恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 12)

2013 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS AND DIVIDEND

The Board of Directors announces that for the six months ended 30 June 2013, the (unaudited) Group underlying profit attributable to equity shareholders (before the fair value change of investment properties) amounted to HK$3,454 million, representing a decrease of HK$135 million or 4% from HK$3,589 million for the same period last year. Underlying earnings per share were HK$1.30 (2012: HK$1.38 as adjusted for the bonus issue in 2013).

Including the fair value change (net of non-controlling interests and deferred tax) of investment properties, the Group reported profit attributable to equity shareholders for the period under review was HK$7,757 million, representing an increase of HK$24 million over HK$7,733 million for the same period last year. Reported earnings per share were HK$2.92 (2012: HK$2.97 as adjusted for the bonus issue in 2013).

The Board has resolved to pay an interim dividend of HK$0.32 per share (2012: HK$0.32 per share) to shareholders whose names appear on the Register of Members of the Company on Monday, 9 September 2013. This interim dividend amounts to the same as last year. However, taking into account the bonus shares (1 share for every 10 shares held) recently allotted by the Company, the total amount of interim dividend payout in effect represents an increase of 10% as compared with the corresponding period of last year. Also, such interim dividend will not be subject to any withholding tax in Hong Kong. The interim dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the said interim dividend, but will rank pari passu in all other respects with the existing shares in issue. The circular containing details of the Scrip Dividend Scheme and election form will be sent to shareholders.

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Interim dividend and the share certificates to be issued under the Scrip Dividend Scheme are expected to be distributed and sent to shareholders on Thursday, 17 October 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 6 September 2013 to Monday, 9 September 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 5 September 2013.

BUSINESS RESULTS

Consolidated Income Statement
for the six months ended 30 June 2013 - unaudited

	Note	For the six months ended 30 June **2013** **HK$ million**	2012 HK$ million
Turnover	4	**8,585**	7,176
Direct costs		**(5,013)**	(3,966)
		3,572	3,210
Other revenue	5	**235**	427
Other net (loss)/income	6	**(59)**	44
Selling and marketing expenses		**(460)**	(428)
Administrative expenses		**(839)**	(789)
Profit from operations before changes in fair value of investment properties and investment properties under development		**2,449**	2,464
Increase in fair value of investment properties and investment properties under development	7	**3,967**	3,047
Profit from operations after changes in fair value of investment properties and investment properties under development		**6,416**	5,511
Finance costs	8(a)	**(500)**	(689)
Share of profits less losses of associates		**1,881**	2,128
Share of profits less losses of joint ventures		**1,160**	1,307
Profit before taxation	8	**8,957**	8,257
Income tax	9	**(1,086)**	(460)
Profit for the period		**7,871**	7,797

Consolidated Income Statement
for the six months ended 30 June 2013 – unaudited (continued)

	Note	For the six months ended 30 June **2013** **HK$ million**	 2012 HK$ million
Attributable to:			
Equity shareholders of the Company		**7,757**	7,733
Non-controlling interests		**114**	64
Profit for the period		**7,871**	7,797
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*10(a)*	***HK$2.92***	*HK$2.97**
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*10(b)*	***HK$1.30***	*HK$1.38**

** Adjusted for the bonus issue in 2013.*

Details of dividends payable to equity shareholders of the Company are set out in note 11.

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2013 - unaudited

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
Profit for the period	**7,871**	7,797
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences: net movement in the exchange reserve	**826**	(264)
- Cash flow hedges: net movement in the hedging reserve	**1,009**	(243)
- Available-for-sale equity securities: net movement in the fair value reserve	**(411)**	(40)
- Share of other comprehensive income of associates and joint ventures	**155**	(36)
Other comprehensive income for the period	**1,579**	(583)
Total comprehensive income for the period	**9,450**	7,214
Attributable to:		
Equity shareholders of the Company	**9,327**	7,155
Non-controlling interests	**123**	59
Total comprehensive income for the period	**9,450**	7,214

Consolidated Balance Sheet
at 30 June 2013

	Note	**At 30 June 2013 (unaudited) HK$ million**	At 31 December 2012 (audited) (restated) HK$ million
Non-current assets			
Fixed assets		**107,882**	101,072
Intangible operating right		**405**	415
Interest in associates		**43,593**	42,403
Interest in joint ventures		**29,360**	29,588
Derivative financial instruments		**450**	595
Other financial assets		**4,032**	4,379
Deferred tax assets		**513**	804
		186,235	179,256
Current assets			
Deposits for acquisition of properties		**5,601**	5,645
Inventories		**77,234**	76,403
Trade and other receivables	13	**7,356**	5,814
Cash held by stakeholders		**2,058**	1,852
Cash and bank balances		**13,658**	12,538
		105,907	102,252
Current liabilities			
Trade and other payables	14	**20,847**	15,265
Bank loans and overdrafts		**7,099**	2,826
Guaranteed notes		**640**	-
Amount due to a fellow subsidiary		**666**	546
Tax payable		**907**	858
		30,159	19,495
Net current assets		**75,748**	82,757
Total assets less current liabilities		**261,983**	262,013

Consolidated Balance Sheet
at 30 June 2013 (continued)

	Note	**At 30 June 2013 (unaudited) HK$ million**	At 31 December 2012 (audited) (restated) HK$ million
Non-current liabilities			
Bank loans		**14,551**	20,491
Guaranteed notes		**17,510**	18,301
Amount due to a fellow subsidiary		**5,176**	5,579
Derivative financial instruments		**1,240**	2,378
Deferred tax liabilities		**6,020**	5,412
		44,497	52,161
NET ASSETS		**217,486**	209,852
CAPITAL AND RESERVES			
Share capital		**4,830**	4,830
Reserves		**207,996**	200,333
Total equity attributable to equity shareholders of the Company		**212,826**	205,163
Non-controlling interests		**4,660**	4,689
TOTAL EQUITY		**217,486**	209,852

NOTES

1 Review of results

The condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included in the interim report to be sent to shareholders. In addition, the condensed interim financial statements have been reviewed with no disagreement by the Company's Audit Committee.

2 Basis of preparation

The condensed interim financial statements comprise Henderson Land Development Company Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") and the Group's interest in associates and joint ventures.

The condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting* issued by the HKICPA.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2012, except for the accounting policy changes that are expected to be reflected in the Company's consolidated financial statements for the year ending 31 December 2013. Details of these changes in accounting policy are set out in note 3.

The preparation of condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3 Changes in accounting policies

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's condensed interim financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

  The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these condensed interim financial statements has been modified accordingly.

- HKFRS 10, *Consolidated financial statements*

  HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1 January 2013.

- HKFRS 11, *Joint arrangements*

  HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method. Proportionate consolidation is no longer allowed as an accounting policy choice. As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interest in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial results of the Group.

- HKFRS 13, *Fair value measurement*

  HKFRS 13 replaces the existing guidance in individual HKFRSs with a single source of fair value measurement guidance, and also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the condensed interim financial statements. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

3 Changes in accounting policies (continued)

- Revised HKAS 19 , *Employee benefits*

  Revised HKAS 19 introduces a number of amendments to the accounting for defined benefits plans. Among them, revised HKAS 19 eliminates the “corridor method” under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

  As a result of the adoption of revised HKAS 19, the Group’s certain associates have changed their accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 31 December 2012 and 2011 as follows:

	As previously reported HK$ million	**Effect of adopting revised HKAS 19 HK$ million**	**As restated HK$ million**
Consolidated balance sheet at 31 December 2012:			
Interest in associates	42,452	(49)	42,403
Retained profits	150,642	(49)	150,593
Consolidated balance sheet at 31 December 2011:			
Interest in associates	40,117	(25)	40,092
Retained profits	132,869	(25)	132,844

  This change in accounting policy does not have any material impact on the Group’s income statement for the six months ended 30 June 2013 and 2012.

In respect of the other developments, none of them has material impact on the condensed interim financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Turnover

Turnover of the Group represents revenue from the sale of properties, rental income, income from construction, infrastructure business, hotel operation and management, department store operation and management, and others mainly including income from the provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
Sale of properties	**4,973**	4,284
Rental income	**2,455**	2,186
Construction	**533**	29
Infrastructure	**-**	63
Hotel operation	**96**	112
Department store operation	**191**	182
Others	**337**	320
Total (note 12(b))	**8,585**	7,176

5 Other revenue

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
Bank interest income	**127**	136
Other interest income (note)	**51**	257
Others	**57**	34
	235	427

Note: Other interest income for the six months ended 30 June 2013 and 2012 included overdue interest income (before tax) of HK$47 million and HK$247 million received by the Group during the abovementioned periods, respectively, in relation to a refund of land deposits to the Group during the year ended 31 December 2012.

6 Other net (loss)/income

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
Net gain on disposal of subsidiaries	**80**	191
Net gain/(loss) on disposal of fixed assets	**1**	(87)
Fixed assets written off	**(29)**	-
Provision on inventories	**(32)**	(43)
(Impairment loss)/reversal of impairment loss on trade debtors (note 12(c))	**(2)**	2
Net foreign exchange gain/(loss)	**30**	(51)
Net gain on disposal of available-for-sale equity securities	**-**	21
Others	**(107)**	11
	(59)	44

7 Increase in fair value of investment properties and investment properties under development

The Group's investment properties and investment properties under development were revalued at 30 June 2013 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The Group's investment properties were valued in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income allowing for reversionary income potential. The Group's investment properties under development were valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin. As a result, a net gain of HK$3,967 million (2012: HK$3,047 million) and deferred tax thereon of HK$455 million (2012: HK$84 million) have been recognised in profit or loss for the period.

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
(a) Finance costs:		
Bank loans interest	**395**	601
Interest on loans wholly repayable within five years	**404**	278
Interest on loans repayable after five years	**205**	214
Other borrowing costs	**111**	99
	1,115	1,192
Less: Amount capitalised (note)	**(615)**	(503)
	500	689

Note: The borrowing costs have been capitalised at rates ranging from 4.19% to 6.57% (2012: 3.51% to 6.84%) per annum.

