary of the Company, on 6th August, 2012 ("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 since then.

Details of the G-Prop Disposal and Chi Cheung Disposal were set out in the announcements of the Company dated 17th June, 2012 and 5th December, 2012 respectively.

12. Discontinued Operation (continued)

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

	Six months ended 30th June, 2013 <i>HK\$'000</i>
Other income	37
Investment income, net	510
Administrative expenses	(8)
	<hr/>
Profit before tax	539
Income tax expense	(38)
	<hr/>
Profit for the period from discontinued operation	501
Other comprehensive expense for the period: <i>Item that may be reclassified subsequently to profit or loss</i>	
Fair value changes on available-for-sale investments	(136)
	<hr/>
Total comprehensive income for the period from discontinued operation (net of tax)	365
	<hr/> <hr/>
Profit for the period from discontinued operation attributable to:	
Owners of the Company	310
Non-controlling interests	191
	<hr/>
	501
	<hr/> <hr/>
Total comprehensive income for the period from discontinued operation attributable to:	
Owners of the Company	226
Non-controlling interests	139
	<hr/>
	365
	<hr/> <hr/>
<p>The consolidated cash flow from discontinued operation is set out as below:</p>	
Net cash used in operating activities	(581)
Net cash generated from investing activities	1,051
	<hr/>
Net cash inflow	470
	<hr/> <hr/>

13. Dividends

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend for 2014 declared after interim period end of HK30 cents (2013: HK20 cents) per share	572,286	381,524
No special interim dividend for 2014 declared after interim period end (2013: HK\$1.3 per share)	—	2,479,905
	<u>572,286</u>	<u>2,861,429</u>
Final dividend for 2013 paid on 6th June, 2014 of HK50 cents (2012: HK20 cents) per share	953,810	381,524
No special interim dividend for 2013 (2012: HK\$1 per share)	—	1,907,619
Total dividends paid	<u>953,810</u>	<u>2,289,143</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,	
	2014	2013
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company:		
Continuing operations	2,446,512	4,467,758
Discontinued operation	—	310
Continuing and discontinued operations	<u>2,446,512</u>	<u>4,468,068</u>
	Number of shares	
	2014	2013
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\$2,446,512,000 (2013: HK\$4,467,758,000) and on the weighted average number of 1,907,619,079 (2013: 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 nil (2013: HK0.02 cents) which is calculated based on the profit for the Period from discontinued operation attributable to owners of the Company of nil (2013: HK\$310,000) and on the weighted average number of 1,907,619,079 (2013: 1,907,619,079) ordinary shares in issue during the Period.

Diluted earnings per share for the six months ended 30th June, 2014 and 2013 were the same as the basic earnings per share as there were no diluting events during both periods.

15. Investment Properties

	Fair value		Cost	
	Completed properties HK\$'000	Properties under construction HK\$'000	Properties under construction HK\$'000	Total HK\$'000
At 1st January, 2013	38,044,094	668,000	3,260,724	41,972,818
Additions	15,370	–	–	15,370
Construction costs incurred	–	110,801	1,146,848	1,257,649
Overprovision of construction costs incurred in prior years	(44,465)	–	–	(44,465)
Transfer from properties and other fixed assets	168,200	–	–	168,200
Transfer to properties and other fixed assets	(75,100)	–	–	(75,100)
Transfer to stock of properties	–	(235,000)	–	(235,000)
Transfer to assets classified as held for sale	(64,593)	–	–	(64,593)
Exchange adjustments	90,172	–	104,377	194,549
Increase (decrease) in fair value recognised in the consolidated statement of comprehensive income				
– realised	491,433	–	–	491,433
– unrealised	2,921,087	(9,801)	–	2,911,286
Disposals	(1,039,533)	–	–	(1,039,533)
At 31st December, 2013	40,506,665	534,000	4,511,949	45,552,614
Additions	37,042	–	–	37,042
Construction costs incurred	–	25,312	651,300	676,612
Overprovision of construction costs incurred in prior years	(516)	–	–	(516)
Exchange adjustments	126,350	–	(125,899)	451
Increase in fair value recognised in the consolidated statement of comprehensive income				
– unrealised	1,403,393	16,688	–	1,420,081
Disposals	(3,870)	–	–	(3,870)
Carrying amounts				
At 30th June, 2014	42,069,064	576,000	5,037,350	47,682,414

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

Property valuations as at 30th June, 2014 and 31st December, 2013 were carried out by B.I. Appraisals Limited ("B.I. Appraisals") and Vigers Appraisal and Consulting Limited ("Vigers Appraisal"), 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, 2014 and 31st December, 2013 were carried out by Peak Vision Appraisals Limited ("Peak Vision Appraisals"), another independent qualified professional valuer. The valuers have recent relevant experience in the valuation of similar properties in the relevant locations.

The valuation reports for the investment properties as at 30th June, 2014 and 31st December, 2013 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" published by The Hong Kong Institute of Surveyors and the "RICS Valuation – Professional Standards January 2014" published by the Royal Institution of Chartered Surveyors.

15. Investment Properties (continued)

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 investment method relying on the capitalisation of rental income is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy status. 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 construction, their fair values are determined by direct comparison method by making reference to comparable transactions as available in the relevant market. It has also taken into account the construction costs that will be expended to complete the developments to reflect the development potential of the properties and the quality of the completed developments. 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 value become reliably measurable.

The following table analysed the investment properties which are measured at fair value at the end of the reporting period into the three-level hierarchy as defined in HKFRS 13 which is further elaborated in Note 33.

	At 30th June, 2014		
	Fair value HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements:			
Completed properties (note)	42,109,278	2,265,649	39,843,629
Properties under construction	576,000	–	576,000
	<u>42,685,278</u>	<u>2,265,649</u>	<u>40,419,629</u>
	At 31st December, 2013		
	Fair value HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements:			
Completed properties (note)	40,571,398	2,293,528	38,277,870
Properties under construction	534,000	–	534,000
	<u>41,105,398</u>	<u>2,293,528</u>	<u>38,811,870</u>

Note: Included those classified as held for sale which were categorised as Level 2 fair value measurement.

Certain investment properties located in Hong Kong categorised as Level 2 fair value measurement are determined using direct comparison method with reference to the recent selling prices of comparable properties on a price per square foot basis which are adjusted to reflect the conditions and locations of the related properties.

15. Investment Properties (continued)

Details of the valuation techniques used and key inputs to valuation on investment properties which are categorised as Level 3 fair value measurement at the end of the reporting period are as follows:

	Fair value		Valuation techniques	Significant unobservable inputs	Range
	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000			
Properties held for investment in Hong Kong	33,674,570	32,450,010	Combination of direct comparison method and investment method	(1) Reversionary yield; and (2) Market rent per square foot	3.25% to 7.00% (31st December, 2013: 3.75% to 7.00%)
Properties under construction in Hong Kong	576,000	534,000	Direct comparison method	Estimated development costs	
Properties held for investment in the United Kingdom	4,356,759	4,043,060	Combination of direct comparison method and investment method	(1) Reversionary yield; and (2) Market rent per square foot	5.25% to 5.63% (31st December, 2013: 5.25% to 5.75%)
Properties held for investment in Mainland China	1,812,300	1,784,800	Combination of direct comparison method and investment method	(1) Reversionary yield; and (2) Market rent per square foot	5.50% to 9.00% (31st December, 2013: 5.50% to 9.00%)
Total	40,419,629	38,811,870			

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties. Estimated development costs are the costs to be expended to complete the properties.

The fair value measurements are negatively correlated to the reversionary yield and the estimated development costs, and positively correlated to the market rent per square foot.

