恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED

Stock Code 股份代號：12

2014 Interim Report
中期報告

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Highlights of 2014 Interim Results

	Note	For the six months ended 30 June 2014 unaudited	2013 unaudited	Change
Property sales (HK$ million)				
– Revenue	1	**6,108**	5,047	+21%
– Profit contribution	1	**1,225**	973	+26%
Property leasing (HK$ million)				
– Gross rental income	2	**3,854**	3,586	+7%
– Net rental income	2	**2,957**	2,745	+8%
Profit attributable to equity shareholders (HK$ million)				
– Underlying profit	3	**5,030**	3,454	+46%
– Reported profit		**9,460**	7,757	+22%
Earnings per share (HK$)				
– Based on underlying profit	3, 4	**1.69**	1.18 (restated)	+43%
– Based on reported profit	4	**3.19**	2.65 (restated)	+20%
Interim dividend per share (HK$)		**0.34**	0.32	+6%
		At 30 June 2014 unaudited	At 31 December 2013 audited	Change
Net asset value per share (HK$)	4	**85.12**	82.77	+3%
Net debt to shareholders' equity		**13.6%**	17.2%	-3.6 percentage points

		Million square feet
Properties in Hong Kong		
(attributable floor area)		
– Properties under development (Note 5)		**13.1**
– Major completed stock for sale		**0.9**
	Sub-total:	**14.0**
– Completed properties (including hotels) for rental		**10.1**
	Total:	**24.1**
(attributable land area)		
– New Territories land		**42.6**
Properties in mainland China		
(attributable floor area)		
– Properties held for/under development		**130.6**
– Completed stock for sale		**1.6**
– Completed properties for rental		**7.3**
		139.5

Notes:

1. *Representing the Group's attributable share of property sales revenue and their profit contribution (before taxation) in Hong Kong and mainland China by subsidiaries, associates and joint ventures ("JVs").*
2. *Representing the Group's attributable share of gross rental income and net rental income (before taxation) from investment properties in Hong Kong and mainland China held by subsidiaries, associates and JVs.*
3. *Excluding the fair value change (net of deferred tax) of the investment properties held by subsidiaries, associates and JVs.*
4. *The earnings per share were calculated based on the number of shares as adjusted for the effect of the bonus issues under Hong Kong Accounting Standard 33, "Earnings Per Share". The net asset values per share were calculated based on the number of issued shares outstanding at the respective balance sheet dates.*
5. *Including the total developable area of about 4.9 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalization of land premium.*

Interim Results and Dividend

The Board of Directors announces that for the six months ended 30 June 2014, the (unaudited) Group underlying profit attributable to equity shareholders (before the fair value change of investment properties) amounted to HK$5,030 million, representing an increase of HK$1,576 million or 46% over HK$3,454 million for the same period last year. Underlying earnings per share were HK$1.69 (2013: HK$1.18 as adjusted for the bonus issue in 2014).

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$9,460 million, representing an increase of HK$1,703 million or 22% over HK$7,757 million for the same period last year. Reported earnings per share were HK$3.19 (2013: HK$2.65 as adjusted for the bonus issue in 2014).

The Board has resolved to pay an interim dividend, which is not subject to any withholding tax in Hong Kong, of HK$0.34 per share (2013: HK$0.32 per share) to shareholders whose names appear on the Register of Members of the Company on Monday, 15 September 2014. While there is a 6.25% increase in the dividend per share as compared with the corresponding period in previous year, the total amount of dividend payment reflects a greater increase on account of the bonus shares (one bonus share for every ten shares held) allotted in the past two years. The interim dividend will be payable in cash, with an option granted to shareholders 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 Tuesday, 21 October 2014.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 12 September 2014 to Monday, 15 September 2014, 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, 11 September 2014.

Management Discussion and Analysis

Business Review

The Group's underlying profit attributable to equity shareholders for the six months ended 30 June 2014 was up by 46% period-on-period to HK$5,030 million. Included therein was pre-tax profit contribution from property sales (including the attributable share of contribution from subsidiaries, associates and joint ventures) of HK$1,225 million, which increased by 26% period-on-period, whilst attributable pre-tax net rental income amounted to HK$2,957 million, which increased by 8% period-on-period. Besides, there was a total net gain of HK$598 million arising from the disposal of investment properties (including the shops at "CentreStage").

Hong Kong

Property Sales

In the first quarter of 2014, Hong Kong experienced a stagnant property market. In addition to the impacts of stamp duties and other cooling measures, the tapering of the quantitative easing monetary policies in the United States and the uncertain economic outlook in mainland China resulted in a "wait-and-see" attitude among homebuyers. The Government revised the terms of Double Stamp Duty in May, allowing more time for second-home buyers to sell their original properties. The resultant release of pent-up housing demand led to a revival in market activities.

"Double Cove Starview" (Double Cove – Phase 2) in Ma On Shan was launched for sale in January 2014. This waterfront development, with its close proximity to the MTR terminus, was well received by the market and over 93% of its total 865 residential units were sold by the period end. Together with the re-launch of "Double Cove" – Phase 1, "39 Conduit Road" at Mid-Levels, "The Reach" in Yuen Long, "Green Code" in Fanling, as well as an array of urban redevelopment boutique residences under "The H Collection", the Group sold an attributable total amount of HK$5,382 million of Hong Kong residences during the six months ended 30 June 2014.

Premium office and industrial developments, including "E-Trade Plaza" in Chai Wan, "Global Trade Square" in Wong Chuk Hang and "Global Gateway Tower" in Cheung Sha Wan, were also put up for sale, whilst the shops at "CentreStage" were disposed of during the period. Attributable proceeds arising from the disposals of these industrial/commercial developments and shops totalled HK$1,173 million. Including the aforesaid residential sales revenue, the Group sold an attributable total amount of about HK$6,555 million of Hong Kong properties during the period under review.

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 17 development projects available for sale:

						At 30 June 2014	
	Project name and location	**Site area (sq. ft.)**	**Total gross floor area (sq. ft.)**	**Land-use purpose**	**Group's interest (%)**	**No. of residential units remaining unsold**	**Approximate saleable area remaining unsold (sq. ft.)**
1.	Double Cove – Phase 1 8 Wu Kai Sha Road, Ma On Shan	467,959	784,464	Commercial/ Residential	59.00	91	104,000
2.	Double Cove Starview (Double Cove – Phase 2) 8 Wu Kai Sha Road, Ma On Shan	65,983	638,628	Residential	59.00	60	79,000
3.	The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	477	315,000
4.	Green Code 1 Ma Sik Road, Fanling	95,800	538,723	Commercial/ Residential	33.33	32	24,000
5.	High Park 51 Boundary Street	5,880	52,919	Commercial/ Residential	100.00	39	25,000
6.	High Point 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	80	35,000
7.	High Place 33 Carpenter Road Kowloon City	3,582	31,632	Commercial/ Residential	100.00	17	6,000
8.	The Hemispheres 3 Gordon Road, North Point	7,386	61,602	Commercial/ Residential	100.00	66	30,000
9.	The Gloucester 212 Gloucester Road Wanchai	11,545	113,977	Residential	100.00	9	12,000
10.	High West 36 Clarence Terrace Sai Ying Pun	7,310	58,471	Residential	100.00	17	8,000
11.	39 Conduit Road Mid-Levels	56,748	229,255	Residential	60.00	21 (Note 1)	56,000 (Note 1)

	Project name and location	Site area (sq. ft.)	Total gross floor area (sq. ft.)	Land-use purpose	Group's interest (%)	At 30 June 2014 No. of residential units remaining unsold	At 30 June 2014 Approximate saleable area remaining unsold (sq. ft.)
12.	The Beverly Hills – Phases 1 – 3 23 Sam Mun Tsai Road Tai Po	982,376	1,165,240	Residential	90.10	3	18,000
13.	Hill Paramount 18 Hin Tai Street Shatin	95,175	358,048	Residential	100.00	6	17,000
14.	Green Lodge Tong Yan San Tsuen Yuen Long	78,781	78,781	Residential	100.00	6	13,000
15.	E-Trade Plaza 24 Lee Chung Street Chai Wan	11,590	173,850	Office	100.00	Not applicable	60,000 (Note 2)
16.	Global Trade Square 21 Wong Chuk Hang Road	14,298	214,467	Office	50.00	Not applicable	8,000 (Note 2)
17.	Global Gateway Tower 63 Wing Hong Street Cheung Sha Wan	28,004	335,914	Industrial	100.00	Not applicable	308,000 (Note 2)
					Sub-total:	**924**	**1,118,000**
					Approximate area attributable to the Group:		**933,000**

Note 1: In addition, there are 16 residential units held for investment purpose.

Note 2: Representing the commercial or industrial construction area.

(2) **Projects pending sale in the second half of 2014**

In the absence of unforeseen delays, the following projects will be available for sale in the second half of 2014:

	Project name and location	Site area (sq. ft.)	Total gross floor area (sq. ft.)	Land-use purpose	Group's interest (%)	No. of residential units	Residential gross floor area (sq. ft.)
1.	METRO6 121 Bulkeley Street Hung Hom (launched for sale in July 2014)	6,268	55,552	Commercial/ Residential	33.33	95	39,444 (Note 1)
2.	High One Grand 188 Fuk Wing Street Cheung Sha Wan	7,350	62,858	Commercial/ Residential	100.00	110	45,301 (Note 1)
3.	Double Cove Starview Prime Double Cove – Phase 3 8 Wu Kai Sha Road, Ma On Shan (Note 2)	228,285	816,817	Commercial/ Residential	59.00	1,092	807,688
4.	High Park Grand 68 Boundary Street	6,750	60,750	Commercial/ Residential	100.00	41	50,625
5.	High One 571 Fuk Wa Street Cheung Sha Wan	7,560	63,788	Commercial/ Residential	100.00	187	56,700
6.	1-11 Lai Yin Street and 2-12 Jones Street, Tai Hang	6,529	65,261	Residential	70.00	119	65,261
7.	62-76 Main Street, Ap Lei Chau Southern District	7,953	65,764	Commercial/ Residential	100.00	106	61,179
					Sub-total:	**1,750**	**1,126,198**
					Area attributable to the Group:		**749,170**

Note 1: Representing the residential saleable area.

Note 2: Pending the issue of pre-sale consent.

(3) Remaining phases of Double Cove

In the absence of unforeseen delays, they are expected to be available for sale in 2015:

	Project name and location	Site area (sq. ft.)	Total 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 4 8 Wu Kai Sha Road, Ma On Shan	194,532	383,306	Residential	59.00	474	383,306
2.	Double Cove – Phase 5 8 Wu Kai Sha Road, Ma On Shan	85,638	327,445	Residential	59.00	178	327,445
					Sub-total:	**652**	**710,751**
					Area attributable to the Group:		**419,343**

(4) Existing urban redevelopment projects

The Group has a total of 5 existing projects under planning for redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 1.28 million square feet in attributable gross floor area in the urban areas based on the Government's latest city planning:

	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	135,995	19.10	25,968
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	173,491	100.00	173,491
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)	822,380	4,022,465	18.44	741,742
	Total:	**929,313**	**4,673,530**		**1,282,780**

Note 1: Investment property.

Note 2: The existing industrial building (namely Big Star Centre) at this site is planned to be reconfigured for commercial use, free of payment of any fee for the land-use conversion under the Government's revitalization policy. However, such plan 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 in February 2013 by Metro Planning Committee of the Town Planning Board but in light of the market changes, the Group has submitted application to modify it with more housing units. Also, it is still pending finalization of land premium with the Government.

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

There are 15 newly-acquired urban redevelopment projects with ownership fully consolidated and in the absence of unforeseen delays, most of these projects are expected to be available for sale in 2015-2016. Their expected attributable gross floor areas, based on the Government's latest city planning, are as follows:

	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	7,513	79,481	(Note 1)
2.	23-25 Robinson Road, Mid-Levels (25.07% stake held by the Group)	31,380	39,334	(Note 2)
3.	208-210 Johnston Road, Wanchai	1,939	29,085	(Note 2)
4.	307-329 Des Voeux Road West, Western District (20% stake held by the Group)	10,034	20,871	
	Sub-total:	**50,866**	**168,771**	
Kowloon				
5.	11-33 Li Tak Street, Tai Kok Tsui	19,600	165,340	(Note 1)
6.	8-30A Ka Shin Street, Tai Kok Tsui	19,738	176,211	
7.	2-12 Observatory Road, Tsim Sha Tsui (50% stake held by the Group)	13,764	82,584	(Note 2)
8.	38-40A Hillwood Road, Tsim Sha Tsui	4,586	55,026	(Note 2)
9.	50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan	11,400	102,511	
10.	1-15 Berwick Street, Shek Kip Mei	9,788	78,304	
11.	342-348 Un Chau Street, Cheung Sha Wan	4,579	38,922	
12.	352-354 Un Chau Street, Cheung Sha Wan	2,289	19,457	
13.	11-19 Wing Lung Street, Cheung Sha Wan	6,510	58,577	(Notes 1 and 3)
14.	7-7G Victory Avenue, Homantin	9,865	83,853	(Note 1)
15.	196-202 Ma Tau Wai Road, To Kwa Wan	4,905	41,366	(Note 1)
	Sub-total:	**107,024**	**902,151**	
	Total:	**157,890**	**1,070,922**	

Note 1: Expected to be available for sale in 2015.

Note 2: To be held for rental purposes upon completion of development.

Note 3: Developable area may be subject to finalization of land premium.

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

There are 16 newly-acquired urban redevelopment projects with over 80% ownership acquired and their ownership will 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 procedures go smoothly and in the absence of unforeseen delays, most of the projects set out below are expected to be available for sale in 2016-2018. On the basis of the Government's latest city planning, 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	278,679
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
7.	4A-4P Seymour Road, Mid-Levels (65% stake held by the Group)	52,466	306,920
	Sub-total:	**111,414**	**868,681**
Kowloon			
8.	57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan	23,031	207,929
9.	2A-2F Tak Shing Street, Jordan	10,614	84,912
10.	456-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po	22,965	206,685
11.	1-19 Nam Cheong Street, Sham Shui Po	8,625	77,625
12.	79-83 Fuk Lo Tsun Road, Kowloon City	3,630	30,855
13.	25-29 Kok Cheung Street, Tai Kok Tsui	22,885	205,965
14.	35-47 Li Tak Street, 2-16 Kok Cheung Street and 32-44 Fuk Chak Street, Tai Kok Tsui	20,114	175,677
15.	21-27 Berwick Street and 212-220 Nam Cheong Street, Shek Kip Mei	10,538	84,304
16.	3-8 Yiu Tung Street, Shek Kip Mei	6,825	54,600
	Sub-total:	**129,227**	**1,128,552**
	Total for 16 projects with over 80% ownership:	**240,641**	**1,997,233**

(7) **Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured**

The Group has other acquisitions in progress, involving 41 projects located in prime urban areas in Hong Kong and Kowloon. Currently, ownership of each project ranging from between 20% to 80% has been achieved. The attributable land area of these projects totals about 420,000 square feet. If and when their ownerships are successfully consolidated, based on the Government's latest city planning, the total estimated attributable gross floor area would be about 3,800,000 square feet upon completion of redevelopment. Based on the respective ownership currently secured for each project, the total pro-rata attributable gross floor area is about 1,830,000 square feet.