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
(b) Staff costs:		
Salaries, wages and other benefits	**805**	780
Contributions to defined contribution retirement plans	**38**	36
	843	816

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
(c) Other items:		
Depreciation	**93**	86
Less: Amount capitalised	**(1)**	(7)
	92	79
Amortisation of intangible operating right	**16**	23
Cost of sales		
– completed properties for sale	**3,541**	3,005
– trading stocks	**145**	166
Dividend income from investments in available-for-sale equity securities		
– listed	**(41)**	(39)
– unlisted	**(8)**	(9)

9 Income tax

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
Current tax		
Provision for Hong Kong Profits Tax	**296**	230
Provision for taxation outside Hong Kong	**121**	97
Provision for Land Appreciation Tax	**27**	23
	444	350
Deferred tax		
Origination and reversal of temporary differences	**642**	110
	1,086	460

Provision for Hong Kong Profits Tax has been made at 16.5% (2012: 16.5%) on the estimated assessable profits for the period.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the period on the estimated assessable profits arising in the relevant tax jurisdictions during the period.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

10 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$7,757 million (2012: HK$7,733 million) and the weighted average number of 2,656 million ordinary shares in issue during the period (2012: 2,606 million ordinary shares*), calculated as follows:

	For the six months ended 30 June	
	2013	2012
	million	million
Number of issued ordinary shares at 1 January	**2,415**	2,369
Weighted average number of ordinary shares issued in respect of the bonus issue	**241**	237
Weighted average number of ordinary shares for the period and at 30 June (2012: as adjusted)	**2,656**	2,606

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2013 and 2012 as there were no dilutive potential ordinary shares in existence during the current and prior periods.

** Adjusted for the bonus issue in 2013.*

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to equity shareholders of the Company of HK$3,454 million (2012: HK$3,589 million), excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) during the period. A reconciliation of profit is as follows:

10 Earnings per share (continued)

(b) Underlying earnings per share (continued)

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**7,757**	7,733
Effect of changes in fair value of investment properties and investment properties under development (note 7)	**(3,967)**	(3,047)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development (note 7)	**455**	84
Effect of share of changes in fair value of investment properties (net of deferred tax) of:		
– associates	**(323)**	(457)
– joint ventures	**(481)**	(724)
Effect of share of non-controlling interests	**13**	-
Underlying profit attributable to equity shareholders of the Company	**3,454**	3,589
Underlying earnings per share	**HK$1.30**	HK$1.38*

** Adjusted for the bonus issue in 2013.*

11 Dividends

(a) Dividend payable to equity shareholders of the Company attributable to the interim period

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
Interim dividend declared after the interim period of HK$0.32 (2012: HK$0.32) per share	**859**	768

The interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

11 Dividends (continued)

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and payable during the interim period

	For the six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK$0.74 (2012: HK$0.7) per share	**1,787**	1,658

12 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Construction	:	Construction of building works
Infrastructure	:	Investment in infrastructure projects
Hotel operation	:	Hotel operation and management
Department store operation	:	Department store operation and management
Others	:	Provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before bank interest income, provision/(reversal of provision) on inventories, fair value adjustment of investment properties and investment properties under development, finance costs, income tax and items not specifically attributed to individual segments, such as unallocated head office and corporate expenses.

(a) Results of reportable segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2013 and 2012 is set out below:

12 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Property development HK$ million	Property leasing HK$ million (note (iii))	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
For the six months ended 30 June 2013									
External revenue	4,973	2,455	533	-	96	191	337	-	8,585
Inter-segment revenue	-	113	1,118	-	-	-	34	(1,265)	-
Reportable segment revenue	4,973	2,568	1,651	-	96	191	371	(1,265)	8,585
Reportable segment results	881	1,798	(30)	(19)	28	36	194		2,888
Bank interest income									127
Provision on inventories	(32)	-	-	-	-	-	-		(32)
Unallocated head office and corporate expenses, net									(534)
Profit from operations									2,449
Increase in fair value of investment properties and investment properties under development									3,967
Finance costs									(500)
									5,916
Share of profits less losses of associates (note (i))									
- Listed associates									
The Hong Kong and China Gas Company Limited	-	137	-	-	9	-	1,297		1,443
Miramar Hotel and Investment Company, Limited	-	315	-	-	24	-	(39)		300
Hong Kong Ferry (Holdings) Company Limited	12	19	-	-	-	-	9		40
- Unlisted associates	-	86	-	-	-	-	12		98
	12	557	-	-	33	-	1,279		1,881
Share of profits less losses of joint ventures (note (ii))	131	972	-	-	57	-	-		1,160
Profit before taxation									8,957
Income tax									(1,086)
Profit for the period									7,871

12 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Property development HK$ million	Property leasing HK$ million (note (iii))	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
For the six months ended 30 June 2012									
External revenue	4,284	2,186	29	63	112	182	320	-	7,176
Inter-segment revenue	-	103	346	-	-	-	29	(478)	-
Reportable segment revenue	4,284	2,289	375	63	112	182	349	(478)	7,176
Reportable segment results	828	1,518	(40)	36	43	31	405		2,821
Bank interest income									136
Provision on inventories	(43)	-	-	-	-	-	-		(43)
Unallocated head office and corporate expenses, net									(450)
Profit from operations									2,464
Increase in fair value of investment properties and investment properties under development									3,047
Finance costs									(689)
									4,822
Share of profits less losses of associates (note (i))									
- Listed associates									
The Hong Kong and China Gas Company Limited	-	199	-	-	9	-	1,436		1,644
Miramar Hotel and Investment Company, Limited	-	310	-	-	28	-	(48)		290
Hong Kong Ferry (Holdings) Company Limited	34	49	-	-	-	-	-		83
- Unlisted associates	-	110	-	-	-	-	1		111
	34	668	-	-	37	-	1,389		2,128
Share of profits less losses of joint ventures (note (ii))	58	1,188	-	-	58	-	3		1,307
Profit before taxation									8,257
Income tax									(460)
Profit for the period									7,797

12 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The Group's share of profits less losses of associates contributed from the property leasing segment during the period of HK$557 million (2012: HK$668 million) includes the increase in fair value of investment properties (net of deferred tax) during the period of HK$323 million (2012: HK$457 million).

(ii) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the period of HK$972 million (2012: HK$1,188 million) includes the increase in fair value of investment properties during the period of HK$481 million (2012: HK$724 million).

(iii) Turnover for the property leasing segment comprises rental income of HK$2,182 million (2012: HK$1,933 million) and rental-related income of HK$273 million (2012: HK$253 million), which in aggregate amounted to HK$2,455 million for the six months ended 30 June 2013 (2012: HK$2,186 million).

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's fixed assets, intangible operating right, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of fixed assets, the location of the operation to which they are allocated in the case of the intangible operating right, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	For the six months ended 30 June		**At 30 June**	At 31 December
	2013	2012	**2013**	2012
	(unaudited)	(unaudited)	**(unaudited)**	(audited) (restated)
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**6,565**	5,692	**146,272**	142,859
Mainland China	**2,020**	1,484	**34,968**	30,619
	8,585	7,176	**181,240**	173,478
	(note 4)	(note 4)		

12 Segment reporting (continued)

(c) Other segment information

	Amortisation and depreciation		Impairment loss/ (reversal of impairment loss) on trade debtors	
	For the six months ended 30 June		For the six months ended 30 June	
	2013	2012	**2013**	2012
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**10**	-	**-**	-
Property leasing	**12**	11	**1**	-
Construction	**27**	24	**-**	-
Infrastructure	**16**	23	**-**	-
Hotel operation	**21**	25	**-**	-
Department store operation	**2**	1	**-**	-
Others	**20**	18	**1**	(2)
	108	102	**2**	(2)

13 Trade and other receivables

	At 30 June 2013	At 31 December 2012
	(unaudited)	(audited)
	HK$ million	HK$ million
Instalments receivable	**1,050**	1,570
Debtors, prepayments and deposits	**5,978**	3,922
Gross amount due from customers for contract work	**194**	82
Amounts due from associates	**122**	230
Amounts due from joint ventures	**12**	10
	7,356	5,814

At the balance sheet date, the ageing analysis of trade debtors which are included in trade and other receivables (net of allowance for doubtful debts) is as follows:

	At 30 June 2013	At 31 December 2012
	(unaudited)	(audited)
	HK$ million	HK$ million
Current or under 1 month overdue	**1,342**	1,826
More than 1 month overdue and up to 3 months overdue	**108**	114
More than 3 months overdue and up to 6 months overdue	**73**	16
More than 6 months overdue	**78**	55
	1,601	2,011

13 Trade and other receivables (continued)

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk.

Regarding toll fee income receivable from the toll bridge, the amount is collected on behalf of the Group by 杭州市城市"四自"工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) (the "Hangzhou Toll Office"), which is the relevant government body in Hangzhou, mainland China to record the traffic flow and make payment of the toll fee of Hangzhou Qianjiang Third Bridge (the "Bridge"), pursuant to the terms of an agreement dated 5 February 2004 (the "Collection Agreement") entered into between the Group and the Hangzhou Toll Office. In this regard, Hangzhou Toll Office had provisionally suspended the payment of toll fee to the Group in respect of the Bridge commencing from 20 March 2012, and Hangzhou Municipal Bureau of Communications (杭州市交通運輸局) had been confirmed and assigned by Hangzhou Municipal People's Government (杭州市人民政府) to negotiate concretely with Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company", a subsidiary of Henderson Investment Limited (a subsidiary of the Company) which holds the operating right of the Bridge) and strive to properly deal with the related matters resulting therefrom as soon as possible, and the corresponding compensation matters proposed by the Joint Venture Company would be dealt with in due course.

In view of the uncertainty on the inflow of the toll revenue to the Joint Venture Company, the toll revenue (after deduction of mainland China business tax) during the period from 20 March 2012 (being the commencement date for the provisional suspension of the toll fee payment from Hangzhou Toll Office to the Group) to 30 June 2013 of RMB332 million, or equivalent to HK$409 million, was not recognised in the condensed interim financial statements. Accordingly, the Group did not recognise any toll income receivable from the Bridge collected on behalf of the Group by Hangzhou Toll Office at 30 June 2013.

Besides, in order to protect the interest of the Joint Venture Company, the Joint Venture Company had, in accordance with the terms of the Collection Agreement, filed an arbitration application with China International Economic and Trade Arbitration Commission ("CIETAC",中國國際經濟貿易仲裁委員會) on 17 September 2012 against Hangzhou Toll Office and Hangzhou Municipal People's Government for an arbitration award that, inter alia, they should continue to perform their obligations under the Collection Agreement by paying toll fees of the Bridge to the Joint Venture Company and be liable for the damages for the breach of contract and the relevant outstanding toll fees together with the legal and arbitration costs incurred. CIETAC on 12 November 2012 confirmed its acceptance to administer the above arbitration case.

For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowances for impairment losses are made for estimated irrecoverable amounts.