Movements of investment properties which are categorised as Level 3 fair value measurement during the period/year are as follows:

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
At the beginning of the period/year	38,811,870	38,481,924
Additions	37,042	14,702
Construction costs incurred	25,312	101,782
Overprovision of construction costs incurred in prior years	(516)	(44,465)
Transfer from properties and other fixed assets	–	168,200
Transfer to properties and other fixed assets	–	(75,100)
Exchange adjustments	126,350	90,172
Increase in fair value recognised in the consolidated statement of comprehensive income	1,423,441	2,037,615
Transfer to Level 2	–	(1,959,000)
Disposals	(3,870)	(3,960)
Carrying amounts		
At the end of the period/year	40,419,629	38,811,870

During the year ended 31st December, 2013, certain investment properties which were categorised as Level 3 fair value measurement have been transferred to Level 2 at the date when part of the properties were classified as held for sale and, as a result, the valuation technique has been changed from investment method to direct comparison method when the key inputs used in assessing their fair values become observable. Other than that, there were no transfers into or out of Level 3 during the period/year and no change in valuation techniques used. In estimating the fair value of the properties, their current use equates to the highest and best use of the properties.

16. Goodwill

	<i>HK\$'000</i>
Cost	
At 1st January, 2013, 31st December, 2013 and 30th June, 2014	370,686
Impairment	
At 1st January, 2013, 31st December, 2013 and 30th June, 2014	47,748
Carrying amount	
At 30th June, 2014 and 31st December, 2013	<u><u>322,938</u></u>

17. Interests in Associates

	30th June, 2014	31st December, 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investments in associates – unlisted	283,696	283,696
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>2,137,630</u>	<u>2,086,835</u>
	<u><u>2,421,326</u></u>	<u><u>2,370,531</u></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 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 at 30th June, 2014 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 are detailed in Note 15.

18. Advances to Associates

	30th June, 2014	31st December, 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing advances to associates	67,429	67,415
Interest-free advances to associates	<u>1,661,157</u>	<u>1,634,604</u>
	<u><u>1,728,586</u></u>	<u><u>1,702,019</u></u>

The advances to associates are unsecured. An amount of approximately HK\$992,555,000 (31st December, 2013: HK\$987,345,000) was expected to be repayable in 2016 and the amount is therefore shown as non-current. For the remaining HK\$736,031,000 (31st December, 2013: HK\$714,674,000), 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, 2014 HK\$'000	31st December, 2013 HK\$'000
Available-for-sale investments comprise:		
Unlisted equity securities:		
– Incorporated in Hong Kong	60,589	72,003
– Incorporated elsewhere	3,899	11,014
	<hr/>	<hr/>
	64,488	83,017
Club debentures	16,581	16,581
	<hr/>	<hr/>
Total	81,069	99,598
	<hr/> <hr/>	<hr/> <hr/>
Analysis for reporting purposes as:		
Non-current assets	81,069	99,598
	<hr/> <hr/>	<hr/> <hr/>

20. Stock of Properties

During the Period, an additional construction cost for the Macau Land (as defined hereinafter) in respect of consultancy service of approximately HK\$388,000 was incurred in “Stock of Properties” 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, 5th September, 2012 and 16th April 2013, Moon Ocean Ltd. (“Moon Ocean”), a wholly-owned subsidiary of the Company, received four notices (“Notices”) from the Land, Public Works and Transport Bureau (“LPWT”) of Macau Special Administrative Region of the PRC (“Macau”) 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 and C), Avenida Wai Long, Taipa, Macau, which were registered in the Macau Land Registry under Nos. 22993, 22991, 22995, 22990 and 22989 and later revised 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 which are registered in the Macau Land Registry under No. 22989 as per the 2011 Revision (as defined hereinafter)) (“Macau Land”) from five Macau companies to which the land concession was originally granted (“Original Owners”) to Moon Ocean (“Land Transfers”) and the amendments 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 Notices, related appeals, legal opinions and actions taken by the Group to the Macau government were set out in Notes 33, 37 and 48 in the consolidated financial statements of the Group for the year ended 31st December, 2013.

On 16th January, 2014, Moon Ocean received a reply from the Court of Second Instance of Macau regarding the appeal jointly lodged by Moon Ocean and a promissory purchaser of the La Scala project on 14th September, 2012 that it decided to hear the witnesses. The depositions have been taken place between 12th February, 2014 and 19th March, 2014.

On 29th January, 2014, the Macau legal advisor submitted a reply to the Court of Second Instance of Macau regarding the Chief Executive of Macau’s defense filed on 24th June, 2013 regarding the appeal filed by Moon Ocean and two promissory purchasers of the La Scala project on 15th May, 2013.

On 12th May, 2014, the Company announced that Moon Ocean has decided to arrange for the revocation and cancellation of the binding letters of offer and the promissory sale and purchase agreements of the presold property units under the La Scala project. Without admission of any liability, Moon Ocean will return all deposit money in full for the presold property unit(s) under the La Scala project to each promissory purchaser accepting such revocation and cancellation arrangement together with interest thereon.

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 advisor regarding the Notices and the appeals made against the decisions made by the Chief Executive of Macau as stated in the Notices (“Macau Legal Opinion”).

Based on the Macau Legal Opinion, the Notices, the appeals made against the decisions made by the Chief Executive of Macau as stated in the Notices and all available information, the costs incurred during the Period for the construction project of the Macau Land of approximately HK\$388,000 (“2014 Construction Costs”) were reclassified to “Debtors, Deposits and Prepayments” (Note 21) in the unaudited condensed consolidated statement of financial position of the Group as at 30th June, 2014.

21. Debtors, Deposits and Prepayments

Trade receivables:

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$59,289,000 (31st December, 2013: HK\$222,610,000) comprised of rental receivables billed in advance and settlements from tenants which 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), presented based on the respective revenue recognition dates, at the end of the reporting period:

	30th June, 2014 <i>HK\$'000</i>	31st December, 2013 <i>HK\$'000</i>
0 – 30 days	18,779	34,892
31 – 60 days	5,184	94,416
61 – 90 days	6,642	18,396
Over 90 days	28,684	74,906
	<u>59,289</u>	<u>222,610</u>

Other receivables, deposits and prepayments as at 30th June, 2014 mainly comprised the following:

During the Period, the 2014 Construction Costs of approximately HK\$388,000 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 2014 Macau Project Costs (as defined hereinafter) of approximately HK\$1,765,000 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) as at 30th June, 2014 were (i) the 2014 Construction Costs 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\$1,765,000 (excluding inter-company transaction of approximately HK\$500,000 in respect of rental charges and building management fee of office premises charged to Moon Ocean by its fellow subsidiary) (“2014 Macau Project Costs”). The 2014 Construction Costs and the 2014 Macau Project Costs 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, 2014, included in other receivables (net of impairment) were balances brought forward from 31st December, 2013 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 33 and 37 in the consolidated financial statements of the Group for the year ended 31st December, 2013.

22. Assets Classified as Held for Sale

Disposals of certain shops or units of an investment property in Hong Kong (“Properties”)

During the year ended 31st December, 2013, an indirect wholly-owned subsidiary of the Company (“Vendor”) 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 the then Director (who resigned from his office of Director on 14th March, 2014) and a controlling shareholder of the Company (“Controlling Shareholder”) (“Connected Parties”) (collectively “Purchasers”). Pursuant to the Preliminary Agreements, the Vendor would sell the Properties to the Purchasers upon the terms and conditions contained therein. As at 30th June, 2014, sales of the Properties have been completed except for three units (“Sale Units”) with an aggregate consideration of approximately HK\$39,096,000 (after discount) entered into with the Connected Parties pending for completion.

In accordance with HKFRS 5, the Sale Units have been presented as assets classified as held for sale and were remeasured at fair value in the unaudited condensed consolidated statement of financial position as at 30th June, 2014 and a net fair value loss of approximately HK\$286,000 was recognised in the unaudited condensed consolidated statement of comprehensive income for the Period.

At the end of the reporting period, assets classified as held for sale represented:

	30th June, 2014 <i>HK\$'000</i>	31st December, 2013 <i>HK\$'000</i>
Investment properties	<u>40,214</u>	<u>64,733</u>

23. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$513,238,000 (31st December, 2013: HK\$606,055,000).