Successful acquisitions for the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopments can only be implemented upon acquisition of the full ownership of the relevant projects.

Properties Under Development and Completed Stock

		No. of projects	Attributable saleable/gross floor area (million sq. ft.) (Note 1)	Note
(A)	**All of the above different categories of development projects are summarized as follows:**			
1.	Major development projects offered for sale with units unsold	17	0.9	
2.	Projects pending sale in the second half of 2014	7	0.7	
		Sub-total:	**1.6**	Available for sale in the second half of 2014
3.	Remaining phases of Double Cove	2	0.4	Expected to be available for sale in 2015
4.	Existing urban redevelopment projects	5	1.3	Date of sales launch not yet fixed and two of them are pending finalization of land premium with the Government
5.	Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated	15	1.1	Most of them are expected to be available for sale in 2015-2016
6.	Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured	16	2.0	Most of them are expected to be available for sale in 2016-2018
7.	Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured	41	1.8	Redevelopments of these projects are subject to consolidation of their ownership
	Total for the above categories (1) to (7) development projects:		**8.2**	

	Attributable saleable/gross floor area (million sq. ft.) (Note 1)	Note
(B) Major development projects in New Territories:		
– Fanling North/Kwu Tung	4.0	(Note 2)
– Wo Shang Wai	0.9	(Note 2)
– Lot No. 2640 in DD No. 92 Castle Peak Road-Kwu Tung, Sheung Shui, New Territories	0.5	
– Others	0.4	
Sub-total:	**5.8**	
Total for Items (A) and (B):	**14.0**	

Note 1: 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 needs in future.

Note 2: Developable area is subject to finalization of land premium.

Land Bank

Instead of bidding for land at high prices through public auctions or tenders, the Group has chosen to replenish its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land. Although this method of land banking may involve a relatively longer period of time to accomplish as compared to that of public tenders, it ensures a more reliable source of land supply with a lower acquisition cost, which is beneficial to the Group's development returns in the long term.

The urban redevelopment project of "The Hemispheres" at North Point, which was launched for sale recently, is a manifest example. In terms of saleable area, the average selling price for the units sold for this project is about HK$21,000 per square foot, whereas the acquisition cost was about HK$7,700 per square foot (excluding construction cost and other expenses). As for "Double Cove Starview" (Double Cove – Phase 2) at Ma On Shan, which was sourced from land-use conversion, the average selling price for the units sold stands at HK$11,500 per square foot, whereas its acquisition cost (including the cost for acquisition of New Territories land and the land conversion premium) was merely HK$4,100 per square foot (excluding construction cost and other expenses). Hence, it is evident that profit contributions from urban redevelopment projects as well as New Territories projects are highly satisfactory.

The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 24.1 million square feet, made up as follows:

		Attributable gross floor area (million sq. ft.)
Properties under development (Note)		13.1
Major completed stock for sale		0.9
	Sub-total:	**14.0**
Completed properties (including hotels) for rental		10.1
	Total:	**24.1**

Note: Including the total developable area of about 4.9 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalization of land premium.

Land in Urban Areas

As aforesaid, there are currently 31 urban redevelopment projects of old tenement buildings with entire or over 80% ownership, representing a total attributable gross floor area of about 3.1 million square feet, which should be ready for sale or leasing in 2015 or beyond. The total land cost of such projects is estimated to be about HK$17,300 million (inclusive of the pricey street shops and the project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$5,600 per square foot of gross floor area.

The Group recently completed the acquisition of the entire interest in the Ka Shin Street project in Tai Kok Tsui. Whereas, an order was received from Lands Tribunal to proceed with the compulsory sale of the whole building at Mansion Street in North Point.

In addition to the acquisition of redevelopment projects, the Group regularly evaluates its own properties for conversion into other uses so as to meet the evolving market demand and ensure efficient use of land resources. During the period under review, two industrial buildings (namely, “Well Tech Centre” in San Po Kong and “Dragon Centre” in Cheung Sha Wan) with a total gross floor area of about 340,000 square feet were approved by the Government to be reconfigured for office use, free of any land-use conversion premium under the revitalization policy. Similarly, “Big Star Centre”, a 170,000-square-foot industrial building in Kowloon Bay, is expected to be approved for conversion into an office building soon. As for the industrial site at King Wah Road, North Point, it is planned to be redeveloped into an office building pending an appeal to the Government on the amount of assessed land premium.

New Territories land

At the end of June 2014, the Group held New Territories land reserves amounting to approximately 42.6 million square feet in land area, which was the largest holding among all property developers in Hong Kong.

In July 2013, the Government announced the result of the "North East New Territories New Development Areas Planning and Engineering Study", of which Kwu Tung North and Fanling North would be treated as the extension of Fanling/Sheung Shui New Town. The Government has also 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. Outline Zoning Plans for both Kwu Tung North and Fanling North were already published in the Gazette in December 2013. Of the Group's land holding of 2.8 million square feet in these areas, a total land area of roughly over 800,000 square feet is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use through cash compensation. The Group has earlier applied for in-situ land exchange for two land lots in Fanling North and Kwu Tung. They are expected to provide total developable gross floor areas of approximately 3,730,000 square feet and 270,000 square feet respectively, against their respective site areas of 787,000 square feet and 45,000 square feet. Developable areas for both sites are subject to finalization of land premium.

According to the above "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. In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" and the Study Area was about 5,300 hectares. In order to increase the land supply for housing, during the period the Government formulated the Preliminary Outline Development Plan for "Planning and Engineering Study for Housing Sites in Yuen Long South – Investigation" and launched its Stage 2 Community Engagement. It also released the "Land Use Review for Kam Tin South and Pat Heung". The Group holds certain pieces of land in these Study Areas.

For "Hung Shui Kiu New Development Area Planning and Engineering Study", Stage 3 Community Engagement is expected to be launched in the second half of 2014 so as to allow the public to discuss the Recommended Outline Development Plan. The Group holds a total site area of 5.5 million square feet in Hung Shui Kiu New Development Area, which covers an area of approximately 826 hectares. Under the Preliminary Outline Development Plan, it was proposed to accommodate a new town of a population comprising about 218,000 and about 60,000 additional flats, of which about 50% are private developments. The Government is now gauging the public's views and has expressed no view on the issues of land resumption or in-situ land exchange in that region. Impacts to the Group arising from these proposals are yet to be seen. The Group will continue to work in line with the Government's development policies and follow up closely on its development plans.

Investment Properties

At 30 June 2014, the Group held a total attributable gross floor area of approximately 9.1 million square feet of completed investment properties of excellent quality in Hong Kong, comprising 4.5 million square feet of shopping arcade or retail space, 3.6 million square feet of office space, 0.6 million square feet of industrial/office space and 0.4 million square feet of residential and apartment space. Geographically, 26% of this portfolio are situated on Hong Kong Island, 32% in Kowloon and the remaining 42% in the New Territories (with most of the latter being large-scale shopping malls in new towns). At the end of June 2014, the leasing rate for the Group's core rental properties was 97%. Besides, the Group held more than 10,000 car parking bays, providing additional rental income.

During the period under review, the Group's attributable gross rental income in Hong Kong, including the attributable contribution from subsidiaries, associates and joint ventures, was up by 7% period-on-period to HK$3,146 million. The attributable pre-tax net rental income, including the attributable contribution from subsidiaries, associates and joint ventures, was HK$2,410 million, representing a growth of 8% over the corresponding period of the previous year. Included therein is attributable gross rental income of HK$893 million (2013: HK$833 million) contributed from the Group's attributable interest of 40.76% (2013: 40.51%) in The International Finance Centre ("ifc") project.

The Group's retail portfolio, which comprises mainly shopping malls in the new towns, performed satisfactorily as they are mostly located directly above or near the MTR stations and cater for local consumption. For instance, following the commencement of its phased renovations and facility upgrades, "City Landmark I" in Tsuen Wan attracted more chain stores so as to enhance its tenant mix. As a result, most of the new leases were concluded with higher rents. All of the Group's major shopping malls, except those under renovation or re-alignment of tenant mix, recorded nearly full occupancy at the end of June 2014.

In order to improve the rental values and appeal to discerning tenants, the Group regularly improves the quality of its office developments and enhances their green features. During the period under review, "AIA Tower" in North Point achieved the highest Platinum rating under the Hong Kong Building Environmental Assessment Method scheme. Together with "ifc" in Central and "Golden Centre" in Sheung Wan (which were both earlier accredited with Platinum ratings), as well as "FWD Financial Centre" in Sheung Wan (whose facility upgrades are in progress), the Group's office developments in Hong Kong Island have all performed well. The Group's approximately 2,000,000-square-foot portfolio of office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "78 Hung To Road" and "Bamboos Centre", also recorded satisfactory rental growth in new leases and renewals.

The leasing performance of the Group's luxury residences, namely "Eva Court" and "39 Conduit Road", as well as the serviced suites at "Four Seasons Place" was satisfactory. "Mira Moon", the 91-room designer lifestyle hotel operated by Miramar Hotel and Investment Company, Limited, also performed well during the period under review.

The Group has been optimizing its investment property mix over the years. A prime waterfront site at King Wah Road, North Point is planned to be developed into a Grade-A office tower with a total gross floor area of about 330,000 square feet. Superstructure works will commence upon the finalization of land premium with the Government. This development, together with the adjacent "AIA Tower", "Newton Hotel Hong Kong" and "Newton Inn North Point", will stand to benefit from the commissioning of the Central-Wanchai Bypass in late 2017 as it will then only take about five minutes to travel from Central to Island Eastern Corridor at North Point. The Group will continue to seek redevelopment projects to expand the Group's property portfolio in the business areas of Island East.

Hotel and Retailing Operations

Four Seasons Hotel Hong Kong, which received a five-star designation from the 2014 Forbes Travel Guide, recorded steady growth in both occupancy rate and average room rate during the period under review. Its Lung King Heen restaurant was also given a top three-star rating in the Michelin Guide to Hong Kong and Macau 2014. The Group's three Newton hotels (including Newton Hotel Hong Kong, Newton Inn North Point and Newton Place Hotel), all located in emerging new business districts, also saw satisfactory business performance with an increase in occupancy. For the six months ended 30 June 2014, the Group's pre-tax profit from hotel operations, including the attributable contribution from its subsidiaries, associates and joint ventures, increased by 12% period-on-period to HK$162 million.

Established in 1989, Citistore has six department store outlets, and a "id:c" specialty store which introduces a collection of fashion brands from Japan. During the period under review, Citistore's turnover and profit contribution increased by 8% to HK$207 million and 6% to HK$38 million, respectively.

Construction and Property Management

The Group has been active in acquiring old tenement buildings for urban redevelopment purposes. As a mark of the Group's commitment to urban revitalization and to satisfying the needs of residents and the community, the newly completed "The Gloucester" in Wanchai was named Merit Winner in the Hong Kong Residential (Single Building) Category of the prestigious Quality Building Award 2014.

Meticulous planning throughout the construction process is the key to the Group's success. Leading features recommended by the Leadership in Energy and Environmental Design (LEED) and BEAM Plus rating systems are adopted in the Group's projects. For instance, in addition to the use of self-developed pre-fabricated building components, the Group also contracted for the foundation piling works for its development projects so as to expedite the construction process and minimize disruption to the neighbourhoods of these populous districts. Against the prevailing backdrop of soaring material costs and a shortage of construction workers, all the above measures can help raise quality and cost efficiency by reducing construction waste and manpower.

The following development projects in Hong Kong were 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.)
1.	High West 36 Clarence Terrace Sai Ying Pun	7,310	58,471	Residential	100.00	58,471
2.	Green Code 1 Ma Sik Road Fanling	95,800	538,723	Commercial/ Residential	33.33	179,574
3.	High Point 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	70,340
					Total:	**308,385**

In mainland China, the Group's Construction Department takes charge of the key process of selecting main contractors and sub contractors, material sourcing and work tendering. They also closely monitor every project's cost effectiveness, work quality, construction safety and completion progress. Professional training is also offered so as to ensure the same standard of excellence in building quality is achieved.

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 spaces in Hong Kong and mainland China.

A comprehensive after-sales property management service is as important as building quality. During the period under review the Group's Property Management team was recognized in "The Best Landscape Award for Private Property Development 2014". "Double Cove – Phase 1" in Ma On Shan, which is already an award-winning development for its building excellence, was awarded Gold. Whereas "Metro City – Phase 2", "The Sherwood" and "Casa Marina – Phase 1", which were also under the Group's management, were named Merit Winners, reaffirming their efforts to promote a green lifestyle and sustainable living environment. For those urban boutique residences under "The H Collection", the Property Management team provides unparalleled one-stop home services to the residents enabling them to enjoy hassle-free urban living. The Group's commitment to quality property management services has also been extended to its projects in mainland China. After winning the "Leading Enterprise for Property Management Services in Liwan District 2013" for "Hengbao Huating" in Guangzhou, the Group recently received the designation as the "1st runner-up in the Property Services Excellence for Housing Community" for the project "The Arch of Triumph" in Changsha.

Sharing the Group's caring corporate culture, both the Construction and Property Management teams have a strong sense of devotion and social responsibility. During the period under review, the Group's Construction Department received a multitude of commendations in recognition of their contribution to site safety and environmental protection. Following the success of the preceding "Year of Care", the Property Management Team launched "The Year of Senior" so as to raise public awareness of caring about the elderly. The "Highest Service Hour Award" championship and "Hong Kong Outstanding Corporate Citizenship Award (Volunteer Team) – Gold Award" are testimonies to their dedication to voluntary services.