14 Trade and other payables

	At 30 June 2013 (unaudited) HK$ million	At 31 December 2012 (audited) HK$ million
Creditors and accrued expenses	**7,443**	6,033
Gross amount due to customers for contract work	**95**	271
Rental and other deposits	**1,152**	1,230
Forward sales deposits received	**11,824**	7,562
Derivative financial instruments	**18**	40
Amounts due to associates	**54**	83
Amounts due to joint ventures	**261**	46
	20,847	15,265

At the balance sheet date, the ageing analysis of trade creditors which are included in trade and other payables is as follows:

	At 30 June 2013 (unaudited) HK$ million	At 31 December 2012 (audited) HK$ million
Due within 1 month or on demand	**995**	1,775
Due after 1 month but within 3 months	**1,106**	1,000
Due after 3 months but within 6 months	**268**	187
Due after 6 months	**1,671**	1,264
	4,040	4,226

OTHER INFORMATION

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2013 have been reviewed by the auditor of the Company, KPMG in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants.

Issue of Shares

On 15 July 2013, the Company issued 27,226,787 shares in lieu of the 2012 final cash dividend at a market value of HK$46.34 per share and 241,484,258 bonus shares on the basis of one share for every ten shares held.

Purchase, Sale or Redemption of the Company’s Listed Securities

Except for the issue of shares regarding the scrip dividend scheme and bonus shares issue on 15 July 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the period under review.

Audit Committee

The Audit Committee met in August 2013 and reviewed the systems of internal control and compliance and the interim report for the six months ended 30 June 2013.

Corporate Governance

During the six months ended 30 June 2013, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in the property business, shall continue in his dual capacity as the Chairman and Managing Director.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code.

Forward-Looking Statements

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company’s control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business in Hong Kong

On 22 February 2013, as a supplement to the “Special Stamp Duty” and “Buyer’s Stamp Duty”, the Government announced the doubling of the stamp duty so as to suppress investment demand from non-first-time homebuyers and transactions in the non-residential segment. On the same day, the Hong Kong Monetary Authority imposed a new round of prudential supervisory measures on mortgage lending. All these measures have dampened property market sentiment. Meanwhile, the “Residential Properties (First-hand Sales) Ordinance” came into full operation on 29 April 2013 and imposed a higher standard of transparency on the sales process of first-hand residential properties. As it took time to understand and adapt to the new provisions, most of the sales launches in Hong Kong were delayed, leading to a further decrease in residential sales activity in the first half of 2013. The Group was the only property developer in Hong Kong that was able to carry on its sales through the effective date of that ordinance.

Property Sales

During the period, the Group launched a number of residential developments for pre-sale including “High Place” at Kowloon City and “High Point” at Cheung Sha Wan, both under “The H Collection” (urban redevelopment boutique residences) series, as well as “Green Code” at Fanling which is being developed by the Group’s associate - Hong Kong Ferry (Holdings) Company Limited. All these developments have sold well, which demonstrates that small to medium-sized units of superior quality are popular among the local end-users. “Green Code” at Fanling was the first housing project meeting the stringent sales requirements after the enactment of the “Residential Properties (First-hand Sales) Ordinance”, setting a precedent for others to follow. By the end of the period, nearly 80% of its total 728 residential units had been sold.

Commercial developments are not affected by the new ordinance. In April 2013, the Group launched “Global Trade Square” at Wong Chuk Hang for pre-sale. With the future MTR station in its proximity, this Grade A office tower was highly sought after by buyers. By the end of the period, approximately 80% of its total gross floor area of over 200,000 square feet had been sold.

Together with other popular developments such as “The Reach” in Yuen Long, “Double Cove” (Phase 1) in Ma On Shan, “39 Conduit Road” at Mid-Levels and “Hill Paramount” in Shatin, the Group sold an attributable total of HK$5,889 million worth of Hong Kong properties for the six months ended 30 June 2013, an increase of 30% over the same period of the previous year.

In the coming years, various categories of development projects (with the exception of a few earmarked for rental purposes) will provide the following areas for sale:

(1) Unsold units from the major development projects offered for sale

There are 13 development projects with unsold units available for sale:

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Land-use Purpose	Group's interest (%)	At 30 June 2013 No. of residential units remaining unsold	At 30 June 2013 Approximate saleable area remaining unsold (sq. ft.)
1.	The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	1,065	568,000
2.	Green Code 1 Ma Sik Road, Fanling	95,800	538,723	Commercial/ Residential	31.36	195	111,000
3.	High Place 33 Carpenter Road Kowloon City	3,582	31,638	Commercial/ Residential	100.00	37	11,000
4.	High Point 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	113	45,000
5.	Double Cove (Phase 1) 8 Wu Kai Sha Road, Ma On Shan	467,959	784,464	Commercial/ Residential	59.00	213	200,000
6.	Légende Royale The Beverly Hills – Phase 3 23 Sam Mun Tsai Road Tai Po	982,376 (Note 1)	1,165,240 (Note 1)	Residential	90.10	3	18,000
7.	39 Conduit Road Mid-Levels	56,748	229,255	Residential	60.00	38 (Note 2)	96,000 (Note 2)
8.	Hill Paramount 18 Hin Tai Street Shatin	95,175	358,048	Residential	100.00	6	17,000
9.	Green Lodge Tong Yan San Tsuen Yuen Long	78,781	78,781	Residential	100.00	6	13,000
10.	The Gloucester 212 Gloucester Road Wanchai	11,545	113,977	Residential	100.00	9	12,000

11. High West 36 Clarence Terrace Sai Ying Pun	7,310	58,471	Residential	100.00	17	8,000
12. E-Trade Plaza 24 Lee Chung Street Chai Wan	11,590	173,850	Office	100.00	Not applicable	87,000 (Note 3)
13. Global Trade Square 21 Wong Chuk Hang Road	14,298	214,467	Office	50.00	Not applicable	45,000 (Note 3)
				Sub-total:	**1,702**	**1,231,000**
				Area attributable to the Group:		**891,000**

Note 1: Representing the total site area and the total gross floor area for the whole project of The Beverly Hills.
Note 2: In addition, there are 16 residential units held for investment purpose.
Note 3: Representing the commercial construction area.

(2) Projects pending sale in the second half of 2013

In the absence of unforeseen delays, the following projects will be available for sale in the second half of 2013:

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Land-use purpose	Group's interest (%)	No. of Residential Units	Residential gross floor area (sq. ft.)
1.	Double Cove (Phase 2) 8 Wu Kai Sha Road, Ma On Shan (Note)	65,983	638,628	Residential	59.00	865	638,628
2.	1-7A Gordon Road, North Point	7,386	61,601	Commercial/ Residential	100.00	119	56,218
3.	High Park Grand 68 Boundary Street	6,750	60,750	Commercial/ Residential	100.00	41	50,625
4.	High Park 51 Boundary Street	5,880	52,919	Commercial/ Residential	100.00	59	44,099
					Sub-total:	**1,084**	**789,570**
					Area attributable to the Group:		**527,733**

Note : Pending the issue of pre-sale consent.

(3) Remaining phases of Double Cove

In the absence of unforeseen delays, phases 3 and 4 are expected to be available for sale in 2014, whilst phase 5 will be available for sale in 2015:

Project name and location	**Site area (sq. ft.)**	**Gross floor area (sq. ft.)**	**Land-use purpose**	**Group's interest (%)**	**No. of Residential Units**	**Residential gross floor area (sq. ft.)**
1. Double Cove (Phase 3) 8 Wu Kai Sha Road, Ma On Shan	228,285	816,817	Commercial/ Residential	59.00	1,092	807,688
2. Double Cove (Phase 4) 8 Wu Kai Sha Road, Ma On Shan	194,532	383,306	Residential	59.00	474	383,306
3. Double Cove (Phase 5) 8 Wu Kai Sha Road, Ma On Shan	85,638	327,445	Residential	59.00	178	327,445
				Sub-total:	**1,744**	**1,518,439**
				Area attributable to the Group:		**895,879**

(4) Existing urban redevelopment projects for sales / leasing

The Group has a total of 5 existing projects under planning for redevelopment or land-use conversion and the dates of their sales launch have not yet been fixed. As outlined below, they are expected to provide about 1.36 million square feet in attributable gross floor area in the urban areas based on the Government's latest city planning parameters:

	Project name and location	**Site area (sq. ft.)**	**Expected gross floor area upon redevelopment (sq. ft.)**	**Group's Interest (%)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**
1.	45-47 Pottinger Street and Ezra's Lane, Central Hong Kong (Note 1)	9,067	132,098	19.10	25,224
2.	29 Lugard Road The Peak, Hong Kong	23,649	11,824	100.00	11,824
3.	8 Wang Kwong Road Kowloon Bay, Kowloon (Notes 1 and 2)	21,528	258,336	100.00	258,336
4.	14-30 King Wah Road North Point, Hong Kong (Notes 1 and 3)	52,689	329,755	100.00	329,755
5.	Yau Tong Bay Kowloon (Note 4)	810,454	3,974,759	18.44	732,775
	Total:	**917,387**	**4,706,772**		**1,357,914**

Note 1: Investment property

Note 2: The existing 171,191-square-foot industrial building (i.e. Big Star Centre) at this site may be converted for commercial use, free of payment of any fee for the land-use conversion under the Government's revitalization policy. It is also planned to be redeveloped into an office or industrial building with an enlarged gross floor area of about 258,000 square feet. However, such plan, as well as the related issue of land premium, is still subject to the Government's approval.

Note 3: With the approval from the Town Planning Board to be redeveloped into an office tower, it is now subject to the finalization of land premium with the Government.

Note 4: Outline zoning plan was approved on 8 February 2013 by Metro Planning Committee of the Town Planning Board and it is still pending finalization of land premium with the Government.