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

	30th June, 2014 <i>HK\$'000</i>	31st December, 2013 <i>HK\$'000</i>
0 – 90 days	27,456	129,729
Over 90 days	<u>485,782</u>	<u>476,326</u>
	<u>513,238</u>	<u>606,055</u>

24. Borrowings

	30th June, 2014 <i>HK\$'000</i>	31st December, 2013 <i>HK\$'000</i>
Secured bank loans	17,148,310	17,457,916
Other secured loans	<u>2,887,536</u>	<u>6,453,060</u>
	20,035,846	23,910,976
Less: Amounts due within one year	<u>(3,861,415)</u>	<u>(7,386,683)</u>
Amounts due after one year	<u>16,174,431</u>	<u>16,524,293</u>

25. Share Capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2013, 31st December, 2013 and 30th June, 2014	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1st January, 2013, 31st December, 2013 and 30th June, 2014	<u>1,907,619,079</u>	<u>190,762</u>

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\$147,198,000 (31st December, 2013: HK\$147,198,000) carrying interest at 11.25% per annum. 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

The Chi Cheung Disposal completed on 6th February, 2013

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 and its consolidated results, assets and liabilities ceased to be consolidated with those 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 at the date of completion of the Chi Cheung Disposal.

28. Disposal of Subsidiaries (continued)

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

	Six months ended 30th June, 2013 <i>HK\$'000</i>
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/>
Total consideration	<u>555,918</u>
Satisfied by:	
Cash consideration received	559,199
Expenses incurred for disposal	(3,281)
	<hr/>
	<u>555,918</u>
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/>
	<u>(7,346)</u>

The gain on disposal of subsidiaries was included in "Other Gains and Losses, Net" (Note 10) for the six months ended 30th June, 2013.

29. Capital Commitments

	30th June, 2014 <i>HK\$'000</i>	31st December, 2013 <i>HK\$'000</i>
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	395,206	321,947
Development expenditure of properties in Mainland China	1,411,600	3,868,293
Development expenditure of properties in Macau	2,795,414	2,795,440
Renovation of properties	2,114	1,460
Capital investment in a limited partnership (Note 32)	–	380,592
Acquisition of other fixed assets	–	7,106
	<hr/>	<hr/>
	<u>4,604,334</u>	<u>7,374,838</u>

The Group's associate had capital commitments which were authorised and contracted for at the end of the reporting period of approximately HK\$963,279,000 (31st December, 2013: HK\$830,431,000), of which the Group's share of commitments amounted to approximately HK\$240,820,000 (31st December, 2013: HK\$207,608,000).

30. Contingent Liabilities

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

As disclosed in Notes 20 and 21 in these unaudited condensed consolidated financial statements and Notes 33 and 37 in the consolidated financial statements for the year ended 31st December, 2013, the Macau legal advisor on behalf of 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 Notices. 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 the La Scala project on the Macau Land, Moon Ocean has entered into construction contracts with certain contractors. The total anticipated outstanding committed amount of these construction contracts are approximately HK\$2,795,414,000 as at 30th June, 2014 (31st December, 2013: HK\$2,795,440,000) although none of the 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 (after excluding the subcontracting contract sum of approximately HK\$409,543,000), 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 the 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 the La Scala project on the Macau Land commenced since March 2012, the Group recorded contracted sales on sale of properties of approximately HK\$3,825,269,000 as at 31st December, 2013 representing presale of 302 units of the La Scala project, after cancellation of two contracted sales, and sales deposits of approximately HK\$383,853,000 have been received by the Group.

During the Period, Moon Ocean entered into revocation agreements in revocation and cancellation of the binding letters of offer and the promissory sale and purchase agreements of 256 presold property units under the La Scala project and an accumulated amount of sales deposits of approximately HK\$316,397,000 and interests of approximately HK\$49,738,000 (calculated at the rate of 7.25% per annum (being 2% per annum above prime lending rate ("Prime"))) were repaid to the promissory purchasers. As at 30th June, 2014, sales deposits of the remaining 46 units amounted to approximately HK\$67,456,000. A provision of approximately HK\$10,961,000 has been recognised for the interest incurred for the remaining 46 units as if such revocation and cancellation arrangement has been accepted up to 30th June, 2014. Up to the date of the approval of these unaudited condensed consolidated financial statements, the binding letters of offer and the promissory sale and purchase agreements for a total of 284 units have been revoked and cancelled. An accumulated aggregate amount of approximately HK\$414,042,000, comprising sales deposits of approximately HK\$357,504,000 and interest thereon of approximately HK\$56,538,000, has been repaid by Moon Ocean to the promissory purchasers. Adjustments may be necessary to be made should there be claims made by promissory purchasers of the La Scala project in the presale.

The Directors are of the opinion that the Group will pursue for further legal proceedings to the appeals made against the decisions made by the Chief Executive of Macau as stated in the Notices. 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 the La Scala project

On 3rd March, 2012, two promissory purchasers of the La Scala project ("Plaintiffs") jointly signed a binding offer letter with Moon Ocean for which the Plaintiffs agreed to acquire one residential unit of the La Scala project ("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. On 25th April, 2014, Moon Ocean and the Plaintiffs have entered into a settlement agreement. The Binding Offer Letter was terminated and the Litigation was subsequently withdrawn.

30. Contingent Liabilities (continued)

(c) Other contingent liabilities

	30th June, 2014 <i>HK\$'000</i>	31st December, 2013 <i>HK\$'000</i>
Guarantees given to banks in respect of banking facilities utilised by associates	845,592	861,600
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	38,739	164,113
	899,331	1,040,713

On 5th September, 2012, the Company and Loyal Pride Limited (“Vendor of Grandday”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the disposal of 49 shares of Grandday (“Sale Shares”), representing 49% of the entire issued share capital of Grandday, with Dynamic Grand Limited (“Purchaser of Grandday”) at a total consideration of United States Dollar (“US\$”) 500,000,000 (“Grandday Disposal”) (“Agreement”), which was satisfied by way of cash of US\$200,000,000 and loan note by the Purchaser of Grandday in the principal amount of US\$300,000,000 (“Loan Note”). The Grandday Disposal was completed on 7th September, 2012 and the Loan Note was fully redeemed on 6th March, 2013 with share charge over the Sale Shares released on the same date.

Save as disclosed above, pursuant to the Agreement, in case of certain events (as defined in the Agreement) occurred, the Vendor of Grandday shall have an option to purchase all but not some of the Sale Shares from the Purchaser of Grandday (“Buy Option”) and the Purchaser of Grandday shall have an option to sell all but not some of the Sale Shares to the Vendor of Grandday (“Sale Option”).

For as long as any of the indentures security as defined in the Agreement (“Indentures Security”) remains outstanding, if, on or before 20th January, 2016, an event of default as defined in the Agreement occurs and such event of default agreed in the Agreement has not been waived, remedied or cured or is otherwise continuing as at 20th January, 2016; or if a demand is made on Grandday and/or Lucky Grow Holdings Limited, a wholly-owned subsidiary of Grandday, under any of the Indentures Security and/or any enforcement action is taken under any of the Indentures Security, the Purchaser of Grandday shall sell and the Vendor of Grandday shall purchase all but not some of the Sale Shares (“Automatic Sale”).

Details of the Grandday Disposal including the Buy Option, the Sale Option, the Indentures Security and the Automatic Sale and the redemption of the Loan Note were set out in the announcements of the Company dated 5th September, 2012 and 6th March, 2013 respectively.

31. Material Related Party Transactions

Save as disclosed elsewhere in these unaudited condensed consolidated financial statements, the Group had the following material transactions with related parties during the Period:

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Interest income received from associates	1,981	2,007
Income received from the Controlling Shareholder/ companies controlled by the Controlling Shareholder:		
Management and maintenance service income	4,331	5,245
Property management services, leasing administration services and general administration services income	5,831	–
Rental service income	6,484	–
Property management service income	–	7,650
Rent and building management fee paid to associates	1,242	1,171
Deposits together with interest thereon repaid to companies wholly-owned by a Director/associates of the Controlling Shareholder (note (i))	19,863	–
Consideration received for the disposal of the Group's stock of properties to close family members of a Director (note (ii))	51,205	–
Consideration received for the disposal of the Group's stock of properties to an associate of the Controlling Shareholder (note (iii))	–	22,708
	<u> </u>	<u> </u>

Interest income was charged at the prevailing market rate based on outstanding balance during the Period. Management and maintenance service income (details were disclosed in the Company's announcement dated 14th December, 2012), property management services, leasing administration services and general administration services income (details were disclosed in the Company's announcement dated 15th July, 2013), rental service income (details were disclosed in the Company's announcement dated 19th March, 2014) and property management service income (details were disclosed in the Company's circular dated 18th June, 2010) were charged at the terms agreed by both parties. Considerations received for the disposals of the Group's stock of properties were determined with reference to the prevailing market values.