Mainland China

The period under review began with the property market continuing the robust sales trend of the preceding year. However, activity started to become subdued in March and a "wait and see" sentiment prevailed thereafter. With the tight credit policy as well as the market expectation of housing price consolidation, the residential market exhibited a continuous drop in both sales volume and value in the second quarter. A further decline was seen in June, reflecting the obvious lack of confidence amongst home-buyers.

In view of the unreasonable disparity between land prices and property prices, the Group determined that the returns would not justify the risks and thus, the first half of this year was not considered opportune timing for further land acquisition. The Group will take timely steps to replenish its development land when rationality prevails again in the land market.

Amongst the Group's residential developments available for sale, small sized units continued to show strong performance with robust demand from the market, whilst sales of large residences and low-density luxury flats were sluggish. During the period, the Group put more emphasis on marketing, while sales centres, show flats, landscaping as well as the surrounding environment were all upgraded so as to make the salient features of the projects prominent.

During the period under review, the Group's evaluation process for land acquisition was streamlined, and its sales forces were restructured. Actions were also taken to augment standardization in the construction process and to adopt the proven development models of its mainland peers, which should in turn expedite the development process, raise its operational efficiency and enhance profitability.

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

	Project name	Land-use purpose	Group's interest (%)	Attributable gross floor area (million sq. ft.)
1.	Island Palace, Yixing	Residential	100	0.7
2.	Phase 1A, Sirius, Chengdu ICC	Residential	30	0.4
3.	Henderson 688, Shanghai	Commercial/Office	100	0.7
4.	Phase 2A, Riverside Park, Suzhou	Residential	100	0.7
5.	Phase 3AC1, La Botanica, Xian	Residential	50	1.0
			Total:	**3.5**

At 30 June 2014, the Group had approximately 1.6 million square feet in attributable gross floor area of completed property stock. Besides, the Group also held a sizeable development land bank across 16 major cities with a total attributable gross floor area of about 130.6 million square feet. Around 80% of this total were 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		0.9
Guangzhou		14.5
	Sub-Total:	**15.4**
Second-tier cities		
Anshan		17.8
Changsha		13.2
Chengdu		3.7
Chongqing		4.9
Dalian		9.5
Fuzhou		1.8
Hangzhou		1.2
Nanjing		1.4
Shenyang		10.7
Suzhou		15.0
Tieling		8.7
Xian		15.5
Xuzhou		4.6
Yixing		7.2
	Sub-Total:	**115.2**
	Total:	**130.6**

* *Excluding basement areas and car parks*

Usage of development land bank

	Estimated developable gross floor area (million sq. ft.)	Percentage
Residential	103.9	80%
Commercial	13.2	10%
Office	9.5	7%
Others (including clubhouses, schools and community facilities)	4.0	3%
Total:	**130.6**	**100%**

Property Sales

During the period under review, the Group achieved attributable contracted sales of over HK$1,834 million in value and 2.1 million square feet in attributable gross floor area, representing period-on-period decreases of 54% and 54% respectively. Over 75% of the attributable contracted sales were contributed by major projects such as "Riverside Park" in Suzhou, "Grand Waterfront" in Chongqing, "La Botanica" and "Palatial Crest" in Xian, as well as "Xuzhou Lakeview Development".

Investment Properties

With the completion of 700,000-square-foot "Henderson 688" in Shanghai in May 2014, the Group now has a growing presence in mainland China and is set to further benefit from Shanghai being the country's leading financial centre and developing into a key pilot free trade zone. At 30 June 2014, the Group's mainland investment property portfolio comprised a total attributable gross floor area of 7.3 million square feet with the number of its major projects increased to a total of nine. Driven by both higher rents and added contributions from recently completed investment properties, attributable gross rental income increased by 10% period-on-period to HK$708 million during the period under review. Attributable pre-tax net rental income also increased by 7% period-on-period to HK$547 million.

In Shanghai, "Henderson Metropolitan Mall" has developed into a trendy shopping centre along Nanjing Road East, the busiest pedestrian street in the City. The Group continues to boost the popularity of the mall, as well as tenants' business turnover. The leasing rate of "Grand Gateway II", atop the Xujiahui subway station, reached 95% at the end of June 2014. More than a year after completion, both the office tower and commercial mall of "Greentech Tower" have been fully leased. "Henderson 688" is a newly-completed property of the Group located on prestigious Nanjing Road West in Jingan District. Its commercial podium is designed to be a new gourmet destination. The response to the leasing efforts of the 688 Mall has been very positive. Early this year, the Group led all its 39 food and beverage (F&B) tenants in Shanghai to launch China's first private sector "Food Safety Campaign". Each F&B tenant signed a solemn pledge to consumers not to use illegal or expired oil and other harmful food ingredients or products, and to comply with all national laws and regulations on food safety. This campaign has been widely acclaimed and enthusiastically supported by the Shanghai District Governments, a wide range of consumers, as well as the media including TV, newspapers and websites.

In Beijing, the Group's World Financial Centre is situated in Chaoyang core business district. Due to the great demand for international Grade-A office space from financial institutions and multinational corporations, occupancy remained high. During the period under review, its gross rental income amounted to HK$273 million. Another popular destination in the City is the shopping mall at the Group's Henderson Centre, which is tenanted with a wide range of specialty stores and provides a diverse choice of eateries. Its leasing rate at the end of June 2014 was over 90%, while rental income increased by 21% over the same period in last year.

In Guangzhou, Heng Bao Plaza atop the Changshou Road subway station is realigning its tenant mix. Its leasing rate was about 90% at the end of June 2014.

Henderson Investment Limited ("HIL")

For the six months ended 30 June 2014, HIL recorded an unaudited loss attributable to equity shareholders of HK$9 million, as compared with a profit attributable to equity shareholders of HK$7 million for the corresponding period last year, mainly due to a net exchange loss of approximately HK$5 million (2013: a net exchange gain of HK$10 million) arising from the depreciation of Renminbi against Hong Kong dollars during the period under review.

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. Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right, for the sake of prudence, the toll revenue commencing from 20 March 2012 has not been recognized in the accounts of HIL. Hence, HIL's turnover for the six months ended 30 June 2014 was nil, same as that for the corresponding period last year. The total toll revenue (after deduction of PRC business tax) accrued for but not recognized by HIL up to 30 June 2014 amounted to HK$699 million.

The above issue of toll fee collection right is subject to arbitration by China International Economic and Trade Arbitration Commission ("CIETAC"). CIETAC on 12 November 2012 confirmed its acceptance to administer the above arbitration case and on 26 August 2013 finalized the composition of an arbitration tribunal. Arbitration proceedings commenced on 14 April 2014 but no conclusion has been reached. The arbitration tribunal considered that both parties should pursue further negotiations to seek a settlement plan and the joint venture company has already written to Hangzhou Municipal People's Government accordingly. In July 2014, the arbitration tribunal requested both parties to submit their own settlement plans and a meeting has been scheduled to take place in Hangzhou in mid-September 2014 for the purpose of mediation.

HIL may continue to 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 2014 amounted to HK$3,727 million, an increase of HK$107 million compared with the same period last year. Exclusive of its share of a revaluation surplus from ifc complex and unrealised exchange differences on the Renminbi, its operating profit after taxation for the six months ended 30 June 2014 increased by HK$428 million to HK$3,748 million, an increase of approximately 13.0% compared to the same period last year. This increase was mainly attributable to a rise in profit from its local businesses and mainland utility businesses.

Gas Business in Hong Kong

Commercial and industrial gas sales increased during the first half of 2014. Residential gas sales also increased. Overall, total volume of gas sales in Hong Kong during the first half of 2014 increased by 4.1% to 15,765 million MJ while appliance sales also achieved good growth increasing by 15.3%, both compared to the same period last year. As at 30 June 2014, the number of customers was 1,810,647, an increase of 11,916 since the end of December 2013.

Utility Businesses in Mainland China

Exclusive of unrealised exchange differences on the Renminbi, Towngas China Company Limited ("Towngas China"; stock code: 1083) recorded a net profit of HK$612 million, an increase of approximately 33.4% compared with the same period last year. Inclusive of the exchange losses resulting from the depreciation of the Renminbi during the period under review, Towngas China's profit after taxation attributable to its shareholders was HK$468 million, a decrease of HK$65 million compared with the same period last year. As at the end of June 2014, Hong Kong and China Gas had an approximately 62.25% interest in Towngas China.

In May 2014, Standard & Poor's Ratings Services ("Standard & Poor's") upgraded its rating outlook on Towngas China to "positive" from "stable", and affirmed its "BBB" long-term corporate credit rating on the company. As a result of the outlook revision, Standard & Poor's raised its long-term Greater China regional scale credit rating on Towngas China to "cnA+" from "cnA". In July 2014, Moody's Investors Service ("Moody's") also upgraded its rating outlook on Towngas China to "positive" from "stable", and affirmed its "Baa2" issuer rating on the company.

Towngas China acquired seven new piped-gas projects during the first half of 2014 located in Xingyi city, Guizhou province; in Siping city, Jilin province; in Guyang county, Baotou city, Inner Mongolia Autonomous Region; in Jiajiang county, Leshan city, Sichuan province; in Songyang county, Lishui city, Zhejiang province; in Tongshan district, Xuzhou city, Jiangsu province; and in Luliang county, Qujing city, Yunnan province. Towngas China also acquired a vehicular gas refilling station project in Qiqihar city, Heilongjiang province during the first half of 2014.

Inclusive of Towngas China, this group currently has a total of 126 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities, of which seven are new projects established this year. The total volume of gas sales for these projects for the first half of 2014 was approximately 7,680 million cubic metres, an increase of 17.2% over the same period last year. As at the end of June 2014, this group's mainland gas customers stood at approximately 18.26 million, an increase of 16.6% 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 LNG Receiving Terminal project; and Towngas China's midstream pipeline project located in Wafangdian, Dalian city, Liaoning province.

This group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in the starting area of Jiangbei Concentration Zone, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment 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 businesses 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 two major businesses in Hong Kong – an aviation fuel facility servicing Hong Kong International Airport, and dedicated liquefied petroleum gas ("LPG") vehicular filling stations – are both operating smoothly. Total turnover for the aviation fuel facility for the first half of 2014 was 2.79 million tonnes. Profit margins for the LPG refilling station business for the first half of 2014 significantly improved compared with the same period last year.

On the mainland, ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating steadily and smoothly, with both production volume and liquefied products' selling prices rising significantly compared with the same period last year. For the production of LNG through liquefaction, ECO has already commenced preparatory work on two projects of this kind, one located in Xuzhou city, Jiangsu province and the other in Heze city, Shandong province, with annual production capacities of 75,000 tonnes and 83,000 tonnes of LNG respectively. Commissioning of both projects is expected in the second half of 2015. A network of ECO natural gas refilling stations is gradually taking shape in, amongst others, Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. ECO is also planning to provide LNG refilling facilities for incoming and outgoing heavy-duty trucks and river transport vessels at the logistics port of Jining city, Shandong province – a port which links an upstream railway with the nearby downstream Beijing-Hangzhou canal. All in all, ECO currently has 30 refilling stations in operation, under planning or construction.

Preparatory work for a project located in the Chemical Industrial Park of Zhangjiagang city, Jiangsu province, has already commenced. This project, with an annual production capacity of 120,000 tonnes, will upgrade biological fatty-acids (such as palm oil residue and used cooking oil) into chemical products which can be used as substitutes for diesel.

ECO's methanol production plant, in Inner Mongolia Autonomous Region, operated smoothly during the first half of 2014 and construction of a facility to further upgrading methanol into 140,000-tonne natural gasoline (a gasoline substitute chemical product) using self-developed technology has commenced; commissioning is expected before the end of 2014.

With regard to ECO's oilfield project in Thailand, two high-yield wells were drilled in March and April 2014 enabling a daily output of over 4,000 barrels of oil.

Overall, inclusive of projects of its subsidiary, Towngas China, this group currently has 192 projects on the mainland, 19 more than at the end of 2013, spread across 24 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, 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. This group also has an approximately 15.8% interest in the ifc complex and rental demand for this project continues to be robust.

Financing Programmes

This group established a medium term note programme in 2009 and issued, as at 30 June 2014, medium term notes of an aggregate amount equivalent to HK$10,200 million with tenors ranging from 5 to 40 under this programme. In January 2014, this group also issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Capital Securities"), amounting to US$300 million. These Perpetual Capital Securities have a nominal interest rate of 4.75% per annum for the first five years, a record low for securities of the same kind issued by corporations in Asia at that time, and thereafter will have a floating interest rate. The Perpetual Capital Securities were rated "A3" and "A-" by Moody's and Standard & Poor's respectively.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

During the six months ended 30 June 2014, Hong Kong Ferry's turnover amounted to HK$3,308.6 million, representing an increase of 1,249% as compared with that recorded in the same period last year. This was mainly attributable to the sales of the residential units of Green Code.

Its unaudited consolidated net profit after taxation for the six months ended 30 June 2014 amounted to HK$1,048 million, representing an increase of 703% as compared with a profit of HK$130.5 million for the same period last year. During the period under review, its major source of profits was mainly derived from the sale of residential units of Green Code.

Green Code project consists of three residential towers resting on a two-storey shopping podium mall. The total gross floor area is approximately 540,000 square feet. As at 30 June 2014, this group had sold a total of 696 residential units of Green Code. Its occupation permit was issued in June 2014 and the sale turnover of Green Code of HK$3,152 million had been included in this group's unaudited interim financial statements. The rental take up rate of the commercial arcade of Green Code was 41%. The commercial arcade of Shining Heights was fully let. The occupancy rates of commercial arcades of Metro Harbour Plaza and The Spectacle were 98% and 60% respectively. During the period, the profit from the sale of Green Code together with the rental and other income from all its commercial arcades amounted to HK$1,094 million.

The pre-sale of METRO6 was launched in July 2014. The residential-cum-commercial building comprising 95 residential units, of which 60 units were marketed, offering various choices to purchasers. The response from purchasers was satisfactory and a total of 36 residential units had been sold.

As regards the Tung Chau Street Project, Hong Kong Ferry is still seeking clarification with the Lands Department on the meaning of the word "house" under the Government lease. The Government has not yet notified it of a decision.

The Ferry, Shipyard and Related Operations recorded a profit of HK$4.2 million, a decrease of 85% as compared with the same period last year. One of the reasons of the decrease is the absence of one-off item such as profit from the sale of carriers in last year.

The operating results of Travel Operation showed a deficit of HK$4.3 million during this period as a result of severe market competition and political uncertainty of adjacent countries.