(5) Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated

There are 17 newly-acquired urban redevelopment projects with ownership fully consolidated and their expected gross floor areas, based on the Government's latest city planning parameters, are as follows. In the absence of unforeseen delays, most of the projects are expected to be available for sale in 2014-2016:

	Project name and location	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	
Hong Kong				
1.	19-35 Shing On Street and 15 Tai Shek Street, Sai Wan Ho	7,514	79,478	(Note 1)
2.	23-25 Robinson Road, Mid-Levels (25.07% stake held by the Group)	31,380	39,334	(Note 1)
3.	1-11 Lai Yin Street and 2-12 Jones Street, Tai Hang (70% stake held by the Group)	6,529	45,686	(Note 1)
4.	208-210 Johnston Road, Wanchai	1,939	29,085	(Note 2)
5.	62-76 Main Street, Ap Lei Chau	7,953	65,763	(Note 1)
	Sub-total:	**55,315**	**259,346**	
Kowloon				
6.	11-33 Li Tak Street, Tai Kok Tsui	19,600	165,340	(Note 1)
7.	2-12 Observatory Road, Tsim Sha Tsui (50% stake held by the Group)	13,764	82,533	(Note 2)
8.	38-40A Hillwood Road, Tsim Sha Tsui	4,586	55,032	(Note 2)
9.	196-202 Ma Tau Wai Road, To Kwa Wan	4,905	41,718	(Note 1)
10.	50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan	11,404	101,791	
11.	1-15 Berwick Street, Shek Kip Mei	9,788	78,304	
12.	59-63 Wing Hong Street and 88-92 King Lam Street, Cheung Sha Wan	28,004	336,045	
13.	342-348 Un Chau Street, Cheung Sha Wan	4,579	38,922	
14.	352-354 Un Chau Street, Cheung Sha Wan	2,289	19,457	
15.	11-19 Wing Lung Street, Cheung Sha Wan	6,510	58,547	(Note 1)
16.	565-577 Fuk Wah Street, Cheung Sha Wan	7,560	63,788	(Note 1)
17.	186-198 Fuk Wing Street, Sham Shui Po	7,500	63,282	(Note 1)
	Sub-total:	**120,489**	**1,104,759**	
	Total:	**175,804**	**1,364,105**	

Note 1: Expected to be available for sale in 2014.
Note 2: To be held for rental purposes upon completion of development.

(6) Newly-acquired Urban Redevelopment Projects - with over 80% ownership acquired

For the newly-acquired urban redevelopment projects with over 80% ownership acquired, their ownership would be consolidated by proceeding to the court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development. If legal proceedings go smoothly and in the absence of unforeseen delays, most of the projects set out below are expected to be available for sale in 2015-2017. On the basis of the Government's latest city planning parameters, the expected gross floor areas are shown as follows:

	Project name and location	Site area (sq. ft.)	Expected attributable gross floor area upon redevelopment (sq. ft.)
Hong Kong			
1.	450-456G Queen's Road West, Western District	28,371	275,999
2.	85-95 Shek Pai Wan Road, Aberdeen	4,950	42,075
3.	4-6 Tin Wan Street, Aberdeen	1,740	14,790
4.	12-18 Tin Wan Street, Aberdeen	4,148	39,406
5.	9-13 Sun Chun Street, Tai Hang	2,019	18,171
6.	21-39 Mansion Street and 852-858 King's Road, North Point	17,720	168,640
	Sub-total:	**58,948**	**559,081**
Kowloon			
7.	57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan	23,031	207,272
8.	2A-2F Tak Shing Street, Jordan	10,614	84,912
9.	456-462A Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po	22,965	206,685
10.	1-19 Nam Cheong Street, Sham Shui Po	8,625	77,626
11.	79-83 Fuk Lo Tsun Road, Kowloon City	3,630	30,855
12.	25-29 Kok Cheung Street, Tai Kok Tsui	22,885	205,965
13.	8-30A Ka Shin Street, Tai Kok Tsui	19,738	176,211
14.	21-27 Berwick Street and 212-220 Nam Cheong Street, Shek Kip Mei	10,538	84,304
15.	3-8 Yiu Tung Street, Shek Kip Mei	6,825	54,600
16.	7-7G Victory Avenue, Homantin	9,865	83,853
	Sub-total:	**138,716**	**1,212,283**
	Total for 16 projects with over 80% ownership:	**197,664**	**1,771,364**

All of the above different categories of developments are summarized as follows:

		No. of projects	Attributable saleable/gross floor area (sq. ft.)	Note
1.	Major development projects offered for sale with units unsold	13	891,000	Of which about 782,000 sq.ft. was saleable area for remaining residential units
2.	Projects pending sale in the second half of 2013	4	527,733	
		Sub-total:	**1,418,733**	Available for sale in the second half of 2013
3.	Remaining phases of Double Cove	3	895,879	Expected to be available for sale in 2014-2015
4.	Existing urban redevelopment projects for sales/leasing	5	1,357,914	Date of sales launch not yet finalized and three of them are pending finalization of land premium with the Government
5.	Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated	17	1,364,105	Most of these are expected to be available for sale in 2014-2016
6.	Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured	16	1,771,364	Most of these are expected to be available for sale in 2015-2017
	Total for the above category (1) to (6) development projects:		**6,807,995**	
	Project in Progress*	1	306,900	
		Grand Total:	**7,114,895**	Gross floor area is calculated on the basis of the Government's latest city planning parameters as well as the Company's development plans. For certain projects, it may be subject to change depending on the actual demand in future

* The Group has successfully acquired over 60% interests in Merry Terrace at 4A-4P Seymour Road, whose site area is 52,466 square feet. The Group is working on a joint development agreement with another developer which also holds some stakes. If the joint development is materialized, it will allow the application to the court for compulsory sale to proceed. Upon completion of redevelopment, the expected gross floor area attributable to the Group will be about 306,900 square feet.

Forthcoming Projects

Further acquisitions involving another 36 projects spanning various highly accessible urban districts are in progress and to date over 20%, but less than 80%, of their ownerships have been acquired for these projects. Based on the Government's latest city planning parameters and in the absence of unforeseen delays, they are expected to provide a total attributable gross floor area of about 4.0 million square feet upon successful consolidation of ownership and completion of redevelopment. However, such acquisitions bear uncertainty and the Group may not be able to consolidate all of their ownerships:

			Total land area of projects (sq. ft.)
1.	Hong Kong		
	Central & Western		85,063
	Island East		75,996
	Causeway Bay		17,974
	Aberdeen		11,118
	Wanchai		3,993
		Sub-total:	**194,144**
2.	Kowloon		
	Hung Hom		115,450
	Tai Kok Tsui		65,093
	Homantin		36,076
	Sham Shui Po		16,320
	Tsim Sha Tsui		12,283
	Kowloon City		4,424
		Sub-total:	**249,646**
		Total:	**443,790**

Land Bank

At 30 June 2013, the Group had a land bank in Hong Kong with a total attributable gross floor area of approximately 20.8 million square feet, made up as follows:

	Attributable gross floor area (sq. ft.)
Properties held for or under development	10,101,570
Stock of unsold property units	534,434
Completed investment properties	9,141,901
Hotel properties	1,041,575
Total：	20,819,480

Land in Urban Areas

At the end of June 2013, the Group had 33 urban redevelopment projects of old tenement buildings with entire or over 80% ownership and they are expected to provide a total attributable gross floor area of about 3.14 million square feet. The total land cost is estimated at about HK$14,400 million (inclusive of the pricey street shops), translating into a land cost of approximately HK$4,600 per square foot of attributable gross floor area.

During the period, the Group completed the acquisition of the project at Hillwood Road, Tsim Sha Tsui. The sites for the projects at Sai Yeung Choi Street North, Sham Shui Po and Yiu Tung Street, Shek Kip Mei were both enlarged following the completion of the acquisition of the adjacent buildings. Whereas, over 80% ownership of the project at Kok Cheung Street, Tai Kok Tsui, was secured recently, enabling the Group to proceed to the court for compulsory sale.

New Territories Land

During the period, the Group acquired a number of New Territories land lots with a total land area of about 0.2 million square feet, increasing its New Territories land reserves to approximately 43.0 million square feet at 30 June 2013. This represents the largest holding among all property developers in Hong Kong.

To augment the long-term land supply, the Chief Executive, at an earlier time, committed to put forward the development of the three regions under the “North East New Territories New Development Areas” and also the “Hung Shui Kiu New Development Area” as soon as possible.

In July 2013, the Government announced the result of the “North East New Territories New Development Areas Planning and Engineering Study”. The region at Ping Che/Ta Kwu Ling will be re-planned, in response to the “2013 Policy Address” which put forward an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. The remaining two regions at Kwu Tung North and Fanling North will be treated as the extension of Fanling/Sheung Shui New Town, with their development intensity increased as far as the infrastructure capacity and environment allow. Meanwhile, the Government has decided to adopt an enhanced Conventional New Town Approach and, subject to specified criteria, private land owners are allowed to apply for in-situ land exchange for private developments. Of the Group’s land holding of 2.7 million square feet in Kwu Tung North and Fanling North, a total land area of about 900,000 square feet is preliminarily assessed to be eligible for in-situ land exchange. For the other parts of its lands in these areas, the Government may resume them for public use through cash compensation.

The Government recently also launched the Stage 2 Community Engagement of the “Hung Shui Kiu New Development Area Planning and Engineering Study”. Hung Shui Kiu New Development Area, covering an area of approximately 826 hectares, was proposed under the Preliminary Outline Development Plan to accommodate a new town of a population of about 218,000 and about 60,000 additional flats, of which about 50% are private developments. The Government is now gathering the public views on the Preliminary Outline Development Plan and has expressed no view on the issues of land resumption or in-situ land exchange in that area. Impacts to the Group arising from these proposals are yet to be evaluated.

Investment Properties

At 30 June 2013, the Group held a total attributable gross floor area of approximately 9.2 million square feet in completed investment properties in Hong Kong, comprising 4.5 million square feet of shopping arcade or retail space, 3.4 million square feet of office space, 0.9 million square feet of industrial/office space and 0.4 million square feet of residential and apartment space. This quality rental portfolio is geographically diverse, with 25% being located in Hong Kong Island, 34% in Kowloon and the remaining 41% in the New Territories (with most of the latter being large-scale shopping malls in new towns). By the end of June 2013, the leasing rate for the Group's core rental properties stood high at 98%. The Group's property investment portfolio also comprised more than 9,200 car parking spaces, which provide steady income.

For the six months ended 30 June 2013, the Group's attributable gross rental income[Note] in Hong Kong increased by 10% to HK$2,942 million, whilst attributable pre-tax net rental income[Note] was HK$2,236 million, representing a growth of 12% over the corresponding period of the previous year. (Note: this figure includes that derived from the investment properties owned by the Group's subsidiaries (after deducting non-controlling interests), associates and joint ventures) Included therein is attributable gross rental income of HK$833 million (2012: HK$778 million) contributed from the Group's attributable interest of 40.51% in The International Finance Centre ("ifc") project.

According to the information released by The Census and Statistics Department, the total retail sales of Hong Kong for the first half of 2013 grew by 15.0% by value and 14.4% by volume over the same period a year earlier. Visitor arrivals from mainland China remained as the major growth driver of the local retail market. The Group thus undertook targeted marketing activities, including organizing shopping tours for mainlanders and wider adoption of multi-media promotional channels, to attract more customers to its shopping malls and boost tenants' business. As a result, all of the Group's major shopping malls, except those under renovation or re-alignment of tenant mix, recorded nearly full occupancy at 30 June 2013. Continuous upgrades are vital to maintaining the competitiveness of shopping malls. For instance, international retail brands, namely, "Uniqlo" and "Mango" committed respectively to take space in Sunshine City Plaza in Ma On Shan and Metro City Plaza II in Tseung Kwan O, which are undergoing a series of renovation works. In the latter half of this year, the Group will extend this success experience and carry out renovations for City Landmark I in Tsuen Wan and Citimall in Yuen Long.