Notes:

- (i) As set out in the Company's announcement dated 13th June, 2014, four companies wholly-owned by a Director or associates of the Controlling Shareholder entered into revocation agreements pursuant to which Moon Ocean and each of these companies has revoked and cancelled by mutual consent their respective binding letters of offer and promissory sale and purchase agreements ("Promissory Agreements") that were previously entered into for the sale and purchase of the residential units under the La Scala project. All deposits paid under the Promissory Agreements together with interest thereon at the rate of 7.25% per annum were repaid to the respective companies during the Period.
- (ii) As set out in the Company's announcement dated 19th February, 2014, close family members of a Director entered into a preliminary sale and purchase agreement for acquisition of a residential unit, a car parking space and a motorcycle parking space of One WanChai, the Group's stock of property held for sale, at a consideration of approximately HK\$51.2 million. The transaction had been completed on 14th April, 2014.
- (iii) As set out in the Company's announcement dated 6th February, 2013, an associate of the Controlling Shareholder entered into a preliminary sale and purchase agreement for acquisition of a residential unit of One WanChai at a consideration of approximately HK\$22.7 million (after discount). The transaction had been completed on 5th April, 2013.

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

32. Events after the Reporting Period

Subsequent to the end of the reporting period, the Group entered into a withdrawal agreement in an exempted limited partnership (“Partnership”) for capital commitment in contribution of US\$50,000,000 (equivalent to approximately HK\$387,550,000) and, upon the withdrawal agreement became effective, the Group has ceased to be a limited partner of the Partnership. On the same date, the Group entered into a subscription agreement for commitment in contribution of Renminbi (“RMB”) 300,000,000 (equivalent to approximately HK\$374,280,000) in a limited partnership registered under the Partnership Enterprise Law of the PRC (“PRC Partnership”). The PRC Partnership with a term of ten years was set up mainly for the purpose of long term capital investment.

33. Fair Value Measurements of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these unaudited condensed consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable inputs for the asset or liability.

Financial instruments measured at fair value

The following table analysed the financial instruments which are measured at fair value at the end of the reporting period into the three-level hierarchy.

Financial assets/financial liabilities	Fair Value		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000			
Financial assets					
Listed equity securities classified as investments held-for-trading	699,645	894,816	Level 1	Quoted prices in active markets	N/A
Bonds classified as financial assets designated as at fair value through profit or loss	6,669,364	12,118,324	Level 1	Quoted prices in active markets	N/A
Unlisted equity securities classified as available-for-sale investments (note (i))	60,299	71,713	Level 3	Discounted cash flow: 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 years Discount rate ranging from 1% below Prime to Prime (note (ii))
	<u>7,429,308</u>	<u>13,084,853</u>			
Financial liabilities					
Financial guarantee liabilities	24	37	Level 3	Trinomial Option Pricing Model (note (iii))	Volatility ranging from 3.7% to 25.3% (31st December, 2013: 4.8% to 25.5%) (note (iv))
	<u>24</u>	<u>37</u>			

33. Fair Value Measurements of Financial Instruments (continued)

Financial instruments measured at fair value (continued)

Notes:

- (i) The carrying amount as at 30th June, 2014 mainly comprised 6.475% equity investment in New Hong Kong Tunnel Company Limited of approximately HK\$59,372,000 (31st December, 2013: HK\$70,755,000).
- (ii) The higher the forecast dividend income, the higher the fair value. The higher the discount rate, the lower the fair value.
- (iii) The key inputs for the Trinomial Option Pricing Model included net asset value/market value, exercise price, time to maturity, risk-free interest rate and volatility of the underlying assets.
- (iv) The higher the volatility, the higher the fair value.

There were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy during the period/year and no change in valuation techniques used in the prior years.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The movement during the period/year in the balances of Level 3 fair value measurement is as follows:

	Unlisted available-for-sale equity securities investments HK\$'000	Financial guarantee liabilities HK\$'000
At 1st January, 2013	98,242	–
Net unrealised losses recognised in other comprehensive income during the year (note)	(26,529)	–
Fair value changes recognised in profit or loss during the year	<u>–</u>	<u>(37)</u>
At 31st December, 2013	71,713	(37)
Net unrealised losses recognised in other comprehensive income during the period (note)	(11,414)	–
Fair value changes recognised in profit or loss during the period	<u>–</u>	<u>13</u>
At 30th June, 2014	<u><u>60,299</u></u>	<u><u>(24)</u></u>

Note: The above net unrealised losses are reported as changes of "Securities Investments Reserve".

Financial instruments not measured at fair value

The Directors consider that the carrying amounts of the Group's financial instruments that are not measured at fair value approximate to their fair values.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK30 cents per share for the Period (the “Interim Dividend”) (2013: HK20 cents per share).

Dividend warrants will be posted on or about 24th September, 2014 to shareholders whose names appear on the register of members of the Company on 15th September, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on 15th September, 2014. In order to qualify for the Interim Dividend, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12th September, 2014.

FINANCIAL OPERATION REVIEW

Results

Continuing Operations

Revenue

Revenue for the Period amounted to HK\$1,241.2 million (2013: HK\$4,325.1 million), a 71.3% decrease over the same period of last year and comprised property sales of HK\$252.5 million (2013: HK\$3,393.8 million), gross rental income of HK\$967.0 million (2013: HK\$901.6 million); profit on sales of investments held-for-trading on a net basis of HK\$14.3 million (2013: loss of HK\$5.6 million) and others of HK\$7.4 million (2013: HK\$35.3 million). The decrease in revenue was mainly due to the decrease in sales of development properties.

Gross Profit

Gross profit for the Period amounted to HK\$1,032.1 million (2013: HK\$2,255.6 million), a 54.2% decrease as compared with the same period of last year which was mainly due to the decrease in profit from property sales of HK\$1,261.5 million.

Property Leasing

For property leasing, the rental revenue in retail section jumped by 7.0% to HK\$639.1 million and rental revenue in non-retail section jumped by 7.8% to HK\$327.9 million respectively during the Period. The total rental income in revenue for the Period recorded an increase of 7.3% to HK\$967.0 million as compared with the same period of last year of HK\$901.6 million.

Together with the attributable rental revenue generated from associates of HK\$105.8 million (2013: HK\$104.4 million), the total attributable rental revenue to the Group after non-controlling interests reached approximately HK\$1,072.4 million (2013: HK\$1,005.5 million), which achieved an 6.7% increase over the same period of last year.

Attributable net rental income for the Period showed HK\$989.0 million, an 4.9% increase over HK\$943.2 million in 2013.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Continuing Operations (continued)

Property Development and Trading

During the Period, the attributable property sales revenue and the relevant attributable profit from the Group and its associates recorded a decrease of 45.2% to HK\$1,700.3 million (2013: HK\$3,103.9 million) and a decrease of 60.4% to HK\$478.7 million (2013: HK\$1,208.9 million) respectively.

In the first half of 2013, the Group's development projects, mainly One WanChai in Wanchai (87.5% interest) (which was completed in early 2013) and Phase II of Splendid City in Chengdu (100% interest) (which was completed in December 2012), contributed substantial revenue and attributable profit to the Group. Whereas, there was no development project completed in the first half of 2014 and hence no significant revenue or attributable profits from development projects were recorded for the Period.