As there was market adjustment at the end of the first half of the year, an impairment loss of HK$6.8 million was made against its available-for-sale securities investment.

The sales proceeds from the residential units of Green Code will continue to be the major source of income of this group this year.

Miramar Hotel and Investment Company, Limited ("Miramar")

For the six months ended 30 June 2014, Miramar's turnover continued to grow, reaching approximately HK$1,503 million, representing an increase of 7% compared to the last corresponding period. Profit attributable to shareholders continued to grow steadily and, at HK$708 million, was up 4% 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$246 million.

All its four core businesses – Property Rental, Hotel and Serviced Apartment, Food and Beverage, and Travel – delivered revenue growth.

The Property Rental Business recorded a 6% increase in revenue to HK$389 million. Occupancy at Miramar Tower was stable and new leases recorded growth in rental. The Miramar Shopping Centre and Mira Mall, while recording a slight drop in occupancy rates, also recorded higher rents for new leases.

The Hotel and Serviced Apartment Business responded well to the challenging business environment delivering revenue growth of 15%. During the reporting period, the new Mira Moon design hotel recorded steady growth. Miramar is planning to open its third hotel brand under the Mira Hotel Collection before the end of 2014.

The Food and Beverage Business recorded revenue growth of 21% during the reporting period. Its diversified dining establishments were strengthened with the opening of two new School Food Korean restaurants at high-traffic malls. A fourth outlet is planned for the fourth quarter of 2014. The second Saboten was opened in Tsim Sha Tsui.

The Travel Business continued to grow and recorded an increase in revenue of 4%. This was achieved by tapping into the growing demand for outbound overseas vacations and luxury travel such as cruises.

Corporate Finance

The Group has always adhered to prudent financial management principles, as evidenced by its gearing ratio which stood at 13.6% at 30 June 2014 (31 December 2013: 17.2%).

In January 2014, the Group concluded a HK$13,800 million 4-year and 5-year term loan/revolving credit facility with a consortium of 19 leading international banks and local financial institutions. It is the largest syndicated credit facility that has ever been concluded by the Group, reflecting the continuing support and trust of the banking community in the Group.

The International Finance Centre project, which is owned by a joint venture of the Group, also successfully concluded three Guaranteed Notes issuance transactions for a total amount of HK$3,500 million during the period under review. These issues were rated 'A' ("Stable" outlook) by Standard & Poor's Rating Services. At a coupon rate of 3.4% for a tenor of six years, the pricing of these transactions were comparable with those prevailing for public bonds issued by Hong Kong top credit-rated companies.

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 five 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. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

Prospects

The current low interest rate and high inflation environment should continue to lend support to the local residential market and property prices are unlikely to fall sharply. The Central Government has recently launched "Shanghai-Hong Kong Stock Connect", a pilot programme for establishing mutual stock market access between Hong Kong and Shanghai within this year. Such a programme underlines the role that Hong Kong plays as a premier international financial centre and offshore Renminbi business centre. It also promotes the internationalization of the Renminbi, giving an added impetus to the economic development of Hong Kong.

As regards "**property sales**", an array of residential developments is planned for sales launch in the second half of this year. Together with the completed stock, a total of about 2,600 residential units in Hong Kong will be available for sale. Besides, two residential projects which have been put up for pre-sale are expected to be completed within this year. Their total attributable sales up to the end of June 2014 amounted to over HK$3,600 million and the profits may be accounted for in this year.

The Group will continue to expand its development land bank in Hong Kong. There are currently 31 "Urban Redevelopment" projects with 80% to 100% of their ownership acquired, representing about 3.1 million square feet in total attributable gross floor area, which is expected to be available for sale or leasing in 2015 or beyond. Meanwhile, the Group has increased its land reserve in the New Territories to 42.6 million square feet, the largest holding among its peers in Hong Kong. With the earnest development of the New Territories and the introduction of a "Pilot Scheme for Arbitration on Land Premium" as announced by the Government in its Policy Address, land-use conversion of farmland may hopefully be expedited.

Turning to mainland China, it is expected that the administration of the regulatory measures for the property sector in the second half of this year will be led by the local governments, thus allowing the property market to undergo its self-adjusting mechanism, whilst the fine tuning of stimulus measures are set to continue. Under the steady economic development in mainland China, the "wait-and-see" sentiment is expected to wane and strong end-users' demand should return.

As regards "**rental business**", the Group holds a sizeable portfolio of quality investment properties comprising attributable gross floor area of 9.1 million square feet in Hong Kong and 7.3 million square feet in mainland China, respectively. With the forthcoming commencement of operations of "Henderson 688" in Shanghai and the continuing effort in optimizing tenant mix for other investment properties, the Group's rental income is expected to grow steadily.

The "**associates**" will also continue to provide the Group with a source of stable and sizeable income. Hong Kong and China Gas, in particular, is poised to deliver promising returns given its sizeable customer base in Hong Kong and mainland China amid expanding and diversified business coverage. Specifically, the move towards greater energy diversification and environmental protection in mainland China has given new impetus to its growth strategy and the long-term development of its emerging environmentally-friendly energy businesses.

These three major income pillars (namely, "**property sales**", "**rental business**" and "**associates**") will continue to support the Group's sustainable growth. Barring unforeseen circumstances, the Group is expected to achieve satisfactory results in the current financial year.

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss – unaudited

		For the six months ended 30 June	
		2014	2013
	Note	**HK$ million**	HK$ million
Turnover	3, 10	**8,569**	8,585
Direct costs		**(4,829)**	(5,013)
		3,740	3,572
Other revenue	4	**365**	235
Other net income/(loss)	5	**672**	(59)
Selling and marketing expenses		**(518)**	(460)
Administrative expenses		**(901)**	(839)
Profit from operations before changes in fair value of investment properties and investment properties under development		**3,358**	2,449
Increase in fair value of investment properties and investment properties under development	11(b)	**3,225**	3,967
Profit from operations after changes in fair value of investment properties and investment properties under development		**6,583**	6,416
Finance costs	6(a)	**(437)**	(500)
Share of profits less losses of associates		**2,397**	1,881
Share of profits less losses of joint ventures		**1,512**	1,160
Profit before taxation	6	**10,055**	8,957
Income tax	7	**(538)**	(1,086)
Profit for the period		**9,517**	7,871

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss – unaudited (continued)

	Note	For the six months ended 30 June 2014 HK$ million	 2013 HK$ million
Attributable to:			
Equity shareholders of the Company		**9,460**	7,757
Non-controlling interests		**57**	114
Profit for the period		**9,517**	7,871
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*8(a)*	***HK$3.19***	*HK$2.65**
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	*8(b)*	***HK$1.69***	*HK$1.18**

* *Adjusted for the bonus issue in 2014.*

The notes on pages 34 to 65 form part of these condensed interim financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 9.

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income – unaudited

	For the six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Profit for the period	**9,517**	7,871
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 exchange reserve	**(549)**	826
– Cash flow hedges: net movement in hedging reserve	**(218)**	1,009
– Available-for-sale equity securities: net movement in fair value reserve	**(128)**	(411)
– Share of other comprehensive income of associates and joint ventures	**(298)**	155
Other comprehensive income for the period	**(1,193)**	1,579
Total comprehensive income for the period	**8,324**	9,450
Attributable to:		
Equity shareholders of the Company	**8,273**	9,327
Non-controlling interests	**51**	123
Total comprehensive income for the period	**8,324**	9,450

The notes on pages 34 to 65 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Balance Sheet

	Note	**At 30 June 2014 (unaudited) HK$ million**	At 31 December 2013 (audited) HK$ million
Non-current assets			
Fixed assets	11	**112,056**	108,872
Intangible operating right		**375**	394
Interest in associates		**49,238**	48,108
Interest in joint ventures		**31,844**	31,046
Derivative financial instruments	12	**345**	409
Long-term bank deposits	16	**676**	–
Other financial assets	13	**5,109**	5,614
Deferred tax assets		**474**	523
		200,117	194,966
Current assets			
Deposits for acquisition of properties		**5,563**	5,604
Inventories	14	**81,773**	80,233
Trade and other receivables	15	**7,782**	7,453
Cash held by stakeholders		**1,392**	1,943
Cash and bank balances	16	**13,292**	13,915
		109,802	109,148
Current liabilities			
Trade and other payables	17	**20,979**	15,890
Bank loans and overdrafts	18	**10,484**	5,514
Guaranteed notes		**1,263**	1,904
Amount due to a fellow subsidiary		**1,021**	1,261
Tax payable		**1,035**	850
		34,782	25,419
Net current assets		**75,020**	83,729
Total assets less current liabilities		**275,137**	278,695

Condensed Interim Financial Statements

Consolidated Balance Sheet (continued)

	Note	**At 30 June 2014 (unaudited) HK$ million**	At 31 December 2013 (audited) HK$ million
Non-current liabilities			
Bank loans	18	**12,923**	23,058
Guaranteed notes		**16,384**	16,309
Amount due to a fellow subsidiary		**3,064**	4,213
Derivative financial instruments	12	**1,091**	959
Deferred tax liabilities		**6,181**	6,156
		39,643	50,695
NET ASSETS		**235,494**	228,000
CAPITAL AND RESERVES			
Share capital: nominal value		**–**	5,398
Other statutory capital reserves		**–**	45,147
Share capital and other statutory capital reserves	19(a)	**50,545**	50,545
Other reserves		**179,202**	172,857
Total equity attributable to equity shareholders of the Company		**229,747**	223,402
Non-controlling interests		**5,747**	4,598
TOTAL EQUITY		**235,494**	228,000

The notes on pages 34 to 65 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

		Attributable to equity shareholders of the Company											
	Note	Share capital HK$ million	Share premium HK$ million	Capital redemption reserve HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2013		4,830	43,706	20	16	6,615	571	(1,240)	52	150,593	205,163	4,689	209,852
Changes in equity for the six months ended 30 June 2013:													
Profit for the period		–	–	–	–	–	–	–	–	7,757	7,757	114	7,871
Other comprehensive income for the period		–	–	–	–	1,052	(567)	1,042	8	35	1,570	9	1,579
Total comprehensive income for the period		–	–	–	–	1,052	(567)	1,042	8	7,792	9,327	123	9,450
Dividend approved in respect of the previous financial year	9(b)	–	–	–	–	–	–	–	–	(1,787)	(1,787)	–	(1,787)
Share of associates' reserves		–	–	–	–	–	–	–	(1)	124	123	–	123
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(19)	(19)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	–	(133)	(133)
Balance at 30 June 2013		4,830	43,706	20	16	7,667	4	(198)	59	156,722	212,826	4,660	217,486
Balance at 1 January 2014		**5,398**	**45,127**	**20**	**16**	**8,436**	**346**	**30**	**(1)**	**164,030**	**223,402**	**4,598**	**228,000**
Changes in equity for the six months ended 30 June 2014:													
Profit for the period		–	–	–	–	–	–	–	–	**9,460**	**9,460**	**57**	**9,517**
Other comprehensive income for the period		–	–	–	–	**(844)**	**(113)**	**(230)**	–	–	**(1,187)**	**(6)**	**(1,193)**
Total comprehensive income for the period		–	–	–	–	**(844)**	**(113)**	**(230)**	–	**9,460**	**8,273**	**51**	**8,324**
Transfer to other reserve		–	–	–	–	–	–	–	**23**	**(23)**	–	–	–
Dividend approved in respect of the previous financial year	9(b)	–	–	–	–	–	–	–	–	**(1,997)**	**(1,997)**	–	**(1,997)**
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	**(18)**	**(18)**
Partial disposal of interest in a subsidiary		–	–	–	–	–	–	–	–	**69**	**69**	**(69)**	–
Contribution from non-controlling interests, net		–	–	–	–	–	–	–	–	–	–	**1,185**	**1,185**
Transition to the no-par value regime on 3 March 2014	19(a)	**45,147**	**(45,127)**	**(20)**	–	–	–	–	–	–	–	–	–
Balance at 30 June 2014		**50,545**	–	–	**16**	**7,592**	**233**	**(200)**	**22**	**171,539**	**229,747**	**5,747**	**235,494**

The notes on pages 34 to 65 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement – unaudited

	Note	For the six months ended 30 June 2014 HK$ million	2013 HK$ million
Operating activities			
Increase in forward sales deposits received		**4,197**	4,155
Increase in inventories		**(1,072)**	(2,321)
Other cash flows generated from/(used in) operations		**2,489**	(318)
Tax paid		**(410)**	(482)
Net cash generated from operating activities		**5,204**	1,034
Investing activities			
Dividends received from associates		**943**	923
Dividends received from joint ventures		**547**	615
Increase in deposits with banks and other financial institutions over three months of maturity at acquisition		**(1,603)**	(2,003)
Other cash flows arising from investing activities		**514**	1,669
Net cash generated from investing activities		**401**	1,204
Financing activities			
Proceeds from new bank loans		**9,200**	910
Repayment of existing bank loans and guaranteed notes		**(14,773)**	(2,528)
Contribution from/(repayment to) non-controlling interests, net		**1,185**	(133)
Other cash flows arising from financing activities		**(2,543)**	(1,431)
Net cash used in financing activities		**(6,931)**	(3,182)
Net decrease in cash and cash equivalents		**(1,326)**	(944)
Cash and cash equivalents at 1 January	16	**13,634**	12,456
Effect of foreign exchange rate changes		**(123)**	97
Cash and cash equivalents at 30 June	16	**12,185**	11,609

The notes on pages 34 to 65 form part of these condensed interim financial statements.

Notes to the Unaudited Condensed Interim Financial Statements

1 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 interests in associates and joint ventures.

These 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). They were authorised for issuance on 26 August 2014.

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 2013 ("the 2013 financial statements"), 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 2014. Details of these changes in accounting policies are set out in note 2.

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.

These condensed interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 88. In addition, the condensed interim financial statements have been reviewed by the Company's Audit Committee.

The financial information relating to the year ended 31 December 2013 that is included in the condensed interim financial statements as being previously reported information does not constitute the Company's statutory consolidated financial statements for that financial year but is derived from those financial statements. The 2013 financial statements are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 20 March 2014.

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and HKASs, and one new Interpretation 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 HKFRS 10, HKFRS 12 and HKFRS 27, *Investment entities*

  The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's condensed interim financial statements as the Group does not qualify to be an investment entity.

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

  The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's condensed interim financial statements as they are consistent with the policies already adopted by the Group.

- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

  The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's condensed interim financial statements.

- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

  The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's condensed interim financial statements as the Group has not novated any of its derivatives.

In respect of 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.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year beginning on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the condensed interim financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the condensed interim financial statements.

Notes to the Unaudited Condensed Interim Financial Statements

3 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	
	2014	2013
	HK$ million	HK$ million
Sale of properties	**4,432**	4,973
Rental income	**2,637**	2,455
Construction	**667**	533
Infrastructure	**–**	–
Hotel operation	**94**	96
Department store operation	**207**	191
Others	**532**	337
Total (note 10(b))	**8,569**	8,585

4 Other revenue

	For the six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Bank interest income	**251**	127
Other interest income (note)	**25**	51
Others	**89**	57
	365	235

Note: Other interest income for the six months ended 30 June 2014 and 2013 included overdue interest income (before tax) of HK$13 million and HK$47 million received by the Group during the respective period in relation to refunds of land deposits to the Group.

Notes to the Unaudited Condensed Interim Financial Statements

5 Other net income/(loss)

	For the six months ended 30 June 2014 HK$ million	2013 HK$ million
Net gain on disposal of fixed assets	**598**	1
Fixed assets written off	**(20)**	(29)
Reversal of provision/(provision) on inventories, net	**45**	(32)
Impairment loss on trade debtors (note 10(c))	**(4)**	(2)
Bad debt written off	**(6)**	–
Net gain on disposal of subsidiaries	**–**	80
Net foreign exchange (loss)/gain	**(25)**	30
Others	**84**	(107)
	672	(59)

6 Profit before taxation

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

	For the six months ended 30 June 2014 HK$ million	2013 HK$ million
(a) Finance costs:		
Bank loans interest	**378**	395
Interest on loans wholly repayable within five years	**423**	404
Interest on loans repayable after five years	**176**	205
Other borrowing costs	**89**	111
	1,066	1,115
Less: Amount capitalised (note)	**(629)**	(615)
	437	500

Note: The borrowing costs have been capitalised at rates ranging from 3.66% to 6.52% (2013: 4.19% to 6.57%) per annum.

Notes to the Unaudited Condensed Interim Financial Statements

6 Profit before taxation (continued)

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

	For the six months ended 30 June 2014 HK$ million	2013 HK$ million
(b) Staff costs:		
Salaries, wages and other benefits	**886**	805
Contributions to defined contribution retirement plans	**40**	38
	926	843

	For the six months ended 30 June 2014 HK$ million	2013 HK$ million
(c) Other items:		
Depreciation	**74**	93
Less: Amount capitalised	**(4)**	(1)
	70	92
Amortisation of intangible operating right	**16**	16
Cost of sales		
– completed properties for sale	**3,204**	3,541
– trading stocks	**146**	145
Dividend income from investments in available-for-sale equity securities		
– listed	**(42)**	(41)
– unlisted	**(132)**	(8)

Notes to the Unaudited Condensed Interim Financial Statements

7 Income tax

	For the six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Current tax		
Provision for Hong Kong Profits Tax	**237**	296
Provision for taxation outside Hong Kong	**116**	121
Provision for Land Appreciation Tax	**32**	27
	385	444
Deferred tax		
Origination and reversal of temporary differences	**153**	642
	538	1,086

Provision for Hong Kong Profits Tax has been made at 16.5% (2013: 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.

Notes to the Unaudited Condensed Interim Financial Statements

8 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$9,460 million (2013: HK$7,757 million) and the weighted average number of 2,969 million ordinary shares in issue during the period (2013: 2,922 million ordinary shares*), calculated as follows:

	For the six months ended 30 June	
	2014	2013
	million	million
Number of issued ordinary shares at 1 January	**2,699**	2,415
Weighted average number of ordinary shares issued in respect of the bonus issue in 2013	–	241
Weighted average number of ordinary shares issued in respect of the bonus issue in 2014	**270**	266
Weighted average number of ordinary shares for the period (2013: as adjusted)	**2,969**	2,922

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2014 and 2013 as there were no dilutive potential ordinary shares in existence during the current and prior periods.

* *Adjusted for the bonus issue in 2014.*

Notes to the Unaudited Condensed Interim Financial Statements

8 Earnings per share (continued)

(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$5,030 million (2013: HK$3,454 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:

	For the six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**9,460**	7,757
Effect of changes in fair value of investment properties and investment properties under development (note 11(b))	**(3,225)**	(3,967)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development (note 11(b))	**(3)**	455
Effect of share of changes in fair value of investment properties (net of deferred tax) of:		
– associates	**(515)**	(323)
– joint ventures	**(703)**	(481)
Effect of share of non-controlling interests	**16**	13
Underlying profit attributable to equity shareholders of the Company	**5,030**	3,454
Underlying earnings per share	**HK$1.69**	HK$1.18*

* *Adjusted for the bonus issue in 2014.*

Notes to the Unaudited Condensed Interim Financial Statements

9 Dividends

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

	For the six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Interim dividend declared after the interim period of HK$0.34 (2013: HK$0.32) per share	**1,020**	859

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

(b) Dividends 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	
	2014	2013
	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 (2013: HK$0.74) per share	**1,997**	1,787

Notes to the Unaudited Condensed Interim Financial Statements

10 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 assessment of segment performance, the Group has identified the following reportable segments. No operating segments have been aggregated to form 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
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy business
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

Utility and energy is identified and presented as an additional reportable segment in the current period. Corresponding amounts have been provided on a basis consistent with the revised segment information and presentation.

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, net gain on disposal of fixed assets/subsidiaries, 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.

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on 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 2014 and 2013 is set out below:

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Turnover HK$ million (note (i))	Segment Results HK$ million	Share of Turnover HK$ million	Share of Segment Results HK$ million	Combined Turnover HK$ million	Consolidated Segment Results HK$ million	Turnover HK$ million	Segment Results HK$ million	Combined Turnover HK$ million	Consolidated Segment Results HK$ million
For the six months ended 30 June 2014										
Property development										
Hong Kong	3,465	772	1,272	427	4,737	1,199	(474)	(45)	4,263	1,154
Mainland China	967	(127)	883	194	1,850	67	(5)	4	1,845	71
	4,432	645	2,155	621	6,587	1,266	(479)	(41)	6,108	1,225
Property leasing										
Hong Kong	1,935	1,382	1,220	1,033	3,155	2,415	(9)	(5)	3,146	2,410
Mainland China	702	542	6	5	708	547	-	-	708	547
	2,637	1,924	1,226	1,038	3,863	2,962	(9)	(5)	3,854	2,957
	(note (ii))									
Construction	667	7		-		7		-		7
Infrastructure	-	(26)		-		(26)		14		(12)
Hotel operation	94	27		135		162		-		162
Department store operation	207	38		-		38		-		38
Others	532	443		(99)		344		(12)		332
	8,569	3,058		1,695		4,753		(44)		4,709
Utility and energy	-	-		2,016		2,016		-		2,016
	8,569	3,058		3,711		6,769		(44)		6,725
Bank interest income		251		72		323		(13)		310
Net gain on disposal of fixed assets		598		-		598		-		598
Reversal of provision/(provision) on inventories, net		45		(1)		44		-		44
Unallocated head office and corporate expenses, net		(594)		(154)		(748)		3		(745)
Profit from operations		3,358		3,628		6,986		(54)		6,932
Increase in fair value of investment properties and investment properties under development		3,225		1,218		4,443		(16)		4,427
Finance costs		(437)		(278)		(715)		3		(712)
Profit before taxation		6,146		4,568		10,714		(67)		10,647
Income tax		(538)		(659)		(1,197)		10		(1,187)
Profit for the period		5,608		3,909		9,517		(57)		9,460

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the six months ended 30 June 2014										
Share of profits less losses of associates (note (iii))										
– Listed associates										
The Hong Kong and China Gas Company Limited	–	202	–	–	11	–	(137)	76	1,471	1,547
Miramar Hotel and Investment Company, Limited	–	332	–	–	26	–	(40)	318	–	318
Hong Kong Ferry (Holdings) Company Limited	285	50	–	–	–	–	2	337	–	337
– Unlisted associates	–	189	–	–	–	–	6	195	–	195
	285	773	–	–	37	–	(169)	926	1,471	2,397
Share of profits less losses of joint ventures (note (iv))	208	1,233	–	–	64	–	7	1,512	–	1,512
	493	2,006	–	–	101	–	(162)	2,438	1,471	3,909

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Turnover HK$ million (note (i))	Segment Results HK$ million	Share of Turnover HK$ million	Share of Segment Results HK$ million	Combined Turnover HK$ million	Consolidated Segment Results HK$ million	Turnover HK$ million	Segment Results HK$ million	Combined Turnover HK$ million	Consolidated Segment Results HK$ million
For the six months ended 30 June 2013										
Property development										
Hong Kong	3,609	820	47	25	3,656	845	(475)	(134)	3,181	711
Mainland China	1,364	61	502	201	1,866	262	–	–	1,866	262
	4,973	881	549	226	5,522	1,107	(475)	(134)	5,047	973
Property leasing										
Hong Kong	1,811	1,289	1,137	951	2,948	2,240	(6)	(4)	2,942	2,236
Mainland China	644	509	–	–	644	509	–	–	644	509
	2,455	1,798	1,137	951	3,592	2,749	(6)	(4)	3,586	2,745
	(note (ii))									
Construction	533	(30)		–		(30)		–		(30)
Infrastructure	–	(19)		–		(19)		10		(9)
Hotel operation	96	28		117		145		–		145
Department store operation	191	36		–		36		–		36
Others	337	194		110		304		(22)		282
	8,585	2,888		1,404		4,292		(150)		4,142
Utility and energy	–	–		1,736		1,736		–		1,736
	8,585	2,888		3,140		6,028		(150)		5,878
Bank interest income		127		35		162		(8)		154
Net gain on disposal of subsidiaries		80		–		80		–		80
Provision on inventories, net		(32)		(1)		(33)		–		(33)
Unallocated head office and corporate expenses, net		(614)		(143)		(757)		10		(747)
Profit from operations		2,449		3,031		5,480		(148)		5,332
Increase in fair value of investment properties and investment properties under development		3,967		804		4,771		(13)		4,758
Finance costs		(500)		(240)		(740)		20		(720)
Profit before taxation		5,916		3,595		9,511		(141)		9,370
Income tax		(1,086)		(554)		(1,640)		27		(1,613)
Profit for the period		4,830		3,041		7,871		(114)		7,757

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the six months ended 30 June 2013										
Share of profits less losses of associates (note (iii))										
– Listed associates										
The Hong Kong and China Gas Company Limited	–	137	–	–	9	–	(16)	130	1,313	1,443
Miramar Hotel and Investment Company, Limited	–	315	–	–	24	–	(39)	300	–	300
Hong Kong Ferry (Holdings) Company Limited	12	19	–	–	–	–	9	40	–	40
– Unlisted associates	–	86	–	–	–	–	12	98	–	98
	12	557	–	–	33	–	(34)	568	1,313	1,881
Share of profits less losses of joint ventures (note (iv))	131	972	–	–	57	–	–	1,160	–	1,160
	143	1,529	–	–	90	–	(34)	1,728	1,313	3,041

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The turnover figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$137 million (2013: HK$113 million), HK$884 million (2013: HK$1,118 million) and HK$159 million (2013: HK$34 million) in relation to the reportable segments under property leasing, construction and others, respectively.

(ii) Turnover for the property leasing segment comprises rental income of HK$2,347 million (2013: HK$2,182 million) and rental-related income of HK$290 million (2013: HK$273 million), which in aggregate amounted to HK$2,637 million for the six months ended 30 June 2014 (2013: HK$2,455 million).

(iii) The Group's share of profits less losses of associates contributed from the property leasing segment during the period of HK$773 million (2013: HK$557 million) includes the increase in fair value of investment properties (net of deferred tax) during the period of HK$515 million (2013: HK$323 million).

(iv) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the period of HK$1,233 million (2013: HK$972 million) includes the increase in fair value of investment properties (net of deferred tax) during the period of HK$703 million (2013: HK$481 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			
	2014	2013	**At 30 June 2014**	At 31 December 2013
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**6,885**	6,565	**155,443**	151,510
Mainland China	**1,684**	2,020	**38,070**	36,910
	8,569	8,585	**193,513**	188,420
	(note 3)	(note 3)		

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(c) Other segment information

	Amortisation and depreciation		**Impairment loss on trade debtors**	
	For the six months ended 30 June		**For the six months ended 30 June**	
	2014 (unaudited) HK$ million	2013 (unaudited) HK$ million	**2014 (unaudited) HK$ million**	2013 (unaudited) HK$ million
Property development	**8**	10	**–**	–
Property leasing	**11**	12	**–**	1
Construction	**12**	27	**–**	–
Infrastructure	**16**	16	**–**	–
Hotel operation	**21**	21	**–**	–
Department store operation	**2**	2	**–**	–
Others	**16**	20	**4**	1
	86	108	**4**	2

11 Fixed assets

(a) Disposals

Items of investment properties with an aggregate net book value of HK$226 million were disposed of during the six months ended 30 June 2014 (2013: HK$108 million), resulting in a net gain on disposal of HK$598 million for the period (2013: net loss of HK$2 million).

Notes to the Unaudited Condensed Interim Financial Statements

11 Fixed assets (continued)

(b) Fair value measurement of investment properties and investment properties under development

Valuation process

The Group's investment properties and investment properties under development were revalued at 30 June 2014 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors who have among their staff Members 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 management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual balance sheet date and is reviewed and approved by senior management.

Valuation methodologies

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

Valuation

As a result, a net fair value gain of HK$3,225 million (2013: HK$3,967 million) and deferred tax credit thereon of HK$3 million (2013: deferred tax charge of HK$455 million) have been recognised in the consolidated statement of profit or loss for the period (see note 8(b)).

Notes to the Unaudited Condensed Interim Financial Statements

12 Derivative financial instruments

	At 30 June 2014 (unaudited)		At 31 December 2013 (audited)	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts (note 20(a)(i))	**348**	**609**	383	704
Interest rate swap contracts (note 20(a)(i))	**2**	**492**	64	294
	350	**1,101**	447	998
Representing:				
Non-current portion	**345**	**1,091**	409	959
Current portion (notes 15 and 17)	**5**	**10**	38	39
	350	**1,101**	447	998

Swap contracts which have been entered into with certain counterparty banks comprise:

- cross currency interest rate swap contracts to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes denominated in United States dollars ("US$"), Pound Sterling ("£") and Singapore dollars ("S$") with aggregate principal amounts of US$835 million, £50 million and S$200 million at 30 June 2014 (31 December 2013: US$835 million, £50 million and S$200 million) and bank loans denominated in Japanese Yen ("¥") with an aggregate amount of ¥10,000 million at 30 June 2014 (31 December 2013: ¥10,000 million); and

- interest rate swap contracts to hedge against the interest rate risk in respect of certain bank loans denominated in Hong Kong dollars with an aggregate amount of HK$12,000 million at 30 June 2014 (31 December 2013: HK$12,000 million).