The office leasing market remained steady while new supply of quality office development was limited. The Group's premier office developments in the core areas, such as ifc in Central, AIA Tower in North Point, as well as Golden Centre and ING Tower (to be renamed as FWD Financial Centre with effect from 1 September 2013) in Sheung Wan, have all performed well with a remarkable increase in rents from lease renewal. Meanwhile, the Group's approximately 2,000,000-square-foot portfolio of prime office and industrial/office premises in Kowloon East, including Manulife Financial Centre and AIA Financial Centre, also recorded remarkable growth in rental income reaching nearly full occupancy at 30 June 2013. In order to further improve their rental values and appeal to discerning tenants, the Group regularly enhances the green features and upgrades the quality of its office developments. Extensive facility upgrades for AIA Tower in North Point will commence in the last quarter of 2013 and are expected to be completed in 2015.

Leasing performances for the Group's luxury residences, namely Eva Court and 39 Conduit Road, as well as the serviced suites at Four Seasons Place were satisfactory. A forthcoming addition will be a 66,000-square-foot hotel development at 388 Jaffe Road, Wanchai. This 91-room boutique design hotel is now undergoing interior decoration works and upon its tentative opening in the fourth quarter of 2013, it will be operated by Miramar Hotel and Investment Company, Limited under the name of "Mira Moon".

The Group will continue expanding its investment property portfolio in the years ahead. The Group has a 20% attributable interest in a joint venture, which holds the Citygate project in Tung Chung and won the bid for a commercial land lot in Tung Chung Town Centre at a consideration of about HK$2,300 million in March 2013. Upon completion, a new 540,000-square-foot commercial development will integrate with its adjacent Citygate, creating a mixed development of over one million square feet.

<u>Hotel and Retailing Operations</u>

The opening of the Kai Tak Cruise Terminal in June 2013 marks a milestone in the development of Hong Kong's tourism industry. Visitor arrivals to Hong Kong reached 25 million during the period under review, up 13.6% year-on-year. Four Seasons Hotel Hong Kong continued to stay ahead of the market and both average room rate and occupancy remained stable when compared with the same period last year. In addition to its exceptional accommodation, its Four Seasons Spa has recently been awarded the five-star accolade by 2013 Forbes Travel Guide, whilst Michelin Guide to Hong Kong and Macau 2013 has once again given the hotel's Caprice and Lung King Heen restaurants top three-star ratings. However, the Group's three Newton hotels, despite recording a steady average room rate, suffered a lower occupancy rate, mainly due to growing competition in its sector posed by the newly-built hotels. For the six months ended 30 June 2013, the Group's attributable share of profit contribution [Note] from its hotel operations decreased by 14% to HK$118 million. (Note: this figure includes that derived from the hotels owned by the Group's subsidiaries, associates and joint ventures)

With the re-opening of its transformed Tuen Mun store in April 2013, Citistore currently has six department store outlets and one "id:c" specialty store in Hong Kong. Citistore recorded a growth of 16% in pre-tax profit against a 5% increase in turnover during the period under review.

Construction and Property Management

In order to improve the cityscape and to provide better and safer living conditions for Hong Kong residents, the Group has been active in acquiring old tenement buildings for urban redevelopment purposes. As most of these projects are located in populous districts, in order to minimize disruption to the neighbourhoods, leading features recommended by the Leadership in Energy and Environmental Design (LEED) and BEAM Plus, such as pre-fabricated building components, have been persistently adopted. In addition, the Group procured advanced facilities to contract for the foundation piling works for the Group's development projects so as to expedite the construction process. Against the prevailing backdrop of soaring material costs and a shortage of construction workers, the above measures can help raise quality and cost efficiency by reducing construction waste and manpower.

The following development project in Hong Kong was completed during the period under review:

Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	Attributable gross floor area (sq.ft.)
Double Cove (Phase 1) 8 Wu Kai Sha Road Ma On Shan	467,959	784,464	Commercial/ Residential	59.00	462,834

The Group's commitment to quality equally applies to its developments in mainland China. The Construction Department is responsible for the selection of main contractors and subcontractors, material sourcing and tender awarding, as well as maintaining an ongoing dialogue with contractors and conducting on-site inspections. This is to ensure that all the mainland projects are completed on schedule, within budget and in line with the Group's stringent environmental and quality requirements.

The Group's property management companies, namely, Hang Yick Properties Management Limited, Well Born Real Estate Management Limited and Goodwill Management Limited, collectively manage over 80,000 apartments and industrial/commercial units, 8 million square feet of shopping and office space, as well as 20,000 car parking units in Hong Kong and mainland China.

During the period under review, these property management subsidiaries received wide recognition for various aspects of their operations, ranging from customer services, green initiatives to talent nurturing. They will provide unparalleled one-stop home services to the Group's boutique residences under "The H Collection" so as to offer discerning residents hassle-free urban living. Their commitment to service excellence has been extended to the Group's property developments in mainland China. Following the recent accreditations to "Hengbao Huating" and "Hengli Wanpan Huayuan" in Guangzhou as "Excellent Property Management Community Showcase in Guangdong Province" and "Guangdong Province Enterprise of Observing Contract and Valuing Credit", "Skycity" in Shanghai also won the "Excellent Property Management Company in Zhabei District 2012" award.

Both the Construction and Property Management teams are in the forefront of servicing the community and contributing back to society, as the Group has pledged. Apart from proactively promoting site safety within the industry throughout the period, the Group's Construction team was also an active supporter of the Construction Charity Fund, which provides immediate assistance to victims of tragic industrial accidents. Following the success of the preceding "Year of Care", the Property Management teams launched "The Year of Senior" so as to raise public awareness to caring for the elderly. Numerous accolades were received in recognition of the unwavering commitment of the Group's volunteer teams to community services and these included "Hong Kong Outstanding Corporate Citizenship Award – Silver Award in the Category of Volunteer Team" and the "Highest Voluntary Service Hour Award 2011" championship.

Business Review - Mainland China

The overall economy performed well in early 2013, with gradual improvement in the volume of property transactions in most of the cities. Property prices trended up during January and February, which were traditionally a slow season. On 20 February, the new “Five National Measures” were imposed, resulting in further tightened control measures on the property market during the reporting period. Hence, the property purchase restrictions have been enlarged, and downpayment requirements and mortgage rates for property purchases increased. Meanwhile, the global economy saw a slower recovery, while the mainland also registered a lower-than-expected GDP growth of 7.7% year-on-year. A “wait and see” sentiment at one time loomed large in the property market in the second quarter, triggering momentarily a marked drop in the trading volume of properties. Following the announcement by local government authorities of the implementation details of the control measures, and the policies encouraging first-time home purchase and housing upgrade, small-to-medium sized units continued to be popular, while sales of luxury and large residences were sluggish. With inflationary pressure waning and the monetary policy relaxed though still stable, the volume of property transactions in the first half of the year was the highest as compared to those of the corresponding periods in the past four years.

The sales of “Riverside Park” in Suzhou, “Grand Waterfront” and “High West” in Chongqing, “Treasure Garden” in Nanjing, “Xuzhou Lakeview Development” project in Xuzhou and the joint venture project of “La Botanica” in Xian for the first half of the year were better than expected. The group continued to put emphasis on design, landscaping, building material and associated facilities of its projects and amid the buildings in the locality our developed properties were of superior quality. The Group’s established brand-name will be of much benefit to the subsequent sales.

Resulting from further localisation, the implementation capabilities of the local management teams have been gradually enhanced. Many projects are entering their later phases of development. Tapping its earlier experience, the Group is set to have a good grasp of market demand, and improve in the areas of development progress, cost control, building quality and sales.

The following development projects were completed during the period under review:

	Project name	**Land-use purpose**	**Group’s interest (%)**	**Approximate attributable gross floor area (million sq.ft.)**
1.	Emerald Valley, Nanjing	Residential	100	0.45
2.	Xuzhou Lakeview Development, Phase 1A	Residential	100	0.69
3.	Phases 1B (C2), La Botanica, Xian	Residential	50	0.63
			Total:	**1.77**

At 30 June 2013, the Group had about 0.9 million square feet in attributable gross floor area of completed property stock. In addition, the Group had a sizeable development land bank across 15 major cities with a total attributable gross floor area of about 138.7 million square feet, of which around 83% was planned for residential development for sale:

Land bank under development or held for future development

		Group's share of developable gross floor area* (million sq. ft.)
Prime cities		
Shanghai		0.7
Guangzhou		14.8
	Sub-Total:	15.5
Second-tier cities		
Anshan		17.8
Changsha		13.6
Chengdu		4.0
Chongqing		4.9
Dalian		10.3
Fuzhou		1.9
Nanjing		2.5
Shenyang		11.1
Suzhou		16.0
Tieling		8.7
Xian		18.1
Xuzhou		4.6
Yixing		9.7
	Sub-Total:	123.2
	Total:	138.7

* *Excluding basement areas and car parks*

Usage of development land bank

	Estimated developable gross floor area (million sq. ft.)	Percentage
Residential	114.9	83%
Commercial	10.6	8%
Office	8.7	6%
Others (including clubhouses, schools and community facilities)	4.5	3%
Total:	138.7	100%

In July 2013, the Group entered into a co-operation framework agreement with CIFI Holdings (Group) Co. Ltd., a property developer listed in Hong Kong, on a 51:49 ownership basis to jointly develop a residential and commercial site of about 930,000 square feet in Yuhang District, Hangzhou. The land costs RMB763 million and will provide a planned total gross floor area of over 2.3 million square feet, of which not less than 90% are intended for residential use.

Property Sales

During the period under review, the Group sold and pre-sold in total an attributable HK$4,012 million worth of mainland properties, a marked increase of 144% as compared with HK$1,647 million for the corresponding period of last year.

Investment Properties

At 30 June 2013, the Group had 6.6 million square feet of completed investment properties in mainland China, comprising mainly offices and shopping malls in the city centre of Beijing, Shanghai and Guangzhou. Driven by both higher rents and increased contributions from new investment properties, the Group's attributable gross rental income and pre-tax net rental income increased by 16% to HK$644 million and by 24% to HK$509 million, respectively during the period under review.