The major components recorded in gross profit are sales of: Phase II of Splendid City and Tower 1 of The Metropolis in Chengdu (100% interest) generated profit of HK\$8.3 million (2013: HK\$332.8 million) and HK\$0.2 million (2013: HK\$1.8 million) respectively and an underprovision for construction costs of Phase I of Splendid City of HK\$3.4 million (2013: HK\$2.8 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\$80.4 million (2013: HK\$871.2 million) and attributable loss of HK\$0.3 million (2013: attributable profit of HK\$3.0 million) respectively.

In respect of properties held by associates, Kwong Kin Trade Centre in Tuen Mun (40% interest) generated profit of HK\$3.6 million (2013: Kwong Kin Trade Centre and Greenville Residence in Yuen Long (50% interest) generated profit of HK\$2.7 million and HK\$0.2 million respectively) as reflected in the share of results of associates. Sale of The Coronation in West Kowloon (15% interest) had contributed HK\$389.9 million (2013: nil) to investment income upon recognition of dividend income during the Period.

During the Period, the forfeited deposits received for Phase II of Splendid City and Tower 1 of The Metropolis totaling HK\$0.1 million (2013: Phase II of Splendid City of HK\$0.1 million) were recorded in other income.

As at 30th June, 2014, deposits received from stock of properties contracted to be sold for which the revenue and profit to be recognised in the second half of 2014 amounted to HK\$0.7 million. Of which, HK\$0.5 million deposits were received from sales contracted for Tower 1 of The Metropolis, with average selling price of approximately RMB1.7 million per unit. The sales contracted for Tower 1 of The Metropolis were 8 units of RMB13.2 million (equivalent to approximately HK\$16.5 million). Deposits received for 2 carparks of The Zenith contracted for sale of HK\$2.2 million as at 30th June, 2014 were HK\$0.2 million, and the attributable interest of sales to the Group amounted to HK\$1.9 million.

As at 31st December, 2013, deposits received from presale of 302 units of the La Scala project with contracted sale of HK\$3,825.3 million amounted to HK\$383.9 million. After the repayment of the deposits of HK\$316.4 million for 256 units to the respective promissory purchasers (including deposits totaling HK\$17.1 million for four units to the companies wholly-owned by the Controlling Shareholder and his associate and close family member) during the Period, presale deposits in respect of the remaining 46 units of the La Scala project held by the Group as at 30th June, 2014 were approximately HK\$67.5 million.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Continuing Operations (continued)

Property Development and Trading *(continued)*

In summary, the Group together with associates executed properties sale agreements, including presale agreements, to third parties and connected persons (as disclosed under the heading of “Disposal of Property – Connected Transaction” of the Business Review section) with an attributable contracted sales of HK\$167.3 million (2013: HK\$1,127.9 million) during the Period. Total attributable property sale profit recognised for the Period was HK\$478.7 million (2013: HK\$1,208.9 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 gain of HK\$14.3 million (2013: realised loss of HK\$5.6 million) on disposal of listed investments held-for-trading (the gain/loss of which was included in revenue) with gross proceeds of HK\$154.8 million (2013: HK\$2,072.8 million). However, a realised loss from sale of bonds of HK\$104.3 million (2013: realised gain of HK\$197.6 million) was recognised. The net realised loss for the Period was HK\$90.0 million (2013: net realised gain of HK\$192.0 million).

Furthermore, the Group recorded an unrealised loss of HK\$333.3 million (2013: HK\$646.9 million) representing the changes in fair value of listed securities and 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\$414.0 million (2013: HK\$401.2 million), the loss recognised on securities investments was HK\$9.3 million (2013: HK\$53.7 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 2014 and 2013.

Listed Investments Held-for-trading and Treasury Products

The listed investments held-for-trading and treasury products recorded a profit of HK\$4.0 million (2013: loss of HK\$26.0 million) before finance cost, but after finance costs turning to a loss of HK\$9.3 million (2013: HK\$53.7 million) 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 profit totaling HK\$14.3 million (2013: gross loss of HK\$5.6 million), an unrealised loss on fair value changes of HK\$333.3 million (2013: HK\$646.9 million), a realised loss on bonds of HK\$104.3 million (2013: realised gain of HK\$197.6 million) and dividend, interest income and other investment income of HK\$427.3 million (2013: HK\$428.9 million). Net relevant finance costs for the Period of HK\$13.3 million (2013: HK\$27.7 million) including interest expense of HK\$14.1 million (2013: HK\$20.3 million) and exchange gain of HK\$0.8 million (2013: exchange loss of HK\$7.4 million).

Other Income and Expenses

Other income for the Period, which mainly came from net building management fee income, management and maintenance service income, property management services, leasing administration services and general administration services income and rental service income, increased to HK\$45.1 million (2013: net building management fee income, management and maintenance service income and loan note interest income of HK\$34.6 million), representing an increase of 30.3% as compared with the same period of last year.

During the Period, administrative expenses decreased by 14.6% to HK\$152.4 million (2013: HK\$178.4 million) and finance costs decreased by 4.7% to HK\$212.4 million (2013: HK\$222.8 million), including exchange gain of HK\$0.8 million (2013: exchange loss of HK\$7.4 million) on foreign currency loans hedged for foreign currency securities investments. Other expenses of HK\$82.1 million (2013: nil) for the Period mainly came from interest on sales deposits repaid to promissory purchasers of presold property units under the La Scala project and pre-operating expenses incurred by the hotel in Chengdu.

Other gains and losses recorded a net loss of HK\$4.9 million including costs of development recognised in respect of property project in Macau of HK\$2.2 million (2013: net gain of HK\$186.8 million including gain on 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).

Associates

The share of results of associates for the Period was a profit of HK\$110.5 million as compared to HK\$224.3 million for the same period of last year, the net decrease of which was mainly due to the decrease in attributable profit from sale of One WanChai (12.5% interest) indirectly held by an associate from HK\$104.1 million for the same period of last year to HK\$11.4 million for the Period.

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, 2014, 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 on investment properties of HK\$1,419.8 million (2013: HK\$2,729.6 million) was recorded during the Period. The unrealised fair value gain will not affect the cash flow of the Group.

The Group’s investment properties recorded a significant decline of approximately HK\$1,309.8 million or 48.0% in the fair value gain on investment properties. The decline was mainly due to a 7.1% increase in fair value gain in the first half of 2013 while there was a 3.4% increase in fair value gain for the Period. Further details were set out in the paragraph “Property Valuation” below.

Discontinued Operation

The operating 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 and the G-Prop Disposal. Details of the discontinued operation are set out in Note 12 to the unaudited condensed consolidated financial statements for the Period.

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\$2,446.5 million as compared to HK\$4,468.1 million for the same period of last year. The decrease in profit for the Period was mainly due to the decreases in profit from trading of properties and fair value gain on investment properties. Earnings per share for the Period was HK\$1.28 (2013: HK\$2.34).

Core Profit

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

If the net gain on the major non-cash items of HK\$1,465.9 million (2013: HK\$2,730.3 million) are excluded, but the accumulated realised fair value gain on disposals of investment properties recognised in prior years of HK\$19.7 million (2013: nil) are included, the Group will have a core profit attributable to owners of the Company for the Period of HK\$1,000.3 million (2013: HK\$1,737.8 million) and a core earnings per share of HK52.4 cents (2013: HK91.1 cents), a decrease of 42.4% and 42.5% over the same period of last year respectively.

The major non-cash items represented unrealised fair value gain on investment properties together with their respective deferred tax of HK\$1,465.9 million (2013: HK\$2,730.3 million).

FINANCIAL OPERATION REVIEW *(continued)*

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

Continuing and Discontinued Operations *(continued)*

Dividends

Final dividend of HK50 cents (year ended 31st December, 2012: HK20 cents) per share and special interim dividend of nil (year ended 31st December, 2012: HK\$1) per share in total amount of HK\$953.8 million for the year ended 31st December, 2013 was paid in cash on 6th June, 2014.