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to the guaranteed notes and bank loans. They will mature between 25 July 2014 and 20 October 2026 (31 December 2013: between 25 July 2014 and 20 October 2026).

Notes to the Unaudited Condensed Interim Financial Statements

13 Other financial assets

	At 30 June 2014 (unaudited) HK$ million	At 31 December 2013 (audited) HK$ million
Available-for-sale equity securities		
Unlisted (note 20(b))	**1,080**	1,057
Listed in Hong Kong (note 20(a)(i))	**1,790**	1,899
	2,870	2,956
Held-to-maturity debt securities	**344**	–
Instalments receivable	**1,640**	2,394
Loan receivable	**250**	250
Long term receivable	**5**	14
	5,109	5,614
Market value of listed securities	**1,790**	1,899

At 30 June 2014, certain of the Group's listed available-for-sale equity securities were individually determined to be impaired on the basis of significant or prolonged decline in their fair value below cost.

During the six months ended 30 June 2014, the Group acquired held-to-maturity debt securities which are non-derivative financial assets with fixed or determinable payments and maturity dates, and the Group has the positive intention and ability to hold to maturity. Held-to-maturity debt securities were recognised initially at fair value and at 30 June 2014, they were measured at amortised cost using the effective interest method less impairment losses.

Instalments receivable represents the proceeds receivable from the sale of properties due after one year from the balance sheet date. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within one year from the balance sheet date is included in "Trade and other receivables" under current assets (see note 15).

Loan receivable is secured, interest-bearing at Hong Kong Interbank Offered Rate plus 5.65% per annum (31 December 2013: Hong Kong Interbank Offered Rate plus 5.65% per annum). The balance is due after one year from the balance sheet date and is neither past due nor impaired.

Long term receivable represents the non-current portion of the discounted value of the instalments receivable in the future arising from the disposal of toll fee collection right of certain toll bridges. The current portion of HK$50 million (31 December 2013: HK$68 million) which is expected to be recovered within one year is included in "Trade and other receivables" under current assets (see note 15).

Notes to the Unaudited Condensed Interim Financial Statements

14 Inventories

	At 30 June 2014 (unaudited) HK$ million	At 31 December 2013 (audited) HK$ million
Property development		
Leasehold land held for development for sale	**10,171**	10,027
Properties held for/under development for sale	**63,732**	61,408
Completed properties for sale	**7,779**	8,703
	81,682	80,138
Other operations		
Trading stocks	**91**	95
	81,773	80,233

15 Trade and other receivables

	At 30 June 2014 (unaudited) HK$ million	At 31 December 2013 (audited) HK$ million
Instalments receivable (note 13)	**2,143**	1,809
Debtors, prepayments and deposits	**5,327**	5,042
Gross amount due from customers for contract work	**57**	109
Derivative financial instruments (note 12)	**5**	38
Amounts due from associates	**207**	415
Amounts due from joint ventures	**43**	40
	7,782	7,453

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 2014 (unaudited) HK$ million	At 31 December 2013 (audited) HK$ million
Current or under 1 month overdue	**2,446**	2,419
More than 1 month overdue and up to 3 months overdue	**53**	108
More than 3 months overdue and up to 6 months overdue	**10**	23
More than 6 months overdue	**46**	78
	2,555	2,628

Notes to the Unaudited Condensed Interim Financial Statements

15 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 the toll fee income receivable from the toll bridge, the amount is collected on behalf of the Group by 杭州市市區公共停車場(庫)建設發展中心 (Hangzhou City Urban Public Carpark Construction & Development Centre, formerly known as 杭州市城市"四自"工程道路綜合收費管理處 or 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 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 2014 of RMB561 million, or equivalent to HK$699 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 2014.

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. The arbitration proceedings commenced on 14 April 2014 and no conclusion has been reached. The arbitration tribunal considered that both parties should pursue further negotiations to seek a settlement plan and the Joint Venture Company has already written to Hangzhou Municipal People's Government accordingly. In July 2014, the arbitration tribunal requested both parties to submit their own settlement plans before a certain due date and a meeting has been scheduled to take place in Hangzhou in mid-September 2014 for the purpose of mediation.

Notes to the Unaudited Condensed Interim Financial Statements

15 Trade and other receivables (continued)

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.

16 Cash and bank balances and long-term bank deposits

	At 30 June 2014 (unaudited) HK$ million	At 31 December 2013 (audited) HK$ million
Deposits with banks and other financial institutions	**7,353**	8,848
Cash at bank and in hand	**6,615**	5,067
Cash and bank balances and long-term bank deposits	**13,968**	13,915
Less: deposits with banks and other financial institutions over twelve months of maturity at acquisition	**(676)**	–
Cash and bank balances in the consolidated balance sheet	**13,292**	13,915
Less: deposits with banks and other financial institutions over three months and less than twelve months of maturity at acquisition	**(1,105)**	(178)
Cash and cash equivalents	**12,187**	13,737
Bank overdrafts	**(2)**	(103)
Cash and cash equivalents in the condensed consolidated cash flow statement	**12,185**	13,634

At 30 June 2014, cash and bank balances in the consolidated balance sheet included balances of bank deposits in mainland China which were subject to exchange controls. Included in such bank deposits is an amount of HK$2,187 million (31 December 2013: HK$2,279 million) which was restricted for use and which primarily comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China.

Notes to the Unaudited Condensed Interim Financial Statements

17 Trade and other payables

	At 30 June 2014 (unaudited) HK$ million	At 31 December 2013 (audited) HK$ million
Creditors and accrued expenses	**8,730**	7,870
Gross amount due to customers for contract work	**67**	27
Rental and other deposits	**1,239**	1,198
Forward sales deposits received	**10,564**	6,429
Derivative financial instruments (note 12)	**10**	39
Amounts due to associates	**53**	53
Amounts due to joint ventures	**316**	274
	20,979	15,890

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 2014 (unaudited) HK$ million	At 31 December 2013 (audited) HK$ million
Due within 1 month or on demand	**764**	1,965
Due after 1 month but within 3 months	**1,784**	1,475
Due after 3 months but within 6 months	**418**	284
Due after 6 months	**2,092**	2,250
	5,058	5,974

18 Bank loans and overdrafts

During the six months ended 30 June 2014, the Group obtained new bank loans amounting to HK$9,200 million (2013: HK$910 million) and repaid bank loans amounting to HK$14,133 million (2013: HK$2,528 million). The new bank loans bear interest at rates ranging from 0.85% to 1.42% (2013: 0.85% to 1.09%) per annum.

At 30 June 2014 and 31 December 2013, the entire amounts of the Group's bank loans and overdrafts were unsecured.

Notes to the Unaudited Condensed Interim Financial Statements

19 Capital and reserves

(a) Share capital

At 31 December 2013, 5,000,000,000 ordinary shares, at par value of HK$2 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622) which became effective on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

Movement of the Company's ordinary shares is set out below:

Ordinary shares, issued and fully paid	**At 30 June 2014 (unaudited)** Number of shares million	HK$ million	At 31 December 2013 (audited) Number of shares million	HK$ million
At 1 January 2014/1 January 2013	**2,699**	**5,398**	2,415	4,830
Shares issued in respect of scrip dividends	–	–	43	86
Issue of bonus shares	–	–	241	482
Transition to the no-par value regime on 3 March 2014	–	**45,147**	–	–
At 30 June 2014/31 December 2013	**2,699**	**50,545**	2,699	5,398

(b) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 and as referred to in the Company's consolidated statement of changes in equity, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

Notes to the Unaudited Condensed Interim Financial Statements

20 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial assets and liabilities measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2014 HK$ million	Fair value measurements at 30 June 2014 categorised into	
		Level 1 HK$ million	Level 2 HK$ million
Recurring fair value measurement			
Financial assets:			
Available-for-sale equity securities:			
– Listed (note 13)	**1,790**	**1,790**	**–**
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 12)	**348**	**–**	**348**
– Interest rate swap contracts (note 12)	**2**	**–**	**2**
Financial liabilities:			
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 12)	**609**	**–**	**609**
– Interest rate swap contracts (note 12)	**492**	**–**	**492**

Notes to the Unaudited Condensed Interim Financial Statements

20 Fair value measurement of financial instruments (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2013 HK$ million	Fair value measurements at 31 December 2013 categorised into	
		Level 1 HK$ million	Level 2 HK$ million
Recurring fair value measurement			
Financial assets:			
Available-for-sale equity securities: – Listed (note 13)	1,899	1,899	–
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 12)	383	–	383
– Interest rate swap contracts (note 12)	64	–	64
Financial liabilities:			
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 12)	704	–	704
– Interest rate swap contracts (note 12)	294	–	294

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3 (2013: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date during which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of cross currency interest rate swap contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Notes to the Unaudited Condensed Interim Financial Statements

20 Fair value measurement of financial instruments (continued)

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2014 and 31 December 2013 except as follows:

– **Amounts due from/to subsidiaries, certain amounts due from associates and joint ventures and amounts due to associates and joint ventures**

Amounts due from/to subsidiaries, certain amounts due from associates and joint ventures and all the amounts due to associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

– **Unlisted investments**

Unlisted available-for-sale equity securities of HK$1,080 million (31 December 2013: HK$1,057 million) (see note 13) do not have a quoted market price in an active market and their fair values cannot be reliably measured. They are recognised at cost less impairment losses at the balance sheet date.

– **Held-to-maturity debt securities**

Held-to-maturity debt securities of HK$344 million (31 December 2013: Nil) with fair values of HK$345 million (31 December 2013: Nil) are stated at amortised cost less impairment losses at the balance sheet date.

Notes to the Unaudited Condensed Interim Financial Statements

21 Capital commitments

At 30 June 2014, the Group had capital commitments not provided for in these condensed interim financial statements as follows:

		At 30 June 2014 (unaudited) HK$ million	At 31 December 2013 (audited) HK$ million
(a)	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**7,871**	9,223
	Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**17,063**	18,119
		24,934	27,342
(b)	**In relation to the capital commitments undertaken by joint ventures attributable to the Group:**		
	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**1,841**	2,305
	Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**1,537**	146
		3,378	2,451

Notes to the Unaudited Condensed Interim Financial Statements

22 Contingent liabilities

(a) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before the Completion. At 30 June 2014, the Group had contingent liabilities in this connection of HK$17 million (31 December 2013: HK$17 million).

(b) At 30 June 2014, the Company had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects amounting to HK$35 million (31 December 2013: HK$453 million).

(c) At 30 June 2014, the Company had given guarantees in the aggregate amount of HK$466 million (31 December 2013: HK$467 million) 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 2014.

(d) At 30 June 2014, the Group had given guarantees to financial institutions in the aggregate amount of HK$1,201 million (31 December 2013: HK$1,303 million) 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 2014. Such guarantees will be released upon the issuance of the Building Ownership Certificate.

Notes to the Unaudited Condensed Interim Financial Statements

23 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these condensed interim financial statements, the Group entered into the following material related party transactions during the period:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the period between the Group and its fellow subsidiaries are as follows:

	For the six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Sales of construction material (note (ii))	**7**	–
Sales commission income (note (iii))	**9**	–
Administration fee income (note (ii))	**4**	3
Other interest expense (note (i))	**119**	158

(b) Transactions with associates and joint ventures

Details of material related party transactions during the period between the Group and its associates and joint ventures are as follows:

	For the six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Other interest income (note (i))	**12**	26
Construction/repair and maintenance income (note (ii))	**582**	122
Security guard service fee income (note (iii))	**10**	11
Management fee income (note (iii))	**19**	–
Rental expenses (note (iii))	**67**	62
Venue fee income (note (ii))	**–**	5
Venue-related expenses (note (iii))	**29**	24

Notes to the Unaudited Condensed Interim Financial Statements

23 Material related party transactions (continued)

(c) Transactions with related companies

Details of material related party transactions during the period between the Group and its related companies which are controlled by private family trusts of a director of the Group are as follows:

	For the six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Rental income (note (iii))	**3**	3
Tax indemnity receipt	**–**	2

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollars prime rate or Renminbi benchmark loan rates announced by the People's Bank of China.

(ii) These transactions represent cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) These transactions were carried out on normal commercial terms and in the ordinary course of business.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the period between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	For the six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Rental expenses	**5**	4
Property and leasing management service fee income and other ancillary property service fee income	**24**	22
Asset management service fee income	**41**	38
Security service fee income	**1**	1

The above transactions are conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 30 June 2014, the amount due from Sunlight REIT was HK$30 million (31 December 2013: HK$26 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (note 15).

Notes to the Unaudited Condensed Interim Financial Statements

23 Material related party transactions (continued)

(e) Transactions with a company owned by a director of the Company

Mr Lee Ka Kit, a director of the Company, through a company owned by him (the "entity") had separate interest in an associate of the Group and through which the Group held its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate.

At 30 June 2014, the advance by the entity to the abovementioned associate amounted to HK$80 million (31 December 2013: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

24 Non-adjusting post balance sheet events

(a) After the balance sheet date, the directors declared an interim dividend. Further details are disclosed in note 9(a).

(b) On 18 July 2014, an aggregate of 269,899,614 bonus shares were issued on the basis of one new share for every ten shares held to shareholders whose names appeared on the Company's register of members on 17 June 2014.

25 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

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 2014.