In Beijing, World Financial Centre houses many leading financial institutions and multinational corporations such as Standard Chartered Bank, British Petroleum, Shell China and Rabobank. For the six months ended 30 June 2013, gross rental income for this international Grade-A office complex increased by 22% period-on-period to HK$260 million with the leasing rate exceeding 97% by the end of June 2013. With its tenant mix optimized, the shopping mall at Beijing Henderson Centre achieved 95% period-on-period growth in rental income with a leasing rate of 97% at 30 June 2013.

In Shanghai, Henderson Metropolitan located at the start of Nanjing Road East pedestrian avenue recorded a gross rental income of HK$102 million during the period, with an overall leasing rate of 98% at 30 June 2013. Its 15-storey super Grade-A office tower has been fully let. As a result of publicity on the web and spectacular marketing events, the nine-level Henderson Metropolitan Mall attracted more customers. In the Xujiahui commercial hub, the Grand Gateway Office Tower II recorded a lower leasing rate of 86% at the end of June 2013 as a result of the relocation of two major tenants occupying more than four floors. However, the leasing rate is expected to rebound to 94% shortly as replacement tenants are successfully attracted. In Zhabei District, the full complement of amenities such as banks, convenience stores, restaurants and coffee shops in their commercial podia make Centro and Greentech Tower both preferred choices for business expansion. Both Centro and Greentech Tower were highly appraised by the Zhabei District Government with an overall leasing rate of about 90% at the end of June 2013. Skycity, a famous four-level shopping centre for mobile handset products in the same district, was almost fully let at 30 June 2013.

In Guangzhou, Heng Bao Plaza atop the Changshou Road subway station boasts a wide array of fashion boutiques and dining outlets, offering one-stop shopping convenience to customers. As it was under realignment of its tenant mix, its leasing rate was slightly lowered at 30 June 2013.

Henderson Investment Limited ("HIL")

For the six months ended 30 June 2013, HIL's unaudited profit attributable to equity shareholders amounted to HK$7 million, representing a decrease of HK$16 million or 70% from HK$23 million for the corresponding six months ended 30 June 2012. Commencing from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to a joint venture company of HIL was provisionally suspended. For the sake of prudence, the toll revenue commencing from 20 March 2012 has not been recognized in the accounts of HIL. Profit for the period under review mainly comprised bank interest income and net foreign exchange gain totalling HK$26 million, which was offset by the direct costs (mainly comprising amortization charge of the toll bridge) of HK$19 million.

The Group raised the issue of toll fee collection right with China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration. CIETAC on 12 November 2012 confirmed its acceptance to administer the above arbitration case. CIETAC's decision for the composition of an arbitral tribunal, as well as its notification of commencement of proceedings, are both pending. The total toll revenue (after deduction of PRC business tax) accrued but not recognized by HIL up to 30 June 2013 amounted to HK$409 million.

HIL may report a loss from operations in the current financial year, unless the arbitration proceedings result in a determination or the parties come to an agreement in each case satisfactory to HIL, or suitable investment that may be identified by HIL produces satisfactory income.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")
The unaudited profit after taxation attributable to shareholders of Hong Kong and China Gas for the six months ended 30 June 2013 amounted to HK$3,620 million, a decrease of HK$500.3 million compared with the same period last year. The decrease in profit was mainly due to a decrease in both one-off net gain and its share of the revaluation surplus of International Finance Centre ("ifc") compared with the same period last year. Exclusive of the one-off net gain and profits from property-related businesses, its profit after taxation for the six months ended 30 June 2013 amounted to HK$3,290 million, an increase of approximately 2% compared with the same period last year.

GAS BUSINESS IN HONG KONG

For the first half of 2013, total volume of gas sales in Hong Kong decreased by 2.8% compared with the same period last year. In comparison, appliance sales increased by approximately 7.7% compared with the same period last year. As at 30 June 2013, the number of customers was 1,782,564, an increase of 6,204 since the end of December 2012. An increase in the standard gas tariff with effect from 1 April 2013 will offset some of its own rising operating costs and Hong Kong and China Gas predicts an increase of about 25,000 new customers in Hong Kong during 2013.

UTILITY BUSINESSES IN MAINLAND CHINA

Towngas China Company Limited ("Towngas China"; stock code: 1083) recorded profit after taxation attributable to its shareholders of HK$533 million for the first half of 2013, an increase of approximately 49% over the same period last year. As at the end of June 2013, Hong Kong and China Gas had an approximately 62.31% interest in Towngas China.

Towngas China acquired 11 new piped-gas projects during the first half of 2013 located in Zhengpugang Xin Qu, Maanshan city, in Fanchang county, Wuhu city and in Bozhou-Wuhu Modern Industrial Zone, Bozhou city all in Anhui province; in Cang county, in Mengcun Hui Autonomous County and in Yanshan county, all in Cangzhou city, Hebei province; in the Economic Development Zone, Boxing county, Binzhou city and in Shiheng town, Feicheng city both in Shandong province; in Mianzhu city, Sichuan province; in Dafeng city, Jiangsu province; and in Fengxi district, Chaozhou city, Guangdong province.

Inclusive of Towngas China, this group currently has a total of 115 city-gas projects in mainland cities spread across 20 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects for the first half of 2013 was 6,560 million cubic metres, an increase of 10% over the same period last year. As at the end of June 2013, this group's mainland gas customers exceeded 15.66 million, an increase of 13.6% over the same period last year.

This group's midstream natural gas projects include natural gas pipeline projects in Anhui province, in Hebei province and in Hangzhou city, Zhejiang province; natural gas extension projects in Jilin and Henan provinces; the Guangdong Liquefied Natural Gas Receiving Terminal project; a natural gas valve station project in Suzhou Industrial Park, Suzhou city, Jiangsu province; and Towngas China's midstream pipeline project located in Wafangdian, Dalian city, Liaoning province.

This group has so far invested in and operates five water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; a wholly-owned water supply project in Zhengpugang Xin Qu, Maanshan city, Anhui province; and an integrated water supply and wastewater joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

This group's development of emerging environmentally-friendly energy projects and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), are progressing well.

ECO's major businesses in Hong Kong – an aviation fuel facility servicing Hong Kong International Airport, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and North East New Territories landfill gas utilisation – are operating well. Total turnover for the aviation fuel facility for the first half of this year was 2.67 million tonnes of aviation fuel. Profit margins for the refilling station business were significantly higher than the same period last year benefiting from more stable LPG prices compared to 2012.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly and its products' selling prices have risen significantly, benefiting from a recent upward adjustment of the gate price of natural gas. ECO is also planning to invest in methanation of coke oven gas with its first project expected to be located in Xuzhou city, Jiangsu province. ECO will continue to both expand its capacity of coalbed gas in Guizhou province via innovative gas extraction techniques for coal mines of low permeability, and also continue to exploit Shanxi coalbed gas blocks in cooperation with those parties who own the gas resources' rights. ECO is also actively looking for opportunities to participate in shale gas exploration.

When ECO extended its business into the mainland in 2008, its first project was the construction of a compressed natural gas refilling station for heavy-duty trucks in Shaanxi province. After several years of development, a network of ECO refilling stations has gradually taken shape in Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. ECO is also now planning to provide liquefied natural gas refilling facilities for incoming and outgoing heavy-duty trucks and river transport vessels at the logistics port in Jining city, Shandong province – a port which links an upstream railway with the nearby downstream Beijing-Hangzhou canal. All in all, ECO currently has 20 refilling stations either in operation or under construction, and further expansion of this business into other provinces is in progress.

ECO's methanol production plant in Erdos city, Inner Mongolia is now running smoothly and is at the trial production stage; this has laid a solid foundation for methanol upgrading. Methanol, an ideal chemical feedstock, can be further processed into high-value energy products such as gasoline, olefin and ethylene glycol. ECO is seeking an effective way to convert methanol into clean fuels to replace gasoline to enhance economic benefits of this project.

With regard to ECO's upstream resources business, the operation of an oilfield project in Thailand is relatively stable, mainly focusing on strengthening exploration activities so as to further expand oil reserves. In contrast, coal mining businesses in Inner Mongolia have suffered recently from the mainland's economic slowdown and decrease in demand for coal.

Following the development and expansion of its telecommunications businesses in Hong Kong and the mainland over the last few years, this group has established several data centre and telecommunications conduit system project companies. Overall, inclusive of projects of its subsidiary, Towngas China, this group currently has 166 projects on the mainland, 16 more than at the end of 2012, spread across 22 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources and logistics, as well as telecommunications.

PROPERTY DEVELOPMENTS

Leasing of the commercial area of the Grand Waterfront property development project located at Ma Tau Kok is good. It also has an approximately 15.8% interest in the ifc complex, whose leasing performance continues to be robust.

FINANCING PROGRAMMES

This group had issued, as at 30 June 2013, medium term notes of an aggregate amount equivalent to HK$10,200 million with tenors ranging from 5 to 40 years under the medium term note programme established through HKCG (Finance) Limited.

***Hong Kong Ferry (Holdings) Company Limited* (*"Hong Kong Ferry"*)**
During the six months ended 30 June 2013, Hong Kong Ferry's turnover amounted to HK$245.3 million, representing a decrease of 38% as compared with that recorded in the same period last year. This was mainly attributable to the decrease in the sales of the residential units of Shining Heights. Its unaudited consolidated net profit after taxation for the six months ended 30 June 2013 amounted to HK$130.5 million, representing a decrease of 53% as compared with the figure for the first half year of 2012.

The sale of residential units of Shining Heights and The Spectacle during the period recorded a total profit of HK$62.2 million. The revaluation gain from its investment properties amounted to HK$47.4 million. Rental and other income from its mall amounted to HK$29.3 million during the period. The commercial arcades of both Metro Habour Plaza and Shining Heights at the end of June 2013 were fully let whereas the occupancy rate of the commercial portion of The Spectacle was around 60%.

The development project of Green Code at No. 1 Ma Sik Road, Fanling, New Territories had been launched for sale in March 2013 and a total of 533 units had been sold during the period with sales proceeds of approximately HK$2,373 million.

The site at Hung Hom Inland Lot No. 555 of approximately 6,300 square feet will be developed into a residential-cum-commercial building comprising 95 residential units with total gross floor area of approximately 56,000 square feet. The foundation works had been completed in the first half of 2013.

The project at 208 Tung Chau Street ("TCS project") was planned to be re-developed into a residential-cum-commercial building with a total gross floor area of approximately 54,000 square feet. The foundation works were completed by the second quarter of 2013. As disclosed by Hong Kong Ferry in an announcement published on 16 May 2013, the progress of the TCS project may be delayed as it needs to clarify with the Lands Department on the terms of the lease of the TCS project.

Due to the sale of the two oil carriers during the period, the Ferry, Shipyard and Related Operations recorded a profit of HK$28.8 million, an increase of 90% as compared with the same period last year.