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\$1,000.3 million (2013: HK\$1,737.8 million) or HK52.4 cents (2013: HK91.1 cents) per share; (b) cash interim dividend of HK30 cents (2013: HK20 cents) per share and no special interim dividend (2013: HK\$1.3 per share) declared for the Period, the ratio of such cash payment to the core profit is 57.3% (2013: 164.7%).

Net Asset Value

As at 30th June, 2014, the Group's total net asset to owners of the Company amounted to approximately HK\$48,421.3 million (31st December, 2013: HK\$47,103.7 million), an increase of HK\$1,317.6 million or 2.8% when compared with 31st December, 2013. With the total number of ordinary shares in issue of 1,907,619,079 as at 30th June, 2014 (31st December, 2013: 1,907,619,079 shares), the net asset value per share to owners of the Company was HK\$25.38, an increase of 2.8% over 31st December, 2013 (HK\$24.69 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\$2,271.3 million; and (b) payment of final dividend for the year ended 31st December, 2013 of HK\$953.8 million.

There was no transaction on the listed equity securities investments categorised as available-for-sale investments for the Period. The carrying amounts of the listed equity securities investments reserve as at 30th June, 2014 and 31st December, 2013 were nil.

Other than the disposal of the Properties (as disclosed in paragraph "Assets Classified as Held for Sale" below) and the commitment for an equity investment (as disclosed in 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, 2013, the carrying amount of the listed securities investments and treasury products was HK\$13,013.1 million. During the Period, the portfolio was decreased by a net disposal of HK\$5,310.8 million. After deducting the fair value loss of HK\$333.3 million for the Period, the listed securities investments portfolio of the Group became HK\$7,369.0 million as at 30th June, 2014 representing 10.2% of total assets, which formed part of the Group's cash management activities.

As at 30th June, 2014, the portfolio of HK\$7,369.0 million (31st December, 2013: HK\$13,013.1 million) comprised (a) listed equity securities (investments held-for-trading) of HK\$699.6 million (31st December, 2013: HK\$894.8 million) and (b) bonds (financial assets designated as at fair value through profit or loss) of HK\$6,669.4 million (31st December, 2013: HK\$12,118.3 million).

FINANCIAL OPERATION REVIEW *(continued)*

Securities Investments *(continued)*

Unlisted Securities Investment

As at 31st December, 2013, the Group had invested approximately US\$917,000 in an exempted limited partnership registered under the Exempted Limited Partnership Law (Revised) of the Cayman Islands for capital commitment in contribution of US\$50 million (equivalent to approximately HK\$387.6 million) (“Partnership”). Subsequent to the end of the reporting period, the Group entered into a withdrawal agreement in the Partnership and, upon the withdrawal agreement became effective, the Group has ceased to be a limited partner of the Partnership. On the same date, the Group entered into a subscription agreement for commitment in contribution of RMB300 million (equivalent to approximately HK\$374.3 million) in a limited partnership registered under the Partnership Enterprise Law of the PRC (“PRC Partnership”). The PRC Partnership with a term of ten years was set up mainly for the purpose of long term capital investment.

Assets Classified as Held for Sale

During the year ended 31st December, 2013, an indirect wholly-owned subsidiary of the Company (“Vendor”) 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 the Controlling Shareholder (“Connected Parties”) (collectively “Purchasers”). Pursuant to the Preliminary Agreements, the Vendor would sell the Properties to the Purchasers upon the terms and conditions contained therein. As at 30th June, 2014, sales of the Properties have been completed except for three units (“Sale Units”) with an aggregate consideration of approximately HK\$39.1 million (after discount) entered into with the Connected Parties pending for completion.

The Sale Units have been presented as assets classified as held for sale in the unaudited condensed consolidated statement of financial position as at 30th June, 2014.

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, 2014 and 31st December, 2013 were 1,907,619,079.

Debt and Gearing

As at 30th June, 2014, the Group’s bank and other borrowings amounted to HK\$20,035.8 million (31st December, 2013: HK\$23,911.0 million). Cash and deposits at banks amounted to HK\$4,463.2 million (31st December, 2013: HK\$3,881.3 million), pledged deposits amounted to HK\$1,042.5 million (31st December, 2013: HK\$1,211.6 million) and net borrowings amounted to HK\$14,530.1 million (31st December, 2013: HK\$18,818.1 million).

FINANCIAL OPERATION REVIEW *(continued)*

Debt and Gearing *(continued)*

Total debt to equity ratio was 41.3% (31st December, 2013: 50.7%) and net debt to equity ratio was 29.9% (31st December, 2013: 39.9%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$48,521.1 million (31st December, 2013: HK\$47,189.8 million). The decrease in the total debt to equity ratio and the net debt to equity ratio were mainly due to the decrease in borrowings.

However, if the listed securities investments and treasury products of HK\$7,369.0 million (31st December, 2013: HK\$13,013.1 million) are included, the net debt to equity ratio will be 14.8% (31st December, 2013: 12.3%).

As at 30th June, 2014, the Group's bank and other borrowings were denominated in HK\$ (66.9%), US\$ (6.4%), Pound Sterling ("GBP") (16.5%), RMB (9.4%) and Euro ("EUR") (0.8%). Of the Group's bank and other borrowings of HK\$20,035.8 million, 19.3%, 40.9% and 39.8% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. US\$, RMB and EUR investment securities were hedged by US\$, RMB and EUR borrowings respectively. The Group's bank and other borrowings in HK\$, US\$, RMB and EUR were carried at interest rates calculated mainly with reference to HIBOR/cost of funds; bank borrowing in GBP was effectively carried at fixed rate; and bank borrowing in RMB was carried at interest rates calculated with reference to borrowing rates quoted by Peoples' Bank of China. As at 30th June, 2014, about 83.5% of the Group's borrowings were on floating rate basis and 16.5% 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, 2014, 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 amount of approximately HK\$42,989.2 million (31st December, 2013: HK\$40,888.1 million), HK\$510.4 million (31st December, 2013: HK\$512.1 million) and HK\$1,042.5 million (31st December, 2013: HK\$699.2 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\$7,309.9 million (31st December, 2013: HK\$13,013.1 million) and cash deposits of HK\$512.4 million were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which approximately HK\$2,887.5 million (31st December, 2013: HK\$6,453.1 million) was utilised as at 30th June, 2014 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.
- (d) The Group has subordinated and assigned its advances to associates of approximately HK\$1,653.3 million (31st December, 2013: HK\$1,626.8 million) to financial institutions to secure general banking credit facilities granted to the associates.

FINANCIAL OPERATION REVIEW *(continued)*

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, 2014 was RMB31.1 million (equivalent to approximately HK\$38.7 million) (31st December, 2013: RMB128.3 million (equivalent to approximately HK\$164.1 million)) and disclosed in the contingent liabilities.

Financial and Interest Income/Expenses

Continuing and Discontinued Operations

Interest income was included in revenue and investment income (2013: included in revenue, other income and investment income). Interest income for the Period was HK\$448.5 million, representing a decrease of 4.7% from same period of last year of HK\$470.4 million.

Finance costs included interest expenses on bank and other loans; exchange difference on foreign currency loans; and arrangement fee and facility and commitment fee expenses. Interest expenses for the Period amounted to HK\$193.8 million, representing an 7.8% increase over the interest expenses of HK\$179.8 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\$70.9 million as compared to HK\$62.9 million for the same period of last year. The average interest rate over the period under review was 2.43% (2013: 2.26%), 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, 2014, the Group employed a total of 623 staff in Hong Kong (31st December, 2013: 652 staff) including about 262 staff (31st December, 2013: 294 staff) employed under the estate management company in Hong Kong. Besides, there was a total of 707 staff (31st December, 2013: 365 staff) in the offices at Mainland China and Macau, which included about 180 staff (31st December, 2013: 178 staff) of the estate management company and 343 staff (31st December, 2013: nil) of the hotel 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\$16.3 million (2013: HK\$354.0 million). The Group's net investment in Mainland China as at 30th June, 2014 amounted to HK\$9,812.6 million (31st December, 2013: HK\$9,969.3 million) representing approximately 20.2% of the Group's total equity.