Turnover and profit

	Turnover			Contribution/(loss) from operations		
	Six months ended 30 June		*Increase/*	**Six months ended 30 June**		*Increase/*
	2014	2013	*(Decrease)*	**2014**	2013	*(Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
– Property development	**4,432**	4,973	*-11%*	**645**	881	*-27%*
– Property leasing	**2,637**	2,455	*+7%*	**1,924**	1,798	*+7%*
– Construction	**667**	533	*+25%*	**7**	(30)	*+123%*
– Infrastructure	**–**	–	*–*	**(26)**	(19)	*-37%*
– Hotel operation	**94**	96	*-2%*	**27**	28	*-4%*
– Department store operation	**207**	191	*+8%*	**38**	36	*+6%*
– Other businesses	**532**	337	*+58%*	**443**	194	*+128%*
	8,569	8,585	*-0.2%*	**3,058**	2,888	*+6%*

	Six months ended 30 June		
	2014	2013	*Increase*
	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	**9,460**	7,757	*+22%*
– 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	**5,030**	3,454	*+46%*

Excluding the effects of certain one-off income items from the underlying profit attributable to shareholders for the six months ended 30 June 2014 and 2013, the adjusted underlying profit attributable to shareholders for the two periods is as follows:

	Six months ended 30 June			
	2014	2013	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying profit attributable to shareholders	**5,030**	3,454	*1,576*	*+46%*
(Less)/Add:				
One-off income items –				
Reversal of the accrued site settlement cost of a terminated development project in mainland China	**(113)**	–	*(113)*	
Overdue interest income in relation to the refund of land deposits regarding land sites in mainland China (net of tax)	**(10)**	(35)	*25*	
Adjusted underlying profit attributable to shareholders	**4,907**	3,419	*1,488*	*+44%*

Discussions on the major reportable segments are set out below.

Property development

The gross revenue from property sales (taking into account the effect of cancelled sales in respect of the previous year) during the six months ended 30 June 2014 and 2013, by geographical contribution, is as follows:

	Six months ended 30 June			
	2014	2013	*Decrease*	
	HK$ million	HK$ million	*HK$ million*	*%*
Hong Kong	**3,465**	3,609	*(144)*	*-4%*
Mainland China	**967**	1,364	*(397)*	*-29%*
	4,432	4,973	*(541)*	*-11%*

The decrease in revenue contribution from property sales in Hong Kong is mainly attributable to the period-on-period decrease in revenue contribution from "Double Cove" Phase 1 of HK$2,465 million, despite the period-on-period increase in aggregate revenue contribution of HK$2,443 million generated from the following projects: (i) the revenue contributions from "High West" and "High Point", being completed property projects during the six months ended 30 June 2014, in the aggregate amount of HK$1,079 million (2013: Nil); (ii) the revenue contribution from "The Reach" of HK$543 million (2013: Nil, for reason that the project was not yet completed during the corresponding six months ended 30 June 2013); and (iii) the increase in revenue contribution from "39 Conduit Road" of HK$821 million.

The decrease in revenue contribution from property sales in mainland China is mainly attributable to the increase in revenue of HK$723 million generated from the project completion and delivery of sold units to the buyers in respect of "Riverside Park" Phase 2A in Suzhou and "Island Palace" in Yixing during the six months ended 30 June 2014, which is nevertheless being offset by (i) the period-on-period decrease in revenue contribution of HK$919 million from "Emerald Valley" Phase 1A in Nanjing and "Xuzhou Lakeview Development" in Xuzhou (which are both completed projects and the sold units of which were delivered to the buyers during the corresponding six months ended 30 June 2013); and (ii) the period-on-period net decrease in revenue contribution of HK$217 million from "Henderson Centre" in Beijing as well as "Grand Waterfront" Phase 1A and "Villa Green" in Chongqing.

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 2014 and 2013 is as follows:

	Six months ended 30 June			
	2014	2013	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**1,154**	711	*443*	*+62%*
Mainland China	**71**	262	*(191)*	*-73%*
	1,225	973	*252*	*+26%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**604**	747	*(143)*	*-19%*
Associates	**341**	26	*315*	*+1,212%*
Joint ventures	**280**	200	*80*	*+40%*
	1,225	973	*252*	*+26%*

The Group's share of pre-tax profit from associates is mainly generated from the sales of property units of "Green Code", being a project held by Hong Kong Ferry (Holdings) Company Limited ("HK Ferry") and which was completed during the six months ended 30 June 2014. 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 and "Mount Parker Residences" in Hong Kong, in which the Group has 50% and 20% equity interests, respectively.

Property leasing

The gross revenue from property leasing during the six months ended 30 June 2014 and 2013, by geographical contribution, is as follows:

	Six months ended 30 June			
	2014	2013	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
Hong Kong	**1,935**	1,811	*124*	*+7%*
Mainland China	**702**	644	*58*	*+9%*
	2,637	2,455	*182*	*+7%*

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 2014 and 2013 is as follows:

	Six months ended 30 June			
	2014	2013	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**2,410**	2,236	*174*	*+8%*
Mainland China	**547**	509	*38*	*+7%*
	2,957	2,745	*212*	*+8%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**1,919**	1,794	*125*	*+7%*
Associates	**338**	302	*36*	*+12%*
Joint ventures	**700**	649	*51*	*+8%*
	2,957	2,745	*212*	*+8%*

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 2014. The increase in gross revenue and pre-tax net rental income in mainland China is mainly attributable to the period-on-period improvement in the average occupancies and rentals of "World Financial Centre" and "Henderson Centre" in Beijing as well as "Grand Gateway II" in Shanghai during the six months ended 30 June 2014.

Construction

The increase in turnover of HK$134 million to HK$667 million for the six months ended 30 June 2014 is mainly attributable to the increased turnover contribution in the aggregate amount of HK$548 million (2013: Nil) arising from the construction contracts undertaken for "Green Code" (being a property development project of HK Ferry) and Phases 2 and 3 of "Double Cove", which is partially offset by the turnover contribution in the aggregate amount of HK$406 million recognised during the corresponding six months ended 30 June 2013 in relation to Phase 1 of "Double Cove" and "The Reach" but which nevertheless did not recur during the six months ended 30 June 2014.

The increase in profit from operations to HK$7 million for the six months ended 30 June 2014 from the loss of HK$30 million for the corresponding six months ended 30 June 2013 is mainly attributable to (i) the increase in gross profit from construction contracts of HK$21 million due to the increase in turnover contribution as mentioned above; and (ii) the period-on-period decrease in depreciation charge of HK$15 million for the reason that certain construction plant and machinery acquired by the Group became fully depreciated during the six months ended 30 June 2014.

Infrastructure

The Group's infrastructure business is represented by the operation of Hangzhou Qianjiang Third Bridge, 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 2014, please refer to the paragraph headed "Henderson Investment Limited ("HIL")" under the section "Business Review" on page 21 of the Company's interim report for the six months ended 30 June 2014 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 Hangzhou Qianjiang Third 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 2014) has not been recognised in the Group's accounts. Hence, the turnover contribution for the six months ended 30 June 2014 was HK$Nil (2013: HK$Nil).

Notwithstanding the provisional suspension in the payment of toll revenue to the Group during the six months ended 30 June 2014, the toll revenue generated by Hangzhou Qianjiang Third Bridge during the six months ended 30 June 2014 amounted to HK$126 million (2013: HK$155 million), representing a decrease of HK$29 million or 19% from that for the corresponding six months ended 30 June 2013. The average daily traffic volume of Hangzhou Qianjiang Third Bridge during the six months ended 30 June 2014 was 62,133 vehicles, representing a decrease of 20% when compared with that of 77,215 vehicles for the corresponding six months ended 30 June 2013. Such period-on-period decrease in the average daily traffic volume is mainly attributable to the impact of the road construction works of 西興互通道路改建工程 (being part of the Hangzhou Airport Road project) which commenced in April 2014 and led to the closure of the south link bridge of Hangzhou Qianjiang Third Bridge, and as a result of which the traffic of the southbank of Hangzhou Qianjiang Third Bridge was shifted to another trunk route which has a significantly lower traffic flow capacity.

Hotel operation

Turnover for the six months ended 30 June 2014 decreased by HK$2 million (or 2%) to HK$94 million, and profit contribution for the six months ended 30 June 2014 decreased by HK$1 million (or 4%) to HK$27 million.

During the six months ended 30 June 2014, each of the Group's three Newton hotels recorded a period-on-period increase in the average occupancy rate which was nevertheless being offset by a period-to-period decrease in the average room rates of Newton Hotel Hong Kong and Newton Inn North Point, the overall result of which is a slight period-on-period decrease in the turnover and profit contribution from hotel operation for the six months ended 30 June 2014 as mentioned above.

Department store operation

Turnover and profit contribution for the six months ended 30 June 2014 increased by HK$16 million (or 8%) and HK$2 million (or 6%), respectively, over that for the corresponding six months ended 30 June 2013. Such period-on-period increases are mainly attributable to (i) the increase in turnover and profit contributions from the Citistore outlet at Tuen Mun, which previously operated as an "id:c" specialty store until after the completion of renovation works and thereby became a department store 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 2014.

Other businesses

Other businesses mainly comprise 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.

Turnover for the six months ended 30 June 2014 increased by HK$195 million, or 58%, over that for the corresponding six months ended 30 June 2013 which is mainly attributable to (i) a dividend income of HK$132 million received during the period from the Group's investment in a property development project in Hong Kong; and (ii) an increase in project management income of HK$42 million mainly related to the project management fee income on "Green Code" and "Global Trade Square", being projects held by HK Ferry (an associate of the Group) and a joint venture of the Group respectively.

The profit contribution for the six months ended 30 June 2014 also increased by HK$249 million, or 128%, over that for the corresponding six months ended 30 June 2013 which is mainly attributable to the abovementioned reasons that explain for the increase in turnover and hence resulting in a period-on-period increase in profit contribution of HK$166 million, as well as an one-off income item of HK$113 million arising from the reversal of the accrued site settlement cost of a terminated development project in mainland China.

Associates

The Group's share of post-tax profits less losses of associates during the six months ended 30 June 2014 amounted to HK$2,397 million (2013: HK$1,881 million), representing an increase of HK$516 million, or 27%, over that for the corresponding period of six months ended 30 June 2013. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates of HK$515 million during the six months ended 30 June 2014 (2013: HK$323 million), the Group's share of the underlying post-tax profits less losses of associates for the six months ended 30 June 2014 amounted to HK$1,882 million (2013: HK$1,558 million), representing an increase of HK$324 million, or 21%, over that for the corresponding period of six months ended 30 June 2013. Such period-on-period increase was mainly attributable to the following:

(i) the Group's share of increase in the underlying post-tax profit contribution from The Hong Kong and China Gas Company Limited ("HKCG") of HK$47 million, mainly due to the share of increase in post-tax profit contribution from the gas operation and related businesses of HK$158 million during the six months ended 30 June 2014 but which was partially offset by (i) the share of decrease in the net investment gain after tax of HK$100 million for the same period; and (ii) the share of interest expenses of HK$20 million for the same period in relation to the US$300 million perpetual subordinated guaranteed capital securities issued by HKCG in January 2014;

(ii) the Group's share of increase in the underlying post-tax profit contribution from HK Ferry of HK$267 million, mainly due to the share of increase in post-tax profit contribution in the amount of HK$290 million generated from the sale of property units of "Green Code" which was completed during the six months ended 30 June 2014; and

(iii) the Group's share of increase in the underlying post-tax profit contribution from Miramar Hotel and Investment Company, Limited of HK$6 million, mainly due to the share of increase in post-tax profit contribution from property leasing and hotel operation in the aggregate amount of HK$7 million during the six months ended 30 June 2014.

Joint ventures

The Group's share of post-tax profits less losses of joint ventures during the six months ended 30 June 2014 amounted to HK$1,512 million (2013: HK$1,160 million), representing an increase of HK$352 million, or 30%, over that for the corresponding period of six months ended 30 June 2013. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures of HK$703 million during the six months ended 30 June 2014 (2013: HK$481 million), the Group's share of the underlying post-tax profits less losses of joint ventures for the six months ended 30 June 2014 amounted to HK$809 million (2013: HK$679 million), representing an increase of HK$130 million, or 19%, over that for the corresponding period of six months ended 30 June 2013. Such period-on-period increase was mainly attributable to (i) the Group's share of increase in the underlying post-tax profit contribution of HK$42 million from the property leasing activities of ifc Complex, primarily due to the increase in the average rentals and the favourable rental reversions upon lease renewals of the offices and the shopping mall during the six months ended 30 June 2014; and (ii) the Group's share of the post-tax profit contribution of HK$64 million (2013: Nil) generated from the sale of property units of "Mount Parker Residences", being a property project in Hong Kong completed in December 2013 and is held by a joint venture of the Group.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) recognised as expenses for the six months ended 30 June 2014 were HK$437 million (2013: HK$500 million). Finance costs before interest capitalisation for the six months ended 30 June 2014 were HK$1,066 million (2013: HK$1,115 million). During the six months ended 30 June 2014, the Group's effective borrowing rate was approximately 3.98% per annum (2013: approximately 4.65% 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$3,225 million in the consolidated statement of profit or loss for the six months ended 30 June 2014 (2013: HK$3,967 million).

Financial resources and liquidity

Medium Term Note Programme

At 30 June 2014, 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$10,609 million (31 December 2013: HK$11,194 million), with tenures of between four years and twenty years (31 December 2013: two years and twenty years). These notes are included in the Group's bank and other borrowings at 30 June 2014 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 long-term bank deposits, and the gearing ratio of the Group were as follows:

	At 30 June 2014 HK$ million	At 31 December 2013 HK$ million
Bank and other borrowings repayable:		
– Within 1 year	**11,747**	7,418
– After 1 year but within 2 years	**5,520**	12,588
– After 2 years but within 5 years	**16,060**	18,938
– After 5 years	**7,727**	7,841
Amount due to a fellow subsidiary	**4,085**	5,474
Total debt	**45,139**	52,259
Less: Cash and bank balances and long-term bank deposits	**(13,968)**	(13,915)
Net debt	**31,171**	38,344
Shareholders' funds	**229,747**	223,402
Gearing ratio (%)	**13.6%**	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	
	2014	2013
	HK$ million	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)	**6,676**	5,239
Interest expense (before interest capitalisation)	**977**	1,004
Interest cover (times)	**7**	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$"), Pound Sterling ("£") and Singapore dollars ("S$"), certain bank borrowings which are denominated in 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 and the Yen borrowings in the aggregate principal amounts of US$835,000,000, £50,000,000, S$200,000,000 and ¥10,000,000,000 at 30 June 2014 (31 December 2013: US$835,000,000, £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 the 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$12,000,000,000 at 30 June 2014 (31 December 2013: HK$12,000,000,000), interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against the interest rate risk during their tenure.

Material acquisitions and disposals

Material acquisitions

The Group did not undertake any significant acquisitions of subsidiaries or assets during the six months ended 30 June 2014.

Material disposals

On 24 January 2014, the Group disposed of its 50% interest in a commercial investment property in Shenzhen, mainland China, for a consideration of RMB100 million (equivalent to HK$127 million). The Group recognised a net gain on disposal after tax of HK$18 million.