The operating results of Travel operations showed a deficit of HK$1.7 million this period as a result of severe market competition and outbreak of avian flu in China.

As a result of the decline in the Hong Kong stock market, an impairment loss of HK$25.1 million was recorded in its securities investment during the period.

If the Occupation Permit of Green Code can be obtained before the end of this year, the profit from its property sales will be accounted for in 2013 and it will be the main contributor to Hong Kong Ferry's profit for 2013.

Miramar Hotel and Investment Company, Limited (“Miramar”)

For the six months ended 30 June 2013, Miramar’s turnover was approximately HK$1,408 million representing a decrease of 8% compared to the last corresponding period. Profit attributable to shareholders was HK$680 million, up 2% compared to the last corresponding period. Excluding the net increase in fair value of the investment properties, underlying profit attributable to shareholders rose to HK$237 million, representing an increase of 14% compared to the last corresponding period.

For the first six months of 2013, stable results were recorded in each of its five core businesses – Property Rental, Hotel and Serviced Apartment, Food and Beverage, Travel, and Apparel.

The rent and occupancy rates of its properties remained at a healthy level and the Property Rental Business continued to be the major profit contributor for this group in the first six months of 2013.

Its flagship hotel The Mira Hong Kong experienced a weaker performance compared to last corresponding period, with occupancy rate marginally lower. Mira Moon, the 91-room boutique design hotel, is set to launch in the fourth quarter of 2013. Miramar will reinforce its position in the hospitality sector with the roll out of a new Design Hotels™ member hotel.

The Food and Beverage Business recorded a reduced loss. This group will continue with its multi-brand strategy and expand its food and beverage portfolio. This began with the opening of the third Tsui Hang Village in Causeway Bay in May this year and the launch of new Korean restaurant brand School Food.

Travel Business continued to grow during the period, with the mass-market tour business contributing to its total revenue.

Miramar and its franchisees own and operate DKNY Jeans stores throughout China and the Apparel Business in China recorded a deteriorated operating loss during the period.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles, as evidenced by its gearing ratio which stood at 15.0% at 30 June 2013 (31 December 2012: 17.2%).

In light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past years, the Group has concluded Hong Kong dollar interest rate swap contracts for terms ranging from three to fifteen years. Such contracts were entered into for the purpose of converting part of the Group’s Hong Kong dollar borrowings from floating interest rates into fixed interest rates at levels. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

To diversify funding sources and lengthen its debt maturity profile, the International Finance Centre project, which is owned by a joint venture of the Group, tapped the bond market which resulted in the successful conclusion of a Guaranteed Notes issuance transaction in May 2013 for a total amount of US$500 million. This issue, with a tenor of six years at a coupon rate of 2.375%, was rated A2 (stable) by Moody’s Investors Service and A (stable) by Standard & Poor’s Rating Services.

FINANCIAL REVIEW

Results of operations

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated interim accounts for the six months ended 30 June 2013.

Turnover and profit

	Turnover			***Contribution / (Loss) from operations***		
	Six months ended 30 June		*Increase/*	***Six months ended 30 June***		*Increase/*
	2013	2012	*(Decrease)*	**2013**	2012	*(Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
- Property development	**4,973**	4,284	*+16%*	**881**	828	*+6%*
- Property leasing	**2,455**	2,186	*+12%*	**1,798**	1,518	*+18%*
- Construction	**533**	29	*+1,738%*	**(30)**	(40)	*+25%*
- Infrastructure	**-**	63	*-100%*	**(19)**	36	*-153%*
- Hotel operation	**96**	112	*-14%*	**28**	43	*-35%*
- Department store operation	**191**	182	*+5%*	**36**	31	*+16%*
- Other businesses	**337**	320	*+5%*	**194**	405	*-52%*
	8,585	7,176	*+20%*	**2,888**	2,821	*+2%*

	Six months ended 30 June		*Increase/*
	2013	2012	*(Decrease)*
	HK$ million	HK$ million	*%*
Profit attributable to equity shareholders of the Company			
- including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**7,757**	7,733	*+0.3%*
- excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**3,454**	3,589	*-4%*

Excluding the effects of certain one-off income items from the underlying profit attributable to shareholders for the six months ended 30 June 2013 and 2012, the adjusted underlying profit attributable to shareholders for the two periods is as follows :-

	Six months ended 30 June			
	2013	2012	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying profit attributable to shareholders	**3,454**	3,589	*(135)*	*-4%*
Less :				
One-off income items -				
Overdue interest income in relation to the refund of land deposits regarding land sites in mainland China (net of tax)	**35**	221		
The Group's attributable share of an aggregate net one-off gain from The Hong Kong and China Gas Company Limited ("HKCG"), an associate of the Group	**-**	159		
Adjusted underlying profit attributable to shareholders	**3,419**	3,209	*210*	*+7%*

Discussions on the major reportable segments are set out below.

Property development

The gross revenue from property sales during the six months ended 30 June 2013 and 2012, by geographical contribution, is as follows :-

	Six months ended 30 June			
	2013	2012	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
Hong Kong	**3,609**	3,449	*160*	*+5%*
Mainland China	**1,364**	835	*529*	*+63%*
	4,973	4,284	*689*	*+16%*

The significant increase in revenue contribution from property sales in mainland China is attributable to the sales and delivery to buyers of units sold in two projects which were completed during the six months ended 30 June 2013, namely "Emerald Valley" in Nanjing and "Xuzhou Lakeview Development Phase 1A" in Xuzhou.

The Group's share of pre-tax profits from subsidiaries (taking into account the effect of cancelled sales in respect of the previous year and after deducting non-controlling interests), associates and joint ventures during the six months ended 30 June 2013 and 2012 is as follows :-

	Six months ended 30 June			
	2013	2012	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution :				
Hong Kong	**711**	727	*(16)*	*-2%*
Mainland China	**262**	140	*122*	*+87%*
	973	867	*106*	*+12%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures :				
Subsidiaries	**747**	739	*8*	*+1%*
Associates	**26**	41	*(15)*	*-37%*
Joint ventures	**200**	87	*113*	*+130%*
	973	867	*106*	*+12%*

The Group's share of pre-tax profit from associates is mainly generated from the sales of property units of "Shining Heights" and "The Spectacle", both being completed property projects held by Hong Kong Ferry (Holdings) Company Limited ("HK Ferry"). The Group's share of pre-tax profit from joint ventures is mainly generated from the sales of property units of "La Botanica" in Xian, mainland China in which the Group has 50% equity interest.

Property leasing

The gross revenue from property leasing during the six months ended 30 June 2013 and 2012, by geographical contribution, is as follows :-

	Six months ended 30 June			
	2013	2012	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
Hong Kong	**1,811**	1,630	*181*	*+11%*
Mainland China	**644**	556	*88*	*+16%*
	2,455	2,186	*269*	*+12%*

The Group’s share of pre-tax net rental income from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the six months ended 30 June 2013 and 2012 is as follows :-

	Six months ended 30 June			
	2013	2012	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution :				
Hong Kong	**2,236**	1,990	*246*	*+12%*
Mainland China	**509**	409	*100*	*+24%*
	2,745	2,399	*346*	*+14%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures :				
Subsidiaries	**1,794**	1,517	*277*	*+18%*
Associates	**302**	277	*25*	*+9%*
Joint ventures	**649**	605	*44*	*+7%*
	2,745	2,399	*346*	*+14%*

The increase in gross revenue and pre-tax net rental income in Hong Kong is mainly attributable to the period-on-period increase in average rentals in relation to the portfolio of investment properties in Hong Kong during the six months ended 30 June 2013. The increase in gross revenue and pre-tax net rental income in mainland China is mainly attributable to period-on-period improvement in the average occupancies and rentals of World Finance Centre and Beijing Henderson Centre in Beijing as well as Greentech Tower in Shanghai during the six months ended 30 June 2013.

Construction

The increase in turnover and the decrease in loss from operations for the six months ended 30 June 2013, compared with those for the corresponding six months ended 30 June 2012, are mainly attributable to the increased turnover contribution in the aggregate amount of HK$515 million (2012 : Nil) arising from the construction contracts undertaken for the Group’s two development projects, namely “Double Cove Phase 1” and “The Reach”, and for HK Ferry’s development project, namely “Green Code”.

Infrastructure

The Group’s infrastructure business represents the operation of a toll bridge in Hangzhou, mainland China, which is held by Henderson Investment Limited, a subsidiary of the Company.

For the financial performance of the Group’s infrastructure business for the six months ended 30 June 2013, please refer to the paragraph headed “Henderson Investment Limited (“HIL”)” under the section “Business Review” of the Company’s 2013 interim results announcement of which this Financial Review forms a part. Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right of the toll bridge, for the sake of prudence, the toll revenue commencing from 20 March 2012 (including the toll revenue for the six months ended 30 June 2013) has not been recognised in the Group’s accounts. Hence, the turnover contribution for the six months ended 30 June 2013 was nil as compared to HK$63 million (being the toll revenue, net of mainland China business tax, for the period from 1 January 2012 to 19 March 2012) for the corresponding six months ended 30 June 2012.

Notwithstanding the provisional suspension in the payment of toll revenue to the Group during the six months ended 30 June 2013, the toll revenue generated by the toll bridge held by Henderson Investment Limited during the six months ended 30 June 2013 amounted to HK$155 million (2012 : HK$154 million), representing an increase of HK$1 million or 0.6% over that for the corresponding six months ended 30 June 2012. The average daily traffic volume of the toll bridge during the six months ended 30 June 2013 was 77,215 vehicles, when compared with that of 75,300 vehicles for the corresponding six months ended 30 June 2012.

Hotel operation

Turnover and profit contribution for the six months ended 30 June 2013 decreased by HK$16 million (or 14%) and HK$15 million (or 35%) respectively from that for the corresponding six months ended 30 June 2012. During the six months ended 30 June 2013, the Group’s three Newton hotels recorded a steady average room rate with a lower occupancy rate, mainly due to growing competition in its sector posed by newly-built hotels.

Department store operation

Turnover and profit contribution for the six months ended 30 June 2013 increased by HK$9 million (or 5%) and HK$5 million (or 16%) respectively over that for the corresponding six months ended 30 June 2012. Such increases are mainly attributable to (i) the opening of one new Citistore outlet at Tuen Mun from its previous operation as an “id:c” specialty store after the completion of renovation in April 2013; and (ii) the positive effect of the promotional events, improved merchandise mix and enhanced customer service standards of the Citistore outlets during the six months ended 30 June 2013.

Other businesses

Other businesses mainly comprise provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

Turnover for the six months ended 30 June 2013 increased by HK$17 million, or 5%, over that for the corresponding six months ended 30 June 2012 which is mainly attributable to the increase in revenues of (i) HK$10 million generated from the provision of second mortgage financing to buyers of the Group's properties; and (ii) HK$6 million generated from the provision of property management services.

However, profit contribution for the six months ended 30 June 2013 decreased by HK$211 million, or 52%, from that for the corresponding six months ended 30 June 2012. This is mainly attributable to the fact that during the six months ended 30 June 2013 the Group received an overdue interest income (before tax) of HK$47 million in relation to the refund in the previous year of a land deposit regarding a land site in mainland China, whereas the Group received an overdue interest income (before tax) of HK$247 million in relation to the refund of another land deposit regarding another land site in mainland China during the corresponding six months ended 30 June 2012, as a result of which there is a period-on-period decrease in overdue interest income (before tax) of HK$200 million.

Associates

The Group's share of post-tax profits less losses of associates during the six months ended 30 June 2013 amounted to HK$1,881 million (2012 : HK$2,128 million), representing a decrease of HK$247 million, or 12%, from that for the corresponding period of six months ended 30 June 2012. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates of HK$323 million during the six months ended 30 June 2013 (2012 : HK$457 million), the Group's share of the underlying post-tax profits less losses of associates for the six months ended 30 June 2013 amounted to HK$1,558 million (2012: HK$1,671 million), representing a decrease of HK$113 million, or 7%, from that for the corresponding period of six months ended 30 June 2012. Such decrease was mainly attributable to the following :-

(i) the Group's share of decrease in the underlying post-tax profit contribution from HKCG of HK$131 million, mainly due to the non-recurrence during the period of the Group's attributable share of an aggregate net one-off gain of HK$159 million recognised in the corresponding six months ended 30 June 2012. Excluding the aforementioned one-off gain from the corresponding six months ended 30 June 2012 would otherwise result in the Group's share of increase in the underlying post-tax profit contribution from HKCG of HK$28 million;

(ii) the Group's share of decrease in the underlying post-tax profit contribution from HK Ferry of HK$12 million, mainly due to the share of decrease in profit contribution from the sale of property units of "Shining Heights"; and

(iii) the Group's share of increase in the underlying post-tax profit contribution from Miramar Hotel and Investment Company, Limited of HK$16 million, mainly due to the share of increase in profit contribution from property leasing of HK$11 million following the opening of the Mira Mall in the previous year.

Joint ventures

The Group's share of post-tax profits less losses of joint ventures during the six months ended 30 June 2013 amounted to HK$1,160 million (2012: HK$1,307 million), representing a decrease of HK$147 million, or 11%, from that for the corresponding period of six months ended 30 June 2012. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures of HK$481 million during the six months ended 30 June 2013 (2012: HK$724 million), the Group's share of the underlying post-tax profits less losses of joint ventures for the six months ended 30 June 2013 amounted to HK$679 million (2012: HK$583 million), representing an increase of HK$96 million, or 16%, over that for the corresponding period of six months ended 30 June 2012. Such increase was mainly attributable to the Group's share of increase in post-tax profit contribution of HK$102 million from the sale of property units of "La Botanica" in Xian, mainland China.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) recognised as expenses for the six months ended 30 June 2013 were HK$500 million (2012: HK$689 million). Finance costs before interest capitalisation for the six months ended 30 June 2013 were HK$1,115 million (2012: HK$1,192 million). During the six months ended 30 June 2013, the Group's effective borrowing rate was approximately 4.65% per annum (2012: approximately 4.05% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$3,967 million in the consolidated income statement for the six months ended 30 June 2013 (2012: HK$3,047 million).

Financial resources and liquidity

Medium Term Note Programme

At 30 June 2013, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 and which remained outstanding was HK$11,179 million (31 December 2012: HK$11,300 million), with tenures of between two years and twenty years (31 December 2012: two years and twenty years). These notes are included in the Group's bank and other borrowings at 30 June 2013 as referred to in the paragraph "Maturity profile and interest cover" below.

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances and the gearing ratio of the Group were as follows:

	At 30 June 2013 HK$ million	At 31 December 2012 HK$ million
Bank and other borrowings repayable:		
- Within 1 year	**7,739**	2,826
- After 1 year but within 2 years	**10,172**	5,883
- After 2 years but within 5 years	**12,726**	23,197
- After 5 years	**9,163**	9,712
Amount due to a fellow subsidiary	**5,842**	6,125
Total debt	**45,642**	47,743
Less: Cash and bank balances	**13,658**	12,538
Net debt	**31,984**	35,205
Shareholders' funds *(2012 – restated)*	**212,826**	205,163
Gearing ratio (%)	**15.0%**	17.2%

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the balance sheet date.

The interest cover of the Group is calculated as follows:

	Six months ended 30 June	
	2013 HK$ million	2012 HK$ million
Profit from operations (before changes in fair value of investment properties and investment properties under development) plus the Group's share of the underlying profits less losses of associates and joint ventures (before taxation)	**5,239**	5,216
Interest expense (before interest capitalisation)	**1,004**	1,093
Interest cover (times)	**5**	5

With abundant banking facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the balance sheet date for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in Renminbi ("RMB"), the guaranteed notes ("Notes") which are denominated in United States dollars ("US$"), Sterling ("£") and Singapore dollars ("S$"), certain bank borrowings which are denominated in United States dollars ("USD borrowings") and Japanese Yen ("¥") ("Yen borrowings"), as well as the fixed coupon rate bond ("Bond") which are denominated in United States dollars.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes, the Bond, the USD borrowings and the Yen borrowings in the aggregate principal amounts of US$982,500,000, £50,000,000, S$200,000,000 and ¥10,000,000,000 at 30 June 2013 (31 December 2012: US$982,500,000, £50,000,000, S$200,000,000 and ¥10,000,000,000), interest rate swap contracts and cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars which bear floating interest rates in the aggregate principal amount of HK$13,000,000,000 at 30 June 2013 (31 December 2012: HK$13,000,000,000), interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure.

Material acquisitions and disposals

The Group did not undertake any significant acquisitions or disposals of subsidiaries or assets during the six months ended 30 June 2013.

Charge on assets

Assets of the Group were not charged to any third parties at both 30 June 2013 and 31 December 2012.

Capital commitments

At 30 June 2013, capital commitments of the Group amounted to HK$30,537 million (31 December 2012: HK$31,380 million). In addition, the Group's attributable share of capital commitments in relation to its joint ventures amounted to HK$954 million (31 December 2012: HK$956 million).

Contingent liabilities

At 30 June 2013, the Group's contingent liabilities amounted to HK$1,168 million (31 December 2012: HK$1,784 million), of which :-

(i) an amount of HK$40 million (31 December 2012: HK$831 million) relates to performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects ;

(ii) an amount of HK$467 million (31 December 2012: HK$466 million) relates to guarantees given by the Company in respect of certain bank loans and borrowings entered into by an entity whose shares were held by the Company as available-for-sale equity securities at 30 June 2013; and

(iii) an amount of HK$653 million (31 December 2012: HK$479 million) relates to guarantees given by the Group to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 30 June 2013 (and such guarantees will be released upon the issuance of the Building Ownership Certificate).

Employees and remuneration policy

At 30 June 2013, the Group had approximately 8,000 (31 December 2012: 8,000) full-time employees. The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the six months ended 30 June 2013 amounted to HK$843 million (2012: HK$816 million).

PROSPECTS

The improving economy in the United States led to market expectations of the possible exit from the quantitative easing programme. However, the Chairman of the Federal Reserve reaffirmed that he expected a considerable amount of time to pass between ending the bond-buying programme and raising interest rates in the United States. With such steady interest rate and economic environment, Hong Kong’s property market should remain stable. On the mainland, in order to curb speculative demands, property market regulating measures may not be relaxed in the second half of the year. However, as the underlying strong end user demand still prevails, the property market should trend flatly.

The Group's "rental" income is poised to rise further in this year. A new hotel development at 388 Jaffe Road, Wanchai is set to commence its operation, and “Henderson 688” in Shanghai to complete its development in the second half of this year. Accordingly, the Group’s rental portfolio will be enlarged to 9.2 million and 7.3 million square feet in attributable gross floor area, respectively, in Hong Kong and on the mainland. The rental portfolio, which will continue to grow, provides the Group with a stable source of income.

The Group’s “associates”, namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry, produce recurrent income streams to the Group. Hong Kong and China Gas, in particular, makes the most significant profit contribution. To date, it has 166 projects spread across 22 provinces or municipalities in mainland China, with businesses encompassing upstream, midstream and downstream natural gas sectors, water supply, environmentally-friendly energy applications, energy resources, logistics and telecommunications.

As regards property “sales”, the sales of “The Reach” in Yuen Long and “Green Code” in Fanling are ongoing and up to the end of June 2013, their attributable sales revenue amounted to HK$5,553 million. If they are completed as planned within this year, profit arising from these sales will be accounted for in this year. The Group's various development projects in Hong Kong will provide 7.1 million square feet in total attributable gross floor area by phases in the coming years. Out of which, there are 1.4 million square feet of space ready for sale in the second half of 2013, and 3.14 million square feet of developable gross floor area from 33 urban redevelopment projects with 80% to 100% of their ownerships acquired. Besides, the Group has enlarged its land reserves in the New Territories to about 43.0 million square feet, being the largest holding amongst all property developers in Hong Kong. According to the Government’s recent report of “North East New Territories New Development Areas Planning and Engineering Study”, out of the Group’s land holding of 2.7 million square feet in Kwu Tong North and Fanling North, a total land area of about 900,000 square feet is preliminarily assessed to be eligible for in-situ land exchange. The rest may be resumed through cash compensation. The Group’s relentless efforts over the past years in building up New Territories land reserves and the redevelopment of old tenement buildings in urban areas are beginning to bear fruit, and promising return is expected in the years ahead.

Businesses in relation to "Rental", "Associates" and "Sales" are the three major income pillars, contributing significantly to the Group. In the absence of unforeseen circumstances, the Group is expected to achieve satisfactory results in the current financial year.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 22 August 2013

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Ka Shing, Yip Ying Chee, John, Suen Kwok Lam, Lee King Yue, Fung Lee Woon King, Lau Yum Chuen, Eddie, Li Ning, Kwok Ping Ho and Wong Ho Ming, Augustine; (2) non-executive directors: Lee Pui Ling, Angelina and Lee Tat Man; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Leung Hay Man, Poon Chung Kwong, Chung Shui Ming, Timpson and Au Siu Kee, Alexander.