Further, the Group's investment property in the United Kingdom with carrying amount of GBP330.0 million as at 30th June, 2014 (equivalent to approximately HK\$4,356.8 million) (31st December, 2013: GBP316.2 million (equivalent to approximately HK\$4,043.1 million)) contributed a profit of HK\$217.8 million (2013: HK\$113.7 million) to the Group for the Period. As at 30th June, 2014, the Group's net investment in the United Kingdom amounted to HK\$1,396.7 million (31st December, 2013: HK\$1,147.9 million) representing approximately 2.9% of the Group's total equity.

Listed Subsidiary

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

Property Valuation

Property valuations 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, 2014 and 31st December, 2013. For the investment property in the United Kingdom, the valuations as at 30th June, 2014 and 31st December, 2013 were carried out by Peak Vision Appraisals, another independent qualified professional valuer. Their valuations were based on investment method and/or direct comparison method as the valuation methodologies and were used in preparing 2014 interim results.

FINANCIAL OPERATION REVIEW *(continued)*

Property Valuation *(continued)*

The Group's investment properties were valued at HK\$47,722.6 million (31st December, 2013: HK\$45,617.3 million) (including those classified as assets held for sale), an 3.4% increase over 2013 after adjusted for the additions and disposals of investment properties during the Period. The increase in fair value of approximately HK\$1,419.8 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 credit of HK\$0.5 million) for the Period. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the unaudited condensed consolidated financial statements for the Period. Investment property under development at Chinese Estates Plaza, Chengdu stated at cost of HK\$5,037.4 million will be carried at fair value, until the earlier of the date when its fair value first become reliably measurable or the date of the completion of the property.

The increase in fair value of HK\$1,419.8 million or 3.4% was mainly attributable to the Group's major investment properties in Hong Kong and United Kingdom. Such increase has reflected an upturn in the property markets of Hong Kong and United Kingdom for the Period. Rental renewals of Silvercord, Windsor House and MassMutual Tower for the Period have shown a continuous increase over the end of 2013.

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 98.98% 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 including the performance of non wholly-owned properties was 7.77% with rental income of HK\$838.1 million for the Period as compared with the corresponding period of last year. The rental income from Hong Kong retail portion maintained stable performance with 7.09% growth while the non-retail portion showed an upward momentum with rental growth of 9.69%. Although Mainland China tourists' spending and the local consumption demand were slightly weakened, the Group's retail properties located mainly in prime shopping areas were highly praised and appreciated by tenants, therefore retail rents were generally raised.

During the Period, the average occupancy rate of the shops of Causeway Place was approximately 83.34% excluding those disposed of.

The overall rental income of Windsor House was raised 3.71% for the Period as compared with the corresponding period of last year. During the Period, its average occupancy rate was approximately 98.45%. 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 boost shoppers' traffic flow and thus increase tenants' business turnover. As a result, Windsor House recorded satisfactory rental growth and high occupancy rate.

As for Silvercord, the overall rental income was raised 7.25% for the Period as compared with the corresponding period of last year. All the shops were fully let out throughout the first half of 2014. 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 14.64% increase of its overall rental income for the Period as compared with the corresponding period of last year. Its average occupancy rate was approximately 99.82% during 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, all the shops were fully let out as at 30th June, 2014.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon Reclamation Area, the occupancy rate was approximately 63.65% as at 30th June, 2014.

The occupancy rate for the Group's office properties maintained at a high level throughout the first half of 2014. During the Period, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 92.06%, 97.35% and 99.44% respectively, bringing the approximate occupancy rate of the overall office portfolio to 95.73%.

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 scheduled for 2015.

One South Lane 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 41,350 square feet and consists of 92 residential units. Foundation work is in progress. Completion of the project is scheduled for the second quarter of 2016.

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. 234 units were sold and recognized up to 30th June, 2014, representing 98.73% 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. The project is expected to be launched in the first quarter of 2015.

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, 2014, 99.79% of total units were sold and recognized (2 units remaining).

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. As at 30th June, 2014, 99.86% of total units were sold and recognized (1 unit remaining).

Mainland China Property Investment

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

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 83.95% and 91.16% 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 92.74%.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 71.89% for the Period.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 92.30% for the Period.

Mainland China Property Development

Splendid City is a residential and commercial project located at Yingbin Avenue of Jinniu District in Chengdu with a gross floor area of approximately 3.74 million square feet. It comprises two phases with 19 residential tower blocks and a commercial building. Phase I provides 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 II provides 1,625 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet. As at 30th June, 2014, 1,212 units of Phase I were sold (representing 98.86% of total units) while 1,603 units of Phase II were sold (representing 98.65% of total units).

BUSINESS REVIEW *(continued)*

Mainland China Property Development *(continued)*

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 had been completed and provides 572 units with flat size ranging from gross floor area of approximately 704 square feet to 2,692 square feet. 401 units were sold and 8 units were presold up to 30th June, 2014 (representing 71.50% of total units in aggregate). Superstructure work of Tower 2 and the final interior fitting works to its common areas are substantially completed. Tower 2 will provide 573 units with flat size ranging from gross floor area of approximately 735 square feet to 2,805 square feet and will be launched in late 2014. Construction work of Tower 3 is scheduled to be commenced in late 2014/early 2015.

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 arcade and 4 residential tower blocks. The office building and the hotel portion have been completed. Leasing of the office building has been commenced in the second quarter of 2014 and the hotel portion is planned to open in third quarter of 2014. Fit-out works to the shopping arcade are in progress. Completion of the shopping arcade is scheduled for the fourth quarter of 2014. Superstructure work of the residential towers is in progress. The first residential tower is expected to be launched by the fourth quarter of 2014.

The Coronation, a 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 fourth quarter of 2014 and the entire Phase I is expected to be completed in the third quarter of 2017.

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, 2014.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

Disposal of Property – Connected Transaction

As announced on 19th February, 2014, the associates of Ms. Lui, Lai-kwan (an Executive Director of the Company and an associate of Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”), a substantial shareholder and a controlling shareholder of the Company) entered into a preliminary sale and purchase agreement to purchase a unit together with a car parking space and a motorcycle parking space of the Group’s residential property, namely One WanChai. The transaction constituted a connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). Completion took place on 14th April, 2014.

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

Contract of Services – Continuing Connected Transactions

On 19th March, 2014, the Group entered into a contract for services (the “Contract”) with Mr. Joseph Lau, whereby the Group agreed to provide to Mr. Joseph Lau rental of motor vehicles, car plates, vessels, car parking spaces and such other rental services for a term of 3 years commenced with retrospective effect on 15th March, 2014. An announcement was made on 19th March, 2014.

As Mr. Joseph Lau, being a substantial shareholder and a controlling shareholder of the Company, is a connected person of the Company, the Contract and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

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 People’s Republic of China (“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 & C), Avenida Wai Long, Taipa, Macau, which registered in Macau Land Registry under Nos. 22993, 22991, 22995, 22990 and 22989 and later revised 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 which registered in the Macau Land Registry under No. 22989 as per the 2011 Revision (as defined hereinafter)) (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 promissory purchaser of La Scala jointly lodged an appeal to the Court of Second Instance against the Decision on 14th September, 2012 (the “First Appeal”) as disclosed in the announcement published on the same date.

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

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

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 stating 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 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 on 9th March, 2011 (the "2011 Revision") 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 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 promissory purchasers of La Scala jointly lodged an appeal to the Court of Second Instance against the Second Decision. Moon Ocean and such promissory 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.

On 11th October, 2013, the Court of Second Instance issued a notice of its decision made on 10th October, 2013 regarding the legitimacy of certain parties involved in the First Appeal (the "Parties Rulings"). In the Parties Rulings, the Court of Second Instance has determined that each of (i) the promissory purchaser of La Scala who has joined Moon Ocean as a co-appellant of the First Appeal; and (ii) the Macau Special Administrative Region, which Moon Ocean has identified as a counter-interested party in the Macau Special Administrative Region's capacity as a shareholder of four of the Original Owners which were dissolved, is not a legitimate party in the proceedings. As a result, the Court of Second Instance has acquitted (i) the Chief Executive of Macau of the appeal filed by the promissory purchaser of La Scala on 14th September, 2012; and (ii) Macau Special Administrative Region as a counter-interested party of the First Appeal. The Company has made the relevant announcement on 15th October, 2013.

According to the announcement of the Company made on 12th May, 2014, as the construction work of La Scala has been suspended since 2012 and it was uncertain when the judgments of the appeal proceedings would be given, Moon Ocean has decided to arrange for the revocation and cancellation of the binding letters of offer and the promissory sale and purchase agreements of the presold property units under La Scala after taking into account the general preference of the promissory purchasers to have an early revocation and cancellation (the "Cancellation Scheme"). Moon Ocean shall return all deposit money in full for the presold property unit(s) under La Scala to each promissory purchaser accepting such revocation and cancellation arrangement, together with interest thereon at a rate of 7.25% per annum for the period from the date of each instalment of the relevant deposit money being paid until the date of actual refund.

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

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

As further announced on 13th June, 2014, Moon Ocean has also on 13th June, 2014 entered into revocation agreements with connected persons to the Company in respect of the presale of La Scala and returned the paid deposits to the respective connected persons together with interests thereon at the same rate (i.e. 7.25% per annum) as independent promissory purchasers.

Until the date of this interim report, about 94% of the binding letters of offer and the promissory sale and purchase agreements have been revoked and cancelled. An aggregate amount of approximately HK\$414 million has been paid by Moon Ocean to the promissory purchasers in this regard.

Despite the efforts of Moon Ocean in liaison with the remaining 6% promissory purchasers (the “Remaining Purchasers”), no agreement has been reached with the Remaining Purchasers as at the date of this interim report, and Moon Ocean will cease to approach any further the Remaining Purchasers. Moon Ocean will consider terminating the Cancellation Scheme at appropriate time.

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.

PROSPECTS

Given the dissipation of the negative factors, the economic environment of the United States and the European countries are improving. The Group believes that any change to the global monetary policies in future is likely to be gradual and at a controlled pace. In this respect, the global economy is looking less fluctuating and is expected to continue recover in the times ahead.

The Group sees promising future in its core businesses. The Group’s retail investment properties consistently recorded satisfactory rental growth during the Period, however, rental rates for certain retail business sectors have showed the sign of reaching the peak. In light of changing consumption patterns, the Group is keen to conduct periodic reviews of the tenant mix of its prime shopping malls so as to introduce more popular restaurants, trendy fashion and attractive brands to further boost customer flow and spending. It is expected that the Group will continue to enjoy stable rental growth.

During the Period, the Group’s office properties continued to record high occupancy rate. With the solid demand for quality commercial premises in prime locations, it is expected that the Group’s office properties will continue to lease well in the remainder of the year.

Government policies will remain a major factor in determining the direction of the local property market. Nevertheless, the demand for local residential properties remains strong. The Group expects its property development business in Hong Kong will be optimistic.

PROSPECTS (continued)

In the transformation of the economic growth mechanism, the Central Government timely implemented several stimulative policies to ensure that the economy is operating within a reasonable range. In addition, under the decentralization and market-oriented principal, administrative intervention measures such as restriction on property purchasing have been gradually relaxed, which will benefit for the long-term healthy development of the property industry in the Mainland China. The Group believes that the economic growth of the Mainland China will be steadily maintained. Following the reforms on land, fiscal and tax and as the policies for housing supply system are executed by the Central Government, a more mature and market based mechanism will firm up. In this connection, the Group is optimistic about the property market in the Mainland China.

The Group will continue observing the property markets of Hong Kong, Mainland China and overseas and will replenish its land bank and expand its investment property portfolio if opportunities arise.

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

As at 30th June, 2014, 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	Note	Capacity	Percentage of Issued Share Capital
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. MW Lau and the children of Ms. Lui 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, 2014.

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, 2014.

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, 2014, 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	Notes	Capacity	Percentage of Issued Share Capital
Mr. Joseph Lau	1,430,700,768	^	Founder and beneficiary of trust	74.99%
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%

Notes:

^ These shares were indirectly owned by a discretionary trust of which Mr. Joseph Lau was the founder. Mr. Joseph Lau and his certain other family members were eligible beneficiaries of that trust.

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. MW Lau and 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, 2014, 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 auditors 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.1.8 – Directors’ Insurance

The insurance policy has not been renewed upon its expiry in August 2012 due to the substantial increase in premium. The Company is of the view that the existing corporate governance measures within the Group are sound and effective such that the risk to the Directors could be minimized. Nevertheless, the Company would still consider to arrange appropriate insurance coverage for its Directors as and when competitive premium quotations could be sourced.

Code Provision A.2.1 – Chairman and Chief Executive

During the Period, Mr. Joseph Lau acted as both the chairman of the Board (the “Chairman”) and the Chief Executive Officer (“CEO”) of the Company until 13th March, 2014. Following the resignation of Mr. Joseph Lau from all his offices of the Company on 14th March, 2014, Mr. MW Lau was appointed as the Chairman and Acting CEO. Mr. MW Lau was subsequently re-designated from Acting CEO to CEO on 15th April, 2014. The Board considers that the balance of power and authority of the Board will not be impaired even the roles of the Chairman and CEO are performed by the same individual. At present, the Board also believes that under the leadership of Mr. MW 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 CEO if and when appropriate.

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

Ms. Amy Lau, Yuk-wai, a Non-executive Director, was unable to attend the annual general meeting of the Company held on 20th May, 2014 (“AGM”) as she was not in Hong Kong on the date of AGM. All the Independent Non-executive Directors had attended the AGM.

BOARD OF DIRECTORS

Mr. Joseph Lau resigned from his offices of Executive Director, the Chairman and CEO of the Company with effect from 14th March, 2014. In light of the resignation of Mr. Joseph Lau, the Board has appointed Mr. MW Lau as the Chairman and Acting CEO of the Company and re-designated Mr. MW Lau from Non-executive Director to Executive Director of the Company with effect from 14th March, 2014. The Company has made relevant announcement on 16th March, 2014.

As further announced on 15th April, 2014, Mr. MW Lau has been re-designated from Acting CEO to CEO of the Company with effect from 15th April, 2014.

The Board currently comprised eight Directors with Independent Non-executive Directors representing more than one-third of the Board.

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 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.

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

Mr. MW Lau has been re-designated from Acting CEO to CEO of the Company with effect from 15th April, 2014. Pursuant to the service agreement, with effect from 24th April, 2014, Mr. MW Lau is entitled to a monthly remuneration of HK\$1,500,000 (his previous remuneration was HK\$240,000 per annum), and discretionary bonuses to be approved by the Group and other benefits. Mr. MW Lau's remuneration was determined by the Group with reference to his duties and responsibilities.

The Group has established an Investment Committee on 15th April, 2014 to oversee the investment of the Group. Mr. MW Lau, Mr. Lam, Kwong-wai (Executive Director, Group Financial Controller and Company Secretary) ("Mr. Lam"), Mr. Chan, Kwok-wai and Mr. Ma, Tsz-chun (Independent Non-executive Directors) are members of the Investment Committee while Mr. MW Lau is the chairman and Mr. Lam acts as the chief investment officer.

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

As mentioned in the annual report of the Company for the year ended 31st December, 2013 (the “2013 Annual Report”), Mr. Lam has been appointed as a Non-executive director of LT Holdings Limited (“LT Holdings”) (formerly known as Chi Cheung Investment Company, Limited), a company whose shares are listed on the Stock Exchange, since 7th February, 2013. The name of LT Holdings has been further changed to LT Commercial Real Estate Limited in June 2014.

In May 2014, the Board has approved the adjustment of annual remuneration of Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, Independent Non-executive Directors, to HK\$300,000 for the year ending 31st December, 2014 with reference to their duties and responsibilities.

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 2013 Annual Report.

APPRECIATION

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

On behalf of the Board
Lau, Ming-wai
Chairman

Hong Kong, 28th August, 2014