On 20 May 2014, the Group disposed of a commercial investment property in Hong Kong for a consideration of HK$668 million. The Group recognised a gain on disposal of HK$539 million.

Save for the aforementioned, the Group did not undertake any other significant disposals of subsidiaries or assets during the six months ended 30 June 2014.

Charge on assets

Assets of the Group were not charged to any third parties at both 30 June 2014 and 31 December 2013.

Capital commitments

At 30 June 2014, capital commitments of the Group amounted to HK$24,934 million (31 December 2013: HK$27,342 million). In addition, the Group's attributable share of capital commitments in relation to its joint ventures amounted to HK$3,378 million (31 December 2013: HK$2,451 million).

Contingent liabilities

At 30 June 2014, the Group's contingent liabilities amounted to HK$1,719 million (31 December 2013: HK$2,240 million), of which:

(i) an amount of HK$35 million (31 December 2013: HK$453 million) relates to performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects, the decrease of which is mainly attributable to the completion of the construction activities undertaken for "Double Cove Starview" (being the Group's property development project in Hong Kong) during the six months ended 30 June 2014;

(ii) an amount of HK$466 million (31 December 2013: HK$467 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 2014; and

(iii) an amount of HK$1,201 million (31 December 2013: HK$1,303 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 2014 (and such guarantees will be released upon the issuance of the Building Ownership Certificate).

Employees and remuneration policy

At 30 June 2014, the Group had approximately 8,300 (31 December 2013: 8,300) 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 2014 amounted to HK$926 million (2013: HK$843 million).

Other Information

Revolving Credit Agreement with Covenants of the Controlling Shareholders

Wholly-owned subsidiaries of the Company, as borrowers, have respectively obtained a 5-year term loan and revolving credit facilities of up to HK$13,250,000,000 in 2010, a 5-year term loan and revolving credit facilities of up to HK$10,000,000,000 in June 2011 and a 4-year term loan, 5-year term loan and revolving credit facilities of up to HK$13,800,000,000 in January 2014 from groups of syndicate of banks under separate guarantees given by the Company.

In connection with each of the above credit facilities, it will be an event of default if the Company is deemed to be ultimately controlled by any person(s) other than Dr Lee Shau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the outstanding (if any) under the respective credit facilities may become due and payable on demand.

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2014 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, the report of which is included on page 88.

Issue of Shares

On 18 July 2014, the Company issued 31,037,724 shares in lieu of the 2013 final cash dividend at a market value of HK$46.46 per share and 269,899,614 bonus shares on the basis of one bonus 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 on 18 July 2014, 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 2014 and reviewed the systems of internal control and compliance and the interim report for the six months ended 30 June 2014.

Corporate Governance

During the six months ended 30 June 2014, the Company has complied with the applicable code provisions as 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 interim report 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.

Changes in the Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

(i) (a) Dr Lee Shau Kee resigned as the chairman and was re-designated from executive director to non-executive director of Miramar Hotel and Investment Company, Limited, a listed company on 12 June 2014.

(b) Mr Lee Ka Kit was awarded an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University on 3 July 2014.

(c) Mr Lee Ka Shing was re-designated as the chairman and chief executive officer of Miramar Hotel and Investment Company, Limited, a listed company on 12 June 2014 and was appointed the member of The Court of The Hong Kong Polytechnic University on 1 April 2014.

(d) Dr Chung Shui Ming, Timpson was appointed as an independent non-executive director of Jinmao Investments and Jinmao (China) Investments Holdings Limited, a listed company on 25 March 2014.

(ii) The Group usually makes annual adjustment to basic salaries in January and determines the discretionary bonuses near the end of the year. Therefore, the only changes to the Directors' remunerations during the period under review were the changes to the basic salaries of the Directors of the Company due to the annual adjustments. The effect of the basic salary changes are illustrated as follows:

	Salaries, allowances and benefits (Note) for the six months ended 30 June		Discretionary bonuses for the year ended 31 December 2013 (For reference)
	2014	2013	
	HK$'000	HK$'000	HK$'000
Lam Ko Yin, Colin	**4,713**	4,509	21,492
Yip Ying Chee, John	**4,306**	4,121	15,224
Lee Ka Kit	**8,489**	8,248	1,168
Lee Ka Shing	**6,508**	8,569	856
Suen Kwok Lam	**3,307**	3,167	6,328
Fung Lee Woon King	**2,366**	2,264	6,328
Kwok Ping Ho	**2,296**	2,194	1,210
Li Ning	**1,825**	1,717	550
Lee King Yue	**1,787**	1,711	269
Wong Ho Ming, Augustine	**4,408**	4,007	7,440

Note: Excluding bonuses and directors' fees.

Save as disclosed above, there were no changes to the basic salaries of the other Directors of the Company for the period under review. There are no changes to the bases in determining other allowances and benefits, bonuses and retirement scheme contributions. For certain Directors of the Company, discretionary bonus is a major component of their remunerations, which will be determined near the end of the year. The discretionary bonuses for the year ended 31 December 2013 are listed above for reference.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 26 August 2014

As at the date of this report, 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.

Disclosure of Interests

Directors' Interests in Shares

As at 30 June 2014, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	8,651,546		1,789,497,962		1,798,149,508	66.62
	Lee Ka Kit	1				1,788,463,730	1,788,463,730	66.26
	Lee Ka Shing	1				1,788,463,730	1,788,463,730	66.26
	Li Ning	1		1,788,463,730			1,788,463,730	66.26
	Au Siu Kee, Alexander	2				67,564	67,564	0.00
	Lee Tat Man	3	124,353				124,353	0.00
	Lee Pui Ling, Angelina	4	35,190				35,190	0.00
	Lee King Yue	5	295,838		23,219		319,057	0.01
	Fung Lee Woon King	6	1,387,227				1,387,227	0.05
	Woo Ka Biu, Jackson	7		2,200			2,200	0.00
	Chung Shui Ming, Timpson	8	55,000				55,000	0.00
Henderson Investment Limited	Lee Shau Kee	9			2,115,274,943		2,115,274,943	69.41
	Lee Ka Kit	9				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	9				2,110,868,943	2,110,868,943	69.27
	Li Ning	9		2,110,868,943			2,110,868,943	69.27
	Lee Tat Man	10	6,666				6,666	0.00
	Lee King Yue	11	1,001,739				1,001,739	0.03

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
The Hong Kong and China Gas Company Limited	Lee Shau Kee	12			4,364,016,823		4,364,016,823	41.50
	Lee Ka Kit	12				4,364,016,823	4,364,016,823	41.50
	Lee Ka Shing	12				4,364,016,823	4,364,016,823	41.50
	Li Ning	12		4,364,016,823			4,364,016,823	41.50
	Au Siu Kee, Alexander	13		97,437			97,437	0.00
	Poon Chung Kwong	14				136,906	136,906	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	15	799,220		118,732,090		119,531,310	33.55
	Lee Ka Kit	15				118,732,090	118,732,090	33.33
	Lee Ka Shing	15				118,732,090	118,732,090	33.33
	Li Ning	15		118,732,090			118,732,090	33.33
	Lam Ko Yin, Colin	16	150,000				150,000	0.04
	Fung Lee Woon King	17	465,100				465,100	0.13
	Leung Hay Man	18	2,250				2,250	0.00
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	19			260,239,250		260,239,250	45.08
	Lee Ka Kit	19				260,239,250	260,239,250	45.08
	Lee Ka Shing	19				260,239,250	260,239,250	45.08
	Li Ning	19		260,239,250			260,239,250	45.08
Towngas China Company Limited	Lee Shau Kee	20			1,642,489,654		1,642,489,654	62.80
	Lee Ka Kit	20				1,642,489,654	1,642,489,654	62.80
	Lee Ka Shing	20				1,642,489,654	1,642,489,654	62.80
	Li Ning	20		1,642,489,654			1,642,489,654	62.80

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	21			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	22			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	23	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	21				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	22				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	23				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	21				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	22				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	23				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	21		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	22		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	23		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Best Homes Limited	Lee Shau Kee	24			26,000		26,000	100.00
	Lee Ka Kit	24				26,000	26,000	100.00
	Lee Ka Shing	24				26,000	26,000	100.00
	Li Ning	24		26,000			26,000	100.00
Feswin Investment Limited	Lee Ka Kit	25			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	26	2,000				2,000	20.00
Furnline Limited	Lee Shau Kee	27			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	28			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	28				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	28				1 (B Share)	1 (B Share)	100.00
	Li Ning	27		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	28		1 (B Share)			1 (B Share)	100.00
Gain Base Development Limited	Fung Lee Woon King	29	50				50	5.00

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Heyield Estate Limited	Lee Shau Kee	30			100		100	100.00
	Lee Ka Kit	30				100	100	100.00
	Lee Ka Shing	30				100	100	100.00
	Li Ning	30		100			100	100.00
Perfect Bright Properties Inc.	Lee Shau Kee	31			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	32			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	31				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	32				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	31				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	32				1 (B Share)	1 (B Share)	100.00
	Li Ning	31		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	32		1 (B Share)			1 (B Share)	100.00
Pettystar Investment Limited	Lee Shau Kee	33			3,240		3,240	80.00
	Lee Ka Kit	33				3,240	3,240	80.00
	Lee Ka Shing	33				3,240	3,240	80.00
	Li Ning	33		3,240			3,240	80.00

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the six months ended 30 June 2014 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Others' Interests

As at 30 June 2014, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	1,788,463,730	66.26
Riddick (Cayman) Limited (Note 1)	1,788,463,730	66.26
Hopkins (Cayman) Limited (Note 1)	1,788,463,730	66.26
Henderson Development Limited (Note 1)	1,786,837,850	66.20
Yamina Investment Limited (Note 1)	879,289,357	32.58
Believegood Limited (Note 1)	443,958,550	16.45
South Base Limited (Note 1)	443,958,550	16.45
Persons other than Substantial Shareholders:		
Cameron Enterprise Inc. (Note 1)	206,511,682	7.65
Silchester International Investors LLP (Note 34)	135,227,536	5.01

Notes:

1. Of these shares, Dr Lee Shau Kee was the beneficial owner of 8,651,546 shares, and for the remaining 1,789,497,962 shares, (i) 803,966,675 shares were owned by Henderson Development Limited ("HD"); (ii) 97,418,958 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 206,511,682 shares were owned by Cameron Enterprise Inc.; 443,958,550 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 85,074,883 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 78,283,425 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 65,460,817 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iv) 6,162,860 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 41.50% held by Henderson Land Development Company Limited ("HL") which in turn was taken to be 66.20% held by HD; (v) 1,625,880 shares were owned by Fu Sang Company Limited ("Fu Sang"); and (vi) 704,198 shares and 330,034 shares were respectively owned by Tako Assets Limited and Thommen Limited, both of which were wholly-owned subsidiaries of Hong Kong Ferry (Holdings) Company Limited ("HKF") in which Dr Lee Shau Kee together with HL held 33.55% as set out in Note 15. Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.

2. These shares were owned by Mr Au Siu Kee, Alexander and his wife jointly.

3. Mr Lee Tat Man was the beneficial owner of these shares.

4. Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.

5. Mr Lee King Yue was the beneficial owner of 295,838 shares, and the remaining 23,219 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr Lee King Yue and his wife.

6. Madam Fung Lee Woon King was the beneficial owner of these shares.

7. These shares were owned by the wife of Mr Woo Ka Biu, Jackson.

8. Dr Chung Shui Ming, Timpson was the beneficial owner of these shares.

9. Of these shares, (i) 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (ii) 3,000,000 shares and 1,406,000 shares were respectively owned by Tako Assets Limited and Thommen Limited, both of which were wholly-owned subsidiaries of HKF in which Dr Lee Shau Kee together with HL held 33.55% as set out in Note 15. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.

10. Mr Lee Tat Man was the beneficial owner of these shares.

11. Mr Lee King Yue was the beneficial owner of these shares.

12. Of these shares, 2,429,459,749 shares and 943,617,534 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 990,939,540 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and China Gas by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.

13. These shares were owned by the wife of Mr Au Siu Kee, Alexander.

14. These shares were owned by Professor Poon Chung Kwong and his wife jointly.

15. Of these shares, Dr Lee Shau Kee was the beneficial owner of 799,220 shares, and for the remaining 118,732,090 shares, (i) 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by HL; and (ii) 48,532,090 shares were held by Wiselin Investment Limited, a wholly-owned subsidiary of Max-mercan Investment Limited; Max-mercan Investment Limited was wholly-owned by Camay Investment Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and HKF by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.

16. Mr Lam Ko Yin, Colin was the beneficial owner of these shares.

17. Madam Fung Lee Woon King was the beneficial owner of these shares.

18. Mr Leung Hay Man was the beneficial owner of these shares.

19. Of these shares, 100,612,750 shares, 79,121,500 shares and 80,505,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.

20. These shares were owned by Hong Kong & China Gas (China) Limited, Planwise Properties Limited and Superfun Enterprises Limited, wholly-owned subsidiaries of China Gas. Dr Lee Shau Kee was taken to be interested in China Gas as set out in Note 12 and Towngas China Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.

21. These shares were held by Hopkins as trustee of the Unit Trust.

22. These shares were held by Hopkins as trustee of the Unit Trust.

23. Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.

24. Of these shares, (i) 10,400 shares were owned by HL; (ii) 2,600 shares were owned by HD; and (iii) 13,000 shares were owned by Manifest Investments Limited which was 74.16% held by Wealth Sand Limited (which was wholly-owned by HD) and 25.84% held by HD respectively.

25. Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Mr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of HL.

26. Madam Fung Lee Woon King was the beneficial owner of these shares.

27. These shares were owned by Jetwin International Limited.

28. This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.

29. Madam Fung Lee Woon King was the beneficial owner of these shares.

30. Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Heyield Estate Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO. As the spouse of a discretionary beneficiary of the discretionary trusts holding units in such unit trust, Mr Li Ning was taken to be interested in such shares by virtue of the SFO.

31. These shares were owned by Jetwin International Limited.

32. This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.

33. Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Allied Best Investment Limited.

34. These shares were held by Silchester International Investors LLP as investment manager.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HENDERSON LAND DEVELOPMENT COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed interim financial statements set out on pages 27 to 65 which comprise the consolidated balance sheet of Henderson Land Development Company Limited as of 30 June 2014 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the condensed interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the condensed interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of the condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 30 June 2014 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2014

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED