



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

**Interim Report
For The Six Months
Ended 30th June, 2015**

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CORPORATE INFORMATION

Directors

Executive Directors:

Lau, Ming-wai
(Chairman and Chief Executive Officer)
Chan, Lok-wan
Chan, Sze-wan
Lam, Kwong-wai

Non-executive Director:

Amy Lau, Yuk-wai

Independent Non-executive Directors:

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

Audit Committee

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

Investment Committee

Lau, Ming-wai (Chairman)
Lam, Kwong-wai (Chief Investment Officer)
Chan, Kwok-wai
Ma, Tsz-chun

Nomination Committee

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

Remuneration Committee

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

Special Committee

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

Company Secretary

Lam, Kwong-wai

Solicitors

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

Auditors

HLB Hodgson Impey Cheng Limited

Bankers

(Listed in alphabetical order)
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
Chong Hing Bank Limited
OCBC Wing Hang Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Registered Office

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Website

<http://www.chineseestates.com>

Stock Code

127

Board Lot

500 shares

Investor Relations

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RESULTS

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June, 2015 (the “Period”) together with the comparative figures for the corresponding period in 2014:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2015

		Six months ended 30th June,	
		2015	2014
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	968,961	1,241,212
Cost of sales		(201,286)	(209,088)
Gross profit		767,675	1,032,124
Other income	5	60,371	45,089
Investment income, net	6	181,529	422,159
Administrative expenses		(215,322)	(152,430)
Other expenses	7	(404)	(82,100)
(Loss) gain on disposals of equipments, net		(1,646)	716
Loss on disposals of investment properties		–	(2,808)
Fair value changes on investment properties		(543,529)	1,419,795
Finance costs	9	(185,408)	(212,379)
Other gains and losses, net	10	(97,018)	(4,897)
Share of results of associates		132,305	110,457
Profit before tax		98,553	2,575,726
Income tax expense	11	(215,788)	(115,420)
(Loss) profit for the period	8	(117,235)	2,460,306
Other comprehensive income (expenses)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value changes on available-for-sale investments		(11,533)	(11,414)
Exchange differences on translation of foreign operations		23,868	(129,781)
Share of other comprehensive income (expenses) of associates		1,325	(33,989)
Other comprehensive income (expenses) for the period (net of tax)		13,660	(175,184)
Total comprehensive (expenses) income for the period		(103,575)	2,285,122
(Loss) profit for the period attributable to:			
Owners of the Company		(115,384)	2,446,512
Non-controlling interests		(1,851)	13,794
		(117,235)	2,460,306
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(101,724)	2,271,328
Non-controlling interests		(1,851)	13,794
		(103,575)	2,285,122
(Loss) earnings per share (HK\$)	13		
Basic and diluted		(0.061)	1.283

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30th June, 2015

	Notes	30th June, 2015 <i>HK\$'000</i> (Unaudited)	31st December, 2014 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	14	31,520,899	39,528,923
Property, plant and equipment		1,766,072	1,768,327
Intangible assets		–	–
Goodwill	15	322,938	322,938
Interests in associates	16	2,587,701	2,484,767
Advances to associates	17	1,633,416	1,754,641
Available-for-sale investments	18	791,987	239,233
Financial assets designated as at fair value through profit or loss		227,340	379,010
Advance to an investee company		230,995	228,800
Advance to a non-controlling shareholder		14,908	14,908
Loans receivable – due after one year		12	–
Deferred tax assets		5,959	11,237
Pledged deposits		410,821	438,994
		<hr/> 39,513,048 <hr/>	<hr/> 47,171,778 <hr/>
Current assets			
Stock of properties		2,351,957	2,329,865
Investments held-for-trading		320,475	501,944
Financial assets designated as at fair value through profit or loss		2,559,853	4,247,830
Loans receivable – due within one year		13	26
Inventories		3,183	3,493
Debtors, deposits and prepayments	19	543,467	644,964
Securities trading receivables and deposits		52,254	60,384
Tax recoverable		17,786	6,511
Pledged deposits		254,519	429,689
Time deposits, bank balances and cash		4,513,606	4,719,223
Sales proceeds held by stakeholders		1,885,022	1,867,162
		<hr/> 12,502,135 <hr/>	<hr/> 14,811,091 <hr/>
Assets classified as held for sale	20	7,802,783	9,442,062
		<hr/> 20,304,918 <hr/>	<hr/> 24,253,153 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 30th June, 2015

	Notes	30th June, 2015 <i>HK\$'000</i> (Unaudited)	31st December, 2014 <i>HK\$'000</i> (Audited)
Current liabilities			
Creditors and accruals	21	1,394,151	1,503,076
Dividend payable		4,959,810	7,630,476
Securities trading and margin payable		62,218	45,478
Deposits and receipts in advance		924,160	934,726
Tax liabilities		55,253	77,813
Borrowings – due within one year	22	6,709,865	6,707,935
Provisions		7,243	27,561
Financial guarantee liabilities		160	102
		14,112,860	16,927,167
Liabilities directly associated with assets classified as held for sale	20	2,949,767	1,759,937
		17,062,627	18,687,104
Net current assets		3,242,291	5,566,049
Total assets less current liabilities		42,755,339	52,737,827
Equity attributable to owners of the Company			
Share capital	23	190,762	190,762
Properties revaluation reserve		225,216	225,216
Securities investments reserve		29,489	41,022
Statutory reserve		53,691	53,650
Other reserve		(2,425)	(2,435)
Special reserve		2,499,685	2,499,685
Capital redemption reserve		138,062	138,062
Translation reserve		1,051,687	1,026,504
Retained profits			
– declared/proposed dividend		2,861,429	19,076
– others		29,439,148	37,375,812
		36,486,744	41,567,354
Non-controlling interests		83,388	85,239
Total equity		36,570,132	41,652,593

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30th June, 2015

	Notes	30th June, 2015 <i>HK\$'000</i> (Unaudited)	31st December, 2014 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Borrowings – due after one year	22	4,753,511	9,840,993
Provisions		268	1,257
Amounts due to associates	24	73,214	58,419
Amounts due to investee companies	24	27,085	27,085
Amounts due to non-controlling shareholders	25	510,914	489,639
Deferred tax liabilities		820,215	667,841
		<hr/> 6,185,207 <hr/>	<hr/> 11,085,234 <hr/>
		<hr/> 42,755,339 <hr/>	<hr/> 52,737,827 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2015

	Attributable to owners of the Company				
	Share capital <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Securities investments reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> (note (i))	Other reserve <i>HK\$'000</i> (note (ii))
At 1st January, 2014 (audited)	190,762	225,216	19,223	41,760	(2,501)
Profit for the period	-	-	-	-	-
Other comprehensive (expenses) income for the period	-	-	(11,414)	-	8
Total comprehensive (expenses) income for the period	-	-	(11,414)	-	8
PRC statutory reserve	-	-	-	8,428	-
Final dividend for 2013 paid	-	-	-	-	-
At 30th June, 2014 (unaudited)	190,762	225,216	7,809	50,188	(2,493)
Profit for the period	-	-	-	-	-
Other comprehensive income (expenses) for the period	-	-	33,213	-	58
Total comprehensive income (expenses) for the period	-	-	33,213	-	58
PRC statutory reserve	-	-	-	3,462	-
Dividends paid to non-controlling shareholders	-	-	-	-	-
Interim dividend for 2014 paid	-	-	-	-	-
Special interim dividend for 2014 paid	-	-	-	-	-
Special interim dividend for 2014 declared	-	-	-	-	-
At 31st December, 2014 (audited)	190,762	225,216	41,022	53,650	(2,435)
Loss for the period	-	-	-	-	-
Other comprehensive (expenses) income for the period	-	-	(11,533)	-	10
Total comprehensive (expenses) income for the period	-	-	(11,533)	-	10
PRC statutory reserve	-	-	-	41	-
Final dividend for 2014 paid	-	-	-	-	-
Special interim dividend for 2015 declared	-	-	-	-	-
At 30th June, 2015 (unaudited)	190,762	225,216	29,489	53,691	(2,425)

Notes:

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

Attributable to owners of the Company

Special reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
2,499,685	138,062	1,308,690	42,682,851	47,103,748	86,017	47,189,765
-	-	-	2,446,512	2,446,512	13,794	2,460,306
-	-	(163,778)	-	(175,184)	-	(175,184)
-	-	(163,778)	2,446,512	2,271,328	13,794	2,285,122
-	-	-	(8,428)	-	-	-
-	-	-	(953,810)	(953,810)	-	(953,810)
2,499,685	138,062	1,144,912	44,167,125	48,421,266	99,811	48,521,077
-	-	-	6,298,415	6,298,415	(5,822)	6,292,593
-	-	(118,408)	-	(85,137)	-	(85,137)
-	-	(118,408)	6,298,415	6,213,278	(5,822)	6,207,456
-	-	-	(3,462)	-	-	-
-	-	-	-	-	(8,750)	(8,750)
-	-	-	(572,286)	(572,286)	-	(572,286)
-	-	-	(4,864,428)	(4,864,428)	-	(4,864,428)
-	-	-	(7,630,476)	(7,630,476)	-	(7,630,476)
2,499,685	138,062	1,026,504	37,394,888	41,567,354	85,239	41,652,593
-	-	-	(115,384)	(115,384)	(1,851)	(117,235)
-	-	25,183	-	13,660	-	13,660
-	-	25,183	(115,384)	(101,724)	(1,851)	(103,575)
-	-	-	(41)	-	-	-
-	-	-	(19,076)	(19,076)	-	(19,076)
-	-	-	(4,959,810)	(4,959,810)	-	(4,959,810)
2,499,685	138,062	1,051,687	32,300,577	36,486,744	83,388	36,570,132

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2015

		Six months ended 30th June,	
		2015	2014
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Net cash generated from operating activities		2,630,000	5,792,103
Net cash generated from (used in) investing activities			
Disposals of subsidiaries	26	2,206,293	–
Decrease in pledged deposits		203,104	169,023
Contributions to available-for-sale investments		(564,287)	–
Other investing activities		199,935	(233,961)
		2,045,045	(64,938)
Net cash used in financing activities			
Bank loans and other loans repaid, net		(2,323,690)	(3,897,797)
Dividends paid		(2,298,749)	(953,810)
Other financing activities		(240,450)	(241,102)
		(4,862,889)	(5,092,709)
Net (decrease) increase in cash and cash equivalents		(187,844)	634,456
Cash and cash equivalents at 1st January		4,742,903	3,881,250
Effect of foreign exchange rate changes		3,665	(52,541)
Cash and cash equivalents at 30th June		<u>4,558,724</u>	<u>4,463,165</u>
Analysis of the balances of cash and cash equivalents			
Time deposits, bank balances and cash		4,513,606	4,463,165
Bank balances and cash included in assets classified as held for sale	20	45,118	–
		<u>4,558,724</u>	<u>4,463,165</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

1. Basis of Preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

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

The accounting policies adopted in these unaudited condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31st December, 2014 except as described below.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HKAS 1 (Amendments)	Disclosure Initiative ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ¹

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

² Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016

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

⁴ Effective for annual periods beginning on or after 1st January, 2018

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

HKFRS 9 Financial Instruments

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

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

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

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

3. Revenue

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

	Six months ended 30th June,	
	2015	2014
	HK\$’000	HK\$’000
Property rental income	760,380	966,996
Sales of properties held for sale	146,981	252,473
Gain on sales of investments held-for-trading	9,989	14,268
Hotel operation income	41,724	–
Brokerage and cosmetic income	9,887	7,472
Interest income from loan financing	–	3
	<u>968,961</u>	<u>1,241,212</u>

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

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

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
– Retail	–	Property leasing from retail properties
– Non-retail	–	Property leasing from non-retail properties
Listed available-for-sale equity investments	–	Listed equity securities in available-for-sale investments
Listed investments held-for-trading and treasury products	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are unrealised fair value changes on investments properties and other properties together with their, if applicable, respective deferred tax. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2014.

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

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

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

4. Operating Segments (continued)

Operating segment information is presented below:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2015

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
– Hong Kong	-	-	-	-	681,646	-	-	681,646
– Other countries	-	-	-	-	4,275,946	-	-	4,275,946
	-	-	-	-	4,957,592	-	-	4,957,592
Revenue								
Revenue from external customers								
– Hong Kong	46,909	390,014	221,986	-	9,989	4,844	5,043	678,785
– Mainland China	100,072	31,861	23,550	-	-	-	41,724	197,207
– United Kingdom	-	2,553	90,416	-	-	-	-	92,969
	146,981	424,428	335,952	-	9,989	4,844	46,767	968,961
Revenue from external customers after non-controlling interests	135,254	423,832	335,736	-	9,989	4,844	46,767	956,422
Attributable property sales from associates								
– Hong Kong	5,864	-	-	-	-	-	-	5,864
– Mainland China	89,279	-	-	-	-	-	-	89,279
Attributable rental revenue from associates/investee company								
– Hong Kong	-	9,880	18,952	-	-	-	-	28,832
– Mainland China	-	35,625	43,319	-	-	-	-	78,944
	230,397	469,337	398,007	-	9,989	4,844	46,767	1,159,341
Result								
Segment result								
– Hong Kong	30,461	363,679	211,694	-	(51,181)	24,720	10,703	590,076
– Mainland China	31,354	27,187	13,057	-	-	16,596	(14,296)	73,898
– United Kingdom	-	2,486	88,057	-	-	17	-	90,560
– Other countries	-	-	-	-	203,964	-	-	203,964
	61,815	393,352	312,808	-	152,783	41,333	(3,593)	958,498
Share of results of associates								
– Attributable property sales, net								
– Hong Kong	3,762	-	-	-	-	-	-	3,762
– Mainland China	4,322	-	-	-	-	-	-	4,322
– Attributable gross income								
– Hong Kong	-	9,315	18,349	-	-	-	1,056	28,720
– Mainland China	-	35,625	43,319	-	-	-	-	78,944
– Attributable operating cost								
– Hong Kong	-	(525)	(2,997)	-	-	-	-	(3,522)
– Mainland China	-	(15,098)	(7,695)	-	-	-	-	(22,793)
Non-controlling interests	(7,616)	(535)	(194)	-	-	-	-	(8,345)
	62,283	422,134	363,590	-	152,783	41,333	(2,537)	1,039,586
Other income and expenses, net	3,671	768	-	-	-	14	-	4,453
Finance costs	-	(1,387)	(49,133)	-	(2,818)	-	-	(53,338)
Other gains and losses, net	-	217	-	-	-	-	-	217
Share of results of associates								
– Income tax and others	(6,937)	(19,296)	(19,340)	-	-	-	(147)	(45,720)
	59,017	402,436	295,117	-	149,965	41,347	(2,684)	945,198
Unallocated items								
Unallocated corporate expenses, net								(170,748)
Unallocated finance costs								(132,070)
Loss on disposals of subsidiaries								(97,235)
Income tax expense								(61,766)
Unallocated non-controlling interests								10,196
Operating profit for the period attributable to owners of the Company								493,575
Major non-cash items								
– Unrealised fair value changes on investment properties (including share of results of associates and non-controlling interests)								(454,937)
– Deferred tax expense								(154,022)
Loss for the period attributable to owners of the Company								(115,384)

4. **Operating Segments** (continued)
Condensed Consolidated Statement of Comprehensive Income (continued)
For the six months ended 30th June, 2015

HK\$'000

Core profit (excluding major non-cash items)

Operating profit for the period attributable to owners of the Company	493,575
Major accumulated realised fair value changes on disposal of investment properties in current period	
– Recognised in prior years	8,507,756

Core profit for the period attributable to owners of the Company

9,001,331

Condensed Consolidated Statement of Financial Position
At 30th June, 2015

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
– Hong Kong	4,377,751	11,237,319	11,461,526	–	1,411,278	766,223	56,835	29,310,932
– Mainland China	5,653,645	1,188,966	2,152,315	–	–	361,877	1,013,745	10,370,548
– United Kingdom	–	146,045	4,968,664	–	–	–	–	5,114,709
– Other countries	–	11	–	–	1,808,189	327,376	–	2,135,576
Interests in associates								
– Hong Kong	136,676	342,840	1,344,084	–	–	1,675	28,163	1,853,438
– Mainland China	139,669	96,023	498,571	–	–	–	–	734,263
Advances to associates								
– Hong Kong	7,288	3,595	691	–	–	2	1,372	12,948
– Mainland China	1,002,785	43,317	574,366	–	–	–	–	1,620,468
Reportable segment assets	<u>11,317,814</u>	<u>13,058,116</u>	<u>21,000,217</u>	<u>–</u>	<u>3,219,467</u>	<u>1,457,153</u>	<u>1,100,115</u>	<u>51,152,882</u>
Assets classified as held for sale								
Unallocated corporate assets								7,802,783
								<u>862,301</u>
Consolidated total assets								<u>59,817,966</u>
Liabilities								
Segment liabilities								
– Hong Kong	1,404,278	152,764	159,480	–	3	34,508	79,818	1,830,851
– Mainland China	399,553	47,520	23,281	–	–	–	25,118	495,472
– United Kingdom	–	85,750	2,908,686	–	–	–	–	2,994,436
– Other countries	–	–	–	–	200,170	–	–	200,170
Reportable segment liabilities	<u>1,803,831</u>	<u>286,034</u>	<u>3,091,447</u>	<u>–</u>	<u>200,173</u>	<u>34,508</u>	<u>104,936</u>	<u>5,520,929</u>
Liabilities directly associated with assets classified as held for sale								
Unallocated corporate liabilities								2,949,767
								<u>14,777,138</u>
Consolidated total liabilities								<u>23,247,834</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	<u>200,888</u>	<u>12,723</u>	<u>13,089</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>35,757</u>	

4. Operating Segments (continued)
Other Material Items
For the six months ended 30th June, 2015

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

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

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	154,829	-	-	154,829
- Other countries	-	-	-	-	7,887,086	-	-	7,887,086
	-	-	-	-	8,041,915	-	-	8,041,915
Revenue								
Revenue from external customers								
- Hong Kong	139,426	606,580	205,897	-	14,268	2,534	4,941	973,646
- Mainland China	113,047	29,706	23,351	-	-	-	-	166,104
- United Kingdom	-	2,786	98,676	-	-	-	-	101,462
	252,473	639,072	327,924	-	14,268	2,534	4,941	1,241,212
Revenue from external customers after non-controlling interests	217,617	638,744	327,825	-	14,268	2,534	4,941	1,205,929
Attributable property sales from associates/investee company								
- Hong Kong	1,482,656	-	-	-	-	-	-	1,482,656
Attributable rental revenue from associates								
- Hong Kong	-	8,481	16,559	-	-	-	-	25,040
- Mainland China	-	37,009	43,750	-	-	-	-	80,759
	1,700,273	684,234	388,134	-	14,268	2,534	4,941	2,794,384
Result								
Segment result								
- Hong Kong	481,590	582,568	189,394	-	(40,606)	39,313	13,496	1,265,755
- Mainland China	4,992	26,661	20,601	-	-	4,517	-	56,771
- United Kingdom	-	2,727	96,572	-	-	18	-	99,317
- Other countries	-	-	-	-	44,577	-	-	44,577
	486,582	611,956	306,567	-	3,971	43,848	13,496	1,466,420
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	15,017	-	-	-	-	-	-	15,017
- Attributable gross income								
- Hong Kong	-	8,481	16,559	-	-	-	987	26,027
- Mainland China	-	37,009	43,750	-	-	-	-	80,759
- Attributable operating cost								
- Hong Kong	-	(1,012)	(2,847)	-	-	-	-	(3,859)
- Mainland China	-	(23,057)	(8,081)	-	-	-	-	(31,138)
Non-controlling interests	(22,935)	(286)	(87)	-	-	-	-	(23,308)
	478,664	633,091	355,861	-	3,971	43,848	14,483	1,529,918
Other income and expenses, net	(81,834)	-	-	-	-	-	-	(81,834)
Costs of development recognised in respect of property project in Macau	(2,153)	-	-	-	-	-	-	(2,153)
Loss on disposals of investment properties	-	(2,808)	-	-	-	-	-	(2,808)
Finance costs	-	(1,556)	(55,099)	-	(13,247)	-	-	(69,902)
Other gains and losses, net	-	(2,744)	-	-	-	-	-	(2,744)
Share of results of associates								
- Income tax and others	(7,388)	(9,661)	(17,160)	-	-	-	(86)	(34,295)
Non-controlling interests	(16)	(67)	-	-	-	-	-	(83)
	387,273	616,255	283,602	-	(9,276)	43,848	14,397	1,336,099
Unallocated items								
Unallocated corporate expenses, net								(119,028)
Unallocated finance costs								(142,477)
Income tax expense								(103,608)
Unallocated non-controlling interests								9,597
Operating profit for the period attributable to owners of the Company								980,583
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of associates and non-controlling interests)								1,477,741
- Deferred tax expense								(11,812)
Profit for the period attributable to owners of the Company								2,446,512
Core profit (excluding major non-cash items)								
Operating profit for the period attributable to owners of the Company								980,583
Major accumulated realised fair value changes on disposals of investment properties in current period								19,732
- Recognised in prior years								
Core profit for the period attributable to owners of the Company								1,000,315

4. Operating Segments (continued)
Condensed Consolidated Statement of Financial Position
At 31st December, 2014

	Property development and trading <i>HK\$'000</i>	Property leasing		Listed available-for- sale equity investments <i>HK\$'000</i>	Listed investments held-for- trading and treasury products <i>HK\$'000</i>	Unlisted investments, investment holding and brokerage <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
		Retail <i>HK\$'000</i>	Non-retail <i>HK\$'000</i>					
Assets								
Segment assets								
– Hong Kong	4,021,211	19,755,263	11,449,659	–	501,944	807,812	51,681	36,587,570
– Mainland China	5,733,566	1,283,423	1,077,995	–	–	374,931	1,788,424	10,258,339
– United Kingdom	–	162,219	4,903,280	–	–	–	–	5,065,499
– Other countries	–	–	–	–	4,895,072	77,653	–	4,972,725
Interests in associates								
– Hong Kong	34,330	524,413	1,184,676	–	–	1,481	30,102	1,775,002
– Mainland China	143,105	95,344	471,316	–	–	–	–	709,765
Advances to associates								
– Hong Kong	7,068	210	127	–	–	2	1,494	8,901
– Mainland China	997,681	59,893	688,166	–	–	–	–	1,745,740
Reportable segment assets	<u>10,936,961</u>	<u>21,880,765</u>	<u>19,775,219</u>	<u>–</u>	<u>5,397,016</u>	<u>1,261,879</u>	<u>1,871,701</u>	<u>61,123,541</u>
Assets classified as held for sale								9,442,062
Unallocated corporate assets								859,328
Consolidated total assets								<u>71,424,931</u>
Liabilities								
Segment liabilities								
– Hong Kong	1,384,030	290,701	168,780	–	3	48,194	85,054	1,976,762
– Mainland China	459,798	42,676	17,844	–	–	–	20,374	540,692
– United Kingdom	–	81,934	2,915,086	–	–	–	–	2,997,020
– Other countries	–	–	–	–	1,713,785	3	–	1,713,788
Reportable segment liabilities	<u>1,843,828</u>	<u>415,311</u>	<u>3,101,710</u>	<u>–</u>	<u>1,713,788</u>	<u>48,197</u>	<u>105,428</u>	<u>7,228,262</u>
Liabilities directly associated with assets classified as held for sale								1,759,937
Unallocated corporate liabilities								20,784,139
Consolidated total liabilities								<u>29,772,338</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>968,203</u>	<u>30,619</u>	<u>74,909</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>189,906</u>	

Other Material Items

For the six months ended 30th June, 2014

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

5. Other Income

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Included in other income are:		
Building management fee income	96,525	101,739
Building management fee expenses	(87,231)	(89,602)
	9,294	12,137
Rental services income	12,996	6,484
Property management services, leasing administration services and property administration services income	9,761	5,831
Asset management and maintenance services income	9,101	4,331
Advisory and consultancy services income	937	–
Reversal of impairment in respect of other receivable and interest thereon	3,717	–
Forfeiture of deposits received on sales of stock of properties	12	114
	96,525	101,739

6. Investment Income, Net

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised loss arising on change in fair value	(104,515)	(54,874)
Financial assets designated as at fair value through profit or loss:		
Unrealised gain (loss) arising on change in fair value	65,008	(278,387)
Realised loss arising on change in fair value		
– Change in fair value	(35,185)	(103,752)
– Exchange component of change	(5,775)	(559)
Net gain (loss) arising on change in fair value of financial assets designated as at fair value through profit or loss	24,048	(382,698)
Other investment income, net	13,098	5,699
Dividend income on unlisted investments	15,840	405,887
Interest income	233,058	448,145
	181,529	422,159

Included in interest income are interests from bonds of approximately HK\$210,163,000 (2014: HK\$421,576,000).

9. Finance Costs

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within five years	213,013	242,385
Other loans wholly repayable within five years	4,603	14,047
Amount due to a non-controlling shareholder	10,074	8,212
	<u>227,690</u>	<u>264,644</u>
Total interest	(1,785)	(800)
Exchange gain on translation of foreign currency loans, net	26,669	19,387
Other finance costs	<u>252,574</u>	<u>283,231</u>
Less: Interest capitalised to stock of properties under development	(285)	(631)
Interest capitalised to investment properties under development	(66,881)	(70,221)
	<u>185,408</u>	<u>212,379</u>

10. Other Gains and Losses, Net

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Included in other gains and losses, net are:		
Loss on disposals of subsidiaries (note (i))	(97,235)	–
Overprovision (underprovision) for rental guarantee (note (ii))	217	(2,744)
Costs of development recognised in respect of property project in Macau	–	(2,153)
	<u>–</u>	<u>(2,153)</u>

Notes:

- (i) Loss on disposals of subsidiaries arose from the disposal of the Group's entire interest in Brass Ring Limited ("Brass Ring"), Union Leader Limited ("Union Leader") and Chinese Estates and Finance, Limited (now known as Silvercord Finance Limited) ("CE Finance") and their respective subsidiaries (collectively "Silvercord Group") on 13th January, 2015 ("Silvercord Disposal"). Details of the Silvercord Disposal are set out in Note 26.
- (ii) The amount represented overprovision (underprovision) in rental guarantee provided to purchasers of certain shops or units of an investment property disposed of in prior years.

11. Income Tax Expense

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	45,318	76,476
Other than Hong Kong	8,387	8,102
	<u>53,705</u>	<u>84,578</u>
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	(290)	(286)
Other than Hong Kong	(16,482)	8,417
	<u>(16,772)</u>	<u>8,131</u>
Deferred tax:		
Current period charge	178,855	22,711
	<u>215,788</u>	<u>115,420</u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the Period. PRC Enterprise Income Tax rate of 25% (2014: 25%) is used for estimation of PRC Enterprise Income Tax. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. Dividends

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Interim dividend for 2015 declared after interim period end of HK30 cents (2014: HK30 cents) per share	572,286	572,286
Special interim dividend for 2015 declared after interim period end of HK\$1.2 (2014: nil) per share	<u>2,289,143</u>	–
	<u>2,861,429</u>	<u>572,286</u>
Final dividend for 2014 paid on 5th June, 2015 of HK1 cent (2013: HK50 cents) per share	19,076	953,810
Special interim dividend for 2014 declared on 16th December, 2014 and paid on 13th January, 2015 of HK\$4 (2013: nil) per share	<u>7,630,476</u>	–
Total dividends paid	<u>7,649,552</u>	<u>953,810</u>
Special interim dividend for 2015 declared on 15th June, 2015 and subsequently paid on 15th July, 2015 of HK\$2.6 (2014: nil) per share	<u>4,959,810</u>	–

13. (Loss) Earnings per Share

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

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
(Loss) earnings:		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	<u>(115,384)</u>	<u>2,446,512</u>

	Number of shares	
	Six months ended 30th June,	
	2015	2014
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	<u>1,907,619,079</u>	<u>1,907,619,079</u>

Diluted (loss) earnings per share for the six months ended 30th June, 2015 and 2014 were the same as the basic (loss) earnings per share as there were no diluting events during both periods.

14. Investment Properties

	Fair value		Cost	Total HK\$'000
	Completed properties HK\$'000	Properties under construction HK\$'000	Properties under construction HK\$'000	
At 1st January, 2014	40,506,665	534,000	4,511,949	45,552,614
Additions	54,457	–	–	54,457
Construction costs incurred	–	33,790	934,413	968,203
Overprovision of construction costs incurred in prior years	(2,075)	–	–	(2,075)
Transfer from properties under construction at cost to completed properties at fair value	128,768	–	(128,768)	–
Transfer to property, plant and equipment	–	–	(1,003,774)	(1,003,774)
Transfer from stock of properties	18,926	–	–	18,926
Transfer to assets classified as held for sale	(9,295,080)	–	–	(9,295,080)
Exchange adjustments	(287,565)	–	(157,137)	(444,702)
Increase in fair value recognised in the consolidated statement of comprehensive income				
– unrealised	3,619,014	65,210	–	3,684,224
Disposals	(3,870)	–	–	(3,870)
At 31st December, 2014	34,739,240	633,000	4,156,683	39,528,923
Additions	18,515	–	–	18,515
Construction costs incurred	–	92,441	108,447	200,888
Transfer from properties under construction at cost to completed properties at fair value	838,659	–	(838,659)	–
Transfer to assets classified as held for sale	(7,970,000)	–	–	(7,970,000)
Exchange adjustments	48,807	–	3,295	52,102
Decrease in fair value recognised in the condensed consolidated statement of comprehensive income				
– unrealised	(256,088)	(53,441)	–	(309,529)
Carrying amounts				
At 30th June, 2015	27,419,133	672,000	3,429,766	31,520,899

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

Property valuation as at 30th June, 2015 was carried out by B.I. Appraisals Limited ("B.I. Appraisals") (31st December, 2014: B.I. Appraisals and Vigers Appraisal and Consulting Limited ("Vigers Appraisal")), independent qualified professional valuer, in respect of the Group's investment properties in Hong Kong and Mainland China. For the investment property in the United Kingdom, the valuations as at 30th June, 2015 and 31st December, 2014 were carried out by Peak Vision Appraisals Limited ("Peak Vision Appraisals"), another independent qualified professional valuer. The valuers have recent relevant experience in the valuation of similar properties in the relevant locations.

The valuation reports for the investment properties as at 30th June, 2015 are signed by the respective director of B.I. Appraisals and Peak Vision Appraisals (31st December, 2014: B.I. Appraisals, Vigers Appraisal and Peak Vision Appraisals), who are members of The Hong Kong Institute of Surveyors and/or The Royal Institution of Chartered Surveyors. The valuations were performed in accordance with "The HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors and/or the "RICS Valuation – Professional Standards January 2014" published by The Royal Institution of Chartered Surveyors.

14. Investment Properties (continued)

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

For the Group's investment properties under construction at fair value, their fair values are determined by direct comparison method by making reference to comparable transactions as available in the relevant markets. It has also taken into account the construction costs that will be expended to complete the developments to reflect the development potential of the properties and the quality of the completed developments. The key assumptions include present value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors' return as a percentage of value or cost.

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

The following tables analysed the investment properties which are measured at fair value at the end of the reporting period into the three-level hierarchy as defined in HKFRS 13 "Fair Value Measurement" which is further elaborated in Note 31.

	At 30th June, 2015			
	Fair Value	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements:				
Completed properties (note)	35,155,133	–	2,007,783	33,147,350
Properties under construction	672,000	–	–	672,000
	<u>35,827,133</u>	<u>–</u>	<u>2,007,783</u>	<u>33,819,350</u>
	At 31st December, 2014			
	Fair Value	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements:				
Completed properties (note)	44,127,520	–	2,266,656	41,860,864
Properties under construction	633,000	–	–	633,000
	<u>44,760,520</u>	<u>–</u>	<u>2,266,656</u>	<u>42,493,864</u>

Note: Included those classified as held for sale which were categorised as Level 3 (31st December, 2014: Level 3) fair value measurement.

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

14. Investment Properties (continued)

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

	Fair Value		Valuation techniques	Significant unobservable inputs	Range
	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000			
Properties held for investment in Hong Kong	25,404,690	35,230,700	Combination of direct comparison method and investment method	(1) Reversionary yield; and (2) Market rent per square foot	4.00% to 6.50% (31st December, 2014: 4.00% to 6.50%)
Properties under construction in Hong Kong	672,000	633,000	Direct comparison method	Estimated development costs	
Properties held for investment in the United Kingdom	4,758,060	4,720,079	Combination of direct comparison method and investment method	(1) Reversionary yield; and (2) Market rent per square foot	4.50% to 5.38% (31st December, 2014: 4.50% to 5.00%)
Properties held for investment in Mainland China	2,984,600	1,910,085	Combination of direct comparison method and investment method	(1) Reversionary yield; and (2) Market rent per square foot	5.50% to 9.00% (31st December, 2014: 5.50% to 9.00%)
Total	33,819,350	42,493,864			

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

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

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

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
At the beginning of the period/year	42,493,864	38,811,870
Additions	13,850	12,679
Construction costs incurred	92,441	33,790
Overprovision of construction costs incurred in prior years	–	(2,075)
Transfer from properties under construction at cost to completed properties at fair value	838,659	128,768
Transfer from stock of properties	–	18,926
Exchange adjustments	48,779	(287,778)
(Decrease) increase in fair value recognised in the consolidated statement of comprehensive income	(279,963)	3,781,554
Disposals of subsidiaries (Note 26)	(9,388,280)	–
Disposals	–	(3,870)
Carrying amounts		
At the end of the period/year	33,819,350	42,493,864

There were no transfers into or out of Level 3 fair value measurement during the period/year and no change in valuation techniques used in prior years. In estimating the fair value of the properties, their current use equates to the highest and best use of the properties.

15. Goodwill

HK\$'000

Cost

At 1st January, 2014, 31st December, 2014 and 30th June, 2015 370,686

Impairment

At 1st January, 2014, 31st December, 2014 and 30th June, 2015 47,748

Carrying amounts

At 30th June, 2015 and 31st December, 2014 322,938

16. Interests in Associates

	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>
Cost of investments in associates – unlisted	283,696	283,696
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>2,304,005</u>	<u>2,201,071</u>
	<u><u>2,587,701</u></u>	<u><u>2,484,767</u></u>

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

The investment properties held by the Group's principal associates were revalued as at 30th June, 2015 by B.I. Appraisals. B.I. Appraisals continues to adopt investment method and/or direct comparison method as the valuation methodologies. The valuation methods and significant assumptions applied in determining the fair values of investment properties are detailed in Note 14.

17. Advances to Associates

	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>
Interest-bearing advances to associates	48,080	67,443
Interest-free advances to associates	<u>1,585,336</u>	<u>1,687,198</u>
	<u><u>1,633,416</u></u>	<u><u>1,754,641</u></u>

The advances to associates are unsecured. An amount of approximately HK\$1,002,785,000 (31st December, 2014: HK\$997,681,000) was expected to be repayable after June 2016 and the amount is therefore shown as non-current. For the remaining amounts of approximately HK\$630,631,000 (31st December, 2014: HK\$756,960,000), the Group will not demand for repayment within one year from the end of the reporting period and the amounts are therefore shown as non-current. The interest-bearing advances to associates bear interest at the prevailing market rates.

18. Available-for-sale Investments

	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>
Unlisted equity securities:		
– Incorporated in Hong Kong	82,272	93,805
– Incorporated elsewhere (note)	<u>693,134</u>	<u>128,847</u>
	775,406	222,652
Club debentures	<u>16,581</u>	<u>16,581</u>
	<u><u>791,987</u></u>	<u><u>239,233</u></u>

18. Available-for-sale Investments (continued)

Note:

The carrying amount as at 30th June, 2015 mainly comprised investment in an exempted limited partnership formed under the Exempted Limited Partnership Law (Revised) of the Cayman Islands (“Cayman Islands Partnership”) of approximately HK\$249,713,000 (31st December, 2014: nil) and investment in an exempted limited partnership registered under the Partnership Enterprise Law of the PRC (“PRC Partnership”) of approximately HK\$361,877,000 (31st December, 2014: HK\$47,303,000).

19. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK\$102,845,000 (31st December, 2014: HK\$111,485,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings, properties sales proceeds receivables and receivables from hotel operation.

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

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
0 – 30 days	65,774	17,619
31 – 60 days	7,060	85,866
61 – 90 days	7,564	299
Over 90 days	22,447	7,701
	<u>102,845</u>	<u>111,485</u>

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

(a) As at 30th June, 2015

(i) Disposal of Asian East Limited (“Asian East”) and its subsidiaries (collectively “One Group”) on 15th July, 2015 (“One Disposal”)

On 12th December, 2014, (i) Rich Lucky Limited (“Rich Lucky”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Rich Lucky; (iii) Market Victory Limited (“Market Victory”), a company wholly-owned by Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”), a substantial shareholder and a controlling shareholder of the Company; and (iv) Mr. Joseph Lau, being the guarantor of Market Victory, entered into a sale and purchase agreement pursuant to which Rich Lucky agreed to sell and Market Victory agreed to purchase the entire issued share capital of Asian East, an indirect wholly-owned subsidiary of the Company.

The One Disposal was completed on 15th July, 2015 at a consideration of approximately HK\$5,020,556,000. As at 30th June, 2015, a deposit of approximately HK\$14,307,000 has been received by the Group and included in deposits and receipts in advance. As a result of the One Disposal, the assets and liabilities of the One Group have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively as at 30th June, 2015 in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Upon completion of the One Disposal, the Group recorded a gain on disposal of subsidiary of approximately HK\$211,774,000. The gain was mainly derived from the decrease in fair value of the investment properties of HK\$215,000,000 due to revaluation of the investment properties as at 30th June, 2015 (which is carried out in accordance with the Group’s accounting policies on revaluation of the Group’s investment properties as at reporting date) as compared with the property valuation under the sale and purchase agreement of the One Disposal dated 12th December, 2014.

Details of the One Disposal were set out in the announcements of the Company dated 12th December, 2014, 15th July, 2015 and 13th August, 2015 and the circular of the Company dated 7th January, 2015.

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

(a) As at 30th June, 2015 (continued)

(ii) Disposal of an investment property in Hong Kong (“Property”)

During the Period, an indirect wholly-owned subsidiary of the Company (“Property Vendor”) has entered into a provisional agreement for sale and purchase (“Provisional Agreement”) with an independent third party (“Property Purchaser”). Pursuant to the Provisional Agreement, the Property Vendor would sell the Property to the Property Purchaser upon the terms and conditions contained therein. The Provisional Agreement had been entered into at a consideration of HK\$90,000,000. It is expected that the sale of the Property will highly probably be completed within one year.

In accordance with HKFRS 5, the Property has been presented as assets classified as held for sale and was stated at fair value, whereas the related liabilities were presented as liabilities directly associated with assets classified as held for sale in the unaudited condensed consolidated statement of financial position as at 30th June, 2015.

(b) As at 31st December, 2014

Silvercord Disposal on 13th January, 2015

During the year ended 31st December, 2014, (i) Super Series Limited (“Super Series”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Super Series; (iii) Fly High Target Limited (“Fly High Target”), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of Fly High Target, entered into sale and purchase agreements, namely “Silvercord First SP Agreement” and “Silvercord Second SP Agreement”, pursuant to which Super Series agreed to sell and Fly High Target agreed to purchase the entire issued share capital of Brass Ring and Union Leader respectively, both are indirect wholly-owned subsidiaries of the Company.

During the year ended 31st December, 2014, (i) Chinese Estates, Limited (“CEL”), a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of CEL; (iii) Coast Field Ltd. (“Coast Field”), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of Coast Field, entered into a sale and purchase agreement, namely “Silvercord Third SP Agreement”, pursuant to which CEL agreed to sell and Coast Field agreed to purchase the entire issued share capital of CE Finance, an indirect wholly-owned subsidiary of the Company.

The Silvercord Disposal was completed on 13th January, 2015. As a result of the Silvercord Disposal, the assets and liabilities of the Silvercord Group have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively as at 31st December, 2014 in accordance with HKFRS 5.

Further details of the Silvercord Disposal are set out in Note 26.

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

	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>
Assets classified as held for sale		
Investment properties	7,736,000	9,388,280
Equipments	1,279	2
Debtors, deposits and prepayments	20,386	30,098
Tax recoverable	–	2
Bank balances and cash	45,118	23,680
	7,802,783	9,442,062
Liabilities directly associated with assets classified as held for sale		
Creditors and accruals	16,488	4,661
Deposits and receipts in advance	149,235	187,950
Tax liabilities	3,548	28,000
Borrowings – due within one year	2,758,000	1,500,000
Deferred tax liabilities	22,496	39,326
	2,949,767	1,759,937

21. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$347,247,000 (31st December, 2014: HK\$416,771,000).

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

	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>
0 – 90 days	6,031	27,961
Over 90 days	341,216	388,810
	<u>347,247</u>	<u>416,771</u>

22. Borrowings

	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>
Secured bank loans	11,293,539	14,835,256
Other secured loans	169,837	1,713,672
	<u>11,463,376</u>	<u>16,548,928</u>
Less: Amounts due within one year	<u>(6,709,865)</u>	<u>(6,707,935)</u>
Amounts due after one year	<u>4,753,511</u>	<u>9,840,993</u>

23. Share Capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2014, 31st December, 2014 and 30th June, 2015	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1st January, 2014, 31st December, 2014 and 30th June, 2015	<u>1,907,619,079</u>	<u>190,762</u>

24. Amounts due to Associates and Investee Companies

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

25. Amounts due to Non-controlling Shareholders

The amounts due to non-controlling shareholders are unsecured and interest-free, except for a principal amount of approximately HK\$180,578,000 (31st December, 2014: HK\$163,698,000) carries interest at 11.25% per annum (31st December, 2014: 11.25% per annum). The non-controlling shareholders will not demand for repayment within one year from the end of the reporting period and the amounts are therefore shown as non-current.

26. Disposals of Subsidiaries

Disposal of the Silvercord Group to a connected person on 13th January, 2015

The Silvercord Disposal was completed on 13th January, 2015 at a total consideration of approximately HK\$7,656,149,000. Upon completion, the Silvercord Group ceased to be subsidiaries of the Company and its consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

Upon completion of the Silvercord Disposal, the Group recorded loss on disposals of subsidiaries of approximately HK\$97,235,000. The loss was mainly derived from the increase in fair value of the investment properties of HK\$93,200,000 due to revaluation of the investment properties as at 31st December, 2014 (which is carried out in accordance with the Group's accounting policies on revaluation of the Group's investment properties as at reporting date) as compared with the property valuation under the sale and purchase agreements of the Silvercord Disposal dated 1st September, 2014.

26. Disposals of Subsidiaries (continued)

Disposal of the Silvercord Group to a connected person on 13th January, 2015 (continued)

Details of the Silvercord Disposal were set out in the announcements of the Company dated 2nd September, 2014 and 13th January, 2015 and the circular of the Company dated 23rd September, 2014.

	<i>HK\$'000</i>
The net assets of the Silvercord Group as at the date of disposal were as follows:	
Investment properties (Note 14)	9,388,280
Equipments	3
Debtors, deposits and prepayments	48,917
Tax recoverable	1
Bank balances and cash	95,018
Amount due from the Group	424,226
Creditors and accruals	(7,192)
Deposits and receipts in advance	(217,539)
Tax liabilities	(18,714)
Borrowings – due within one year	(1,500,000)
Deferred tax liabilities	(39,425)
Amount due to the Group	(7,538,215)
	<hr/>
Net assets disposed of	635,360
Sale of amount due to the Group	7,538,215
Assumption of amount due from the Group	(424,226)
Loss on disposals of subsidiaries	(97,235)
	<hr/>
	7,652,114
	<hr/> <hr/>
Satisfied by:	
Cash consideration	7,656,149
Expenses incurred for disposal	(4,035)
	<hr/>
	7,652,114
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration	7,656,149
Settled by special interim dividend (note)	(5,350,803)
	<hr/>
Net cash consideration received	2,305,346
Expenses incurred for disposal	(4,035)
Bank balances and cash disposed of	(95,018)
	<hr/>
	2,206,293
	<hr/> <hr/>

The loss on the Silvercord Disposal was included in other gains and losses, net (Note 10) in the unaudited condensed consolidated statement of comprehensive income.

Note: Fly High Target has elected to settle the consideration by procuring Mr. Joseph Lau's entitlement on the special interim dividend for 2014 (Note 12) in an amount of approximately HK\$5,350,803,000.

27. Capital Commitments

	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	225,461	282,471
Development expenditure of properties in Mainland China (note (i))	1,052,340	1,118,186
Renovation of properties	7,230	–
Investee company's contribution	343,200	343,200
Capital investment in limited partnerships (notes (ii) and (iii))	525,488	314,215
Purchase of equipments	600	2,005
	<u>2,154,319</u>	<u>2,060,077</u>

The Group's associate had capital commitments which were authorised and contracted for at the end of the reporting period of approximately HK\$1,270,052,000 (31st December, 2014: HK\$877,856,000), of which the Group's share of commitments amounted to approximately HK\$317,513,000 (31st December, 2014: HK\$219,464,000).

Notes:

- (i) The capital commitments relating to Chengdu properties will be deconsolidated to the Group upon completion of disposal of the subsidiaries holding those properties.
- (ii) The Group entered into a subscription agreement for commitment in contribution of United States dollar ("US\$") 100,000,000 (equivalent to approximately HK\$775,150,000) in the Cayman Islands Partnership. Up to the end of the reporting period, approximately US\$32,208,000 (equivalent to approximately HK\$249,713,000) among the contribution has been paid by the Group.
- (iii) During the year ended 31st December, 2014, the Group entered into a subscription agreement for commitment in contribution of Renminbi ("RMB") 300,000,000 (equivalent to approximately HK\$374,730,000) in the PRC Partnership. The PRC Partnership with a term of ten years was set up mainly for the purpose of long term capital investment. Up to the end of the reporting period, the Group had fully contributed to the PRC Partnership.

28. Contingent Liabilities and Assets

Contingent Liabilities

	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>
Guarantees given to banks in respect of banking facilities utilised by associates	973,592	829,592
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000	15,000
Repurchase guarantees given to banks in respect of mortgages facilities given to property purchasers by subsidiaries (note)	51,414	19,672
	<u>1,040,006</u>	<u>864,264</u>

Note: The contingent liabilities no longer exist upon completion of disposal of the subsidiaries holding Chengdu properties which provided the repurchase guarantees to the mortgagee banks.

28. Contingent Liabilities and Assets *(continued)*

Contingent Liabilities (continued)

Buy Option and Sale Option on shares of Grandday Group Limited (“Grandday”)

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

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

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

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

Contingent Assets

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

Subject to completion of the disposal of the Group’s entire interest in Value Eight Limited and its subsidiaries including Moon Ocean (collectively “Moon Ocean Group”) on 31st October, 2014, (a) if judgments are made in favour of Moon Ocean in the appeals to its legal case in Macau Special Administrative Region of the PRC (“Macau”) (“Appeals”) and have become final and the title to the Macau land previously held by Moon Ocean (“Macau Land”) is vested on Moon Ocean again, One Midland Limited (“One Midland”), being the buyer of the Moon Ocean Group, shall pay to Data Dynasty Limited (“Data Dynasty”), being the vendor of the Moon Ocean Group, the development upside sharing pursuant to the sale and purchase agreement entered into on 1st September, 2014 (“Moon Ocean SP Agreement”); or (b) if judgments are made against Moon Ocean in the Appeals and have become final, One Midland shall pay to Data Dynasty the compensation upside sharing pursuant to the Moon Ocean SP Agreement.

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

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

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

Up to the date of the approval of these unaudited condensed consolidated financial statements, the Appeals are still in progress.

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

29. Material Related Party Transactions

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

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Interest income received from associates	1,689	1,981
Income received from a controlling shareholder of the Company (“Controlling Shareholder”)/companies controlled by the Controlling Shareholder/ a company controlled by a close family member of the Controlling Shareholder:		
Rental services	12,996	6,484
Property management services, leasing administration services and property administration services	9,761	5,831
Asset management and maintenance services	9,101	4,331
Advisory and consultancy services	937	–
Rent and building management fee paid to associates	1,344	1,242
Total consideration received for the disposals of subsidiaries to companies wholly-owned by the Controlling Shareholder (note (i))	7,656,149	–
Deposit received for the disposal of subsidiaries to a company wholly-owned by the Controlling Shareholder (note (ii))	14,307	–
Deposits together with interest thereon repaid to (note (iii)):		
A company wholly-owned by a close family member of the Controlling Shareholder	–	9,509
A company wholly-owned by the then Director	–	7,945
Companies wholly-owned by a close family member of the Controlling Shareholder	–	2,409
Consideration received for the disposal of the Group’s stock of properties to close family members of the then Director (note (iv))	–	51,205

Interest income was charged at the prevailing market rates based on outstanding balances during the Period.

Rental services, property management services, leasing administration services and property administration services, asset management and maintenance services and advisory and consultancy services (the contract for services with effect from 1st November, 2014 (details were disclosed in the announcement of the Company dated 31st October, 2014) superseded all other existing contracts for services (details were disclosed in the announcements of the Company dated 14th December, 2012, 15th July, 2013 and 19th March, 2014)) were charged at the terms agreed by both parties.

Rent and building management fee were determined on terms similar to those applicable to transactions with unrelated parties.

Consideration received for the disposal of the Group’s stock of properties was determined with reference to the prevailing market values.

29. Material Related Party Transactions (continued)

Notes:

- (i) Details of the Silvercord Disposal (Notes 20(b) and 26) were set out in the announcements of the Company dated 2nd September, 2014 and 13th January, 2015 and the circular of the Company dated 23rd September, 2014.
- (ii) Details of the One Disposal (Note 20(a)(i)) were set out in the announcements of the Company dated 12th December, 2014, 15th July, 2015 and 13th August, 2015 and the circular of the Company dated 7th January, 2015.
- (iii) As set out in the Company's announcement dated 13th June, 2014, four companies wholly-owned by the then Director or by close family members of the Controlling Shareholder entered into revocation agreements pursuant to which Moon Ocean and each of these companies had revoked and cancelled by mutual consent their respective binding letters of offer, promissory sale and purchase agreements and such other relevant transaction documents (if any) (collectively "Promissory Agreements") that were previously entered into for the sale and purchase of the residential units under the La Scala project. All deposits paid under the Promissory Agreements together with interest thereon at the rate of 7.25% per annum were repaid to the respective companies during the six months ended 30th June, 2014.
- (iv) As set out in the Company's announcement dated 19th February, 2014, close family members of the then Director entered into a preliminary sale and purchase agreement for acquisition of a residential unit, a car parking space and a motorcycle parking space of One WanChai, the Group's stock of property held for sale, at a consideration of approximately HK\$51.2 million. The transaction was completed on 14th April, 2014.

Details of the balances with related parties at the end of the reporting period are set out in Notes 17, 24 and 25.

30. Events after the Reporting Period

Save as disclosed elsewhere in these unaudited condensed consolidated financial statements, the Group had the following transactions after the end of the reporting period:

(a) Disposal of Lucky Benefit Limited and Rising Sheen Limited, indirect wholly-owned subsidiaries of the Company (collectively "Disposed Companies"), and their subsidiaries ("Disposal")

On 14th July, 2015, Evergo Holdings (China) Company Limited ("Evergo"), an indirect wholly-owned subsidiary of the Company, and Shengyu (BVI) Limited ("Shengyu") entered into an equity and debt transfer agreement pursuant to which Evergo agreed to sell and Shengyu agreed to acquire the entire issued share capital of the Disposed Companies and all the interests in the debts receivable at a consideration of HK\$6,500,000,000. The Disposed Companies hold the property projects located at Chengdu, PRC, known as Splendid City, The Metropolis and Chinese Estates Plaza and an investment in the PRC Partnership. Details of the Disposal were set out in the announcement of the Company dated 14th July, 2015.

The Disposal was completed on 30th July, 2015. Upon completion of the Disposal, the Disposed Companies and their subsidiaries ceased to be subsidiaries of the Company and their consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

(b) Disposal of a company wholly-owned by an associate of the Group

On 7th August, 2015, an associate of the Group (50% interest) entered into a sale and purchase agreement in relation to disposal of a company that ultimately held the office building namely Platinum located at Shanghai, PRC to an independent third party of the Company. Completion and finalisation of consideration shall take place on or after 30th September, 2015.

31. Fair Value Measurements of Financial Instruments

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

31. Fair Value Measurements of Financial Instruments (continued)

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

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

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

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

Financial instruments measured at fair value

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

Financial assets/financial liabilities	Fair Value		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000			
Financial assets					
Listed equity securities classified as investments held-for-trading	320,475	501,944	Level 1	Quoted prices in active markets	N/A
Bonds classified as financial assets designated as at fair value through profit or loss	2,787,193	4,626,840	Level 1	Quoted prices in active markets	N/A
Unlisted equity securities classified as available-for-sale investments (note (i))	81,982	93,515	Level 3	Discounted cash flow: forecast dividend income, discount rate and contract terms (if any)	Forecast dividend income taking into account management's experience, dividend records over the past years and the estimated terminal value (note (ii)) Discount rate ranging from 1% below prime rate to prime rate (note (ii))
	3,189,650	5,222,299			
Financial liabilities					
Financial guarantee liabilities	160	102	Level 3	Trinomial Option Pricing Model (note (iii))	Volatility ranging from 3.24% to 24.67% (31st December, 2014: 4.54% to 28.12%) (note (iv))
	160	102			

Notes:

- (i) The carrying amount as at 30th June, 2015 mainly comprised 6.475% equity investment in New Hong Kong Tunnel Company Limited of approximately HK\$81,058,000 (31st December, 2014: HK\$92,585,000).
- (ii) The higher the forecast dividend income and terminal value, the higher the fair value. The higher the discount rate, the lower the fair value.
- (iii) The key inputs for the Trinomial Option Pricing Model included net asset value/market value, exercise price, time to maturity, risk-free interest rate and volatility of the underlying assets.
- (iv) The higher the volatility, the higher the fair value.

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

31. Fair Value Measurements of Financial Instruments (continued)

Financial instruments measured at fair value (continued)

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

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

	Unlisted equity securities classified as available-for-sale investments HK\$'000	Financial guarantee liabilities HK\$'000
At 1st January, 2014	71,713	(37)
Net unrealised gains recognised in other comprehensive income during the year (note)	21,802	–
Fair value changes recognised in profit or loss during the year	<u>–</u>	<u>(65)</u>
At 31st December, 2014	93,515	(102)
Net unrealised losses recognised in other comprehensive income during the period (note)	(11,533)	–
Fair value changes recognised in profit or loss during the period	<u>–</u>	<u>(58)</u>
At 30th June, 2015	<u>81,982</u>	<u>(160)</u>

Note: All of the above gains and losses included in other comprehensive income for the period/year relate to unquoted equity investments held at the end of the reporting period and are reported as changes of "Securities Investments Reserve".

Financial instruments not measured at fair value

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

INTERIM DIVIDEND AND SPECIAL INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK30 cents per share (2014: HK30 cents per share) for the Period (the “Interim Dividend”).

In view of the Group’s recent disposals of assets in the People’s Republic of China (“PRC”), details of which are set out in the heading “Other Information and Events After the Reporting Period” below, the Group’s cash position will be further strengthened when sale proceeds from the disposals are received. As a return to shareholders, the Board has resolved to declare a special interim dividend of HK\$1.2 per share (2014: nil) to shareholders (the “Special Interim Dividend”).

Dividend warrants for both the Interim Dividend and the Special Interim Dividend will be posted on or about 14th September, 2015 to shareholders whose names appear on the register of members of the Company on 2nd September, 2015.

Another special interim dividend of HK\$2.6 per share (2014: nil) has been declared on 15th June, 2015 and paid on 15th July, 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on 2nd September, 2015. In order to qualify for the Interim Dividend and the Special Interim Dividend, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 1st September, 2015.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Period amounted to HK\$969.0 million (2014: HK\$1,241.2 million), a 21.9% decrease over the same period of last year and comprised gross rental income of HK\$760.4 million (2014: HK\$967.0 million), property sales of HK\$147.0 million (2014: HK\$252.5 million), gain on sales of investments held-for-trading on a net basis of HK\$10.0 million (2014: HK\$14.3 million) and others of HK\$51.6 million (2014: HK\$7.4 million). The decrease in revenue was mainly due to the decrease in gross rental income and sales of development properties.

Gross Profit

Gross profit for the Period amounted to HK\$767.7 million (2014: HK\$1,032.1 million), a 25.6% decrease as compared with the same period of last year which was mainly due to the decrease in net rental income of HK\$212.4 million and profit from property sales of HK\$34.9 million.

Property Leasing

For property leasing, the rental revenue in retail section declined by 33.6% to HK\$424.4 million while rental revenue in non-retail section increased by 2.5% to HK\$336.0 million during the Period. The total rental income in revenue for the Period recorded a decrease of 21.4% to HK\$760.4 million as compared with the same period of last year of HK\$967.0 million, the decline is mainly attributable to the disposals of subsidiaries of the Company, namely Brass Ring Limited (“Brass Ring”), Union Leader Limited (“Union Leader”) and Chinese Estates and Finance, Limited (now known as Silvercord Finance Limited) (“CE Finance”) and their respective subsidiaries (collectively “Silvercord Group”) in January 2015 (“Silvercord Disposal”) and since then its results were not consolidated to the Group.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Property Leasing (continued)

Together with the attributable rental revenue generated from associates and an investee company of HK\$107.8 million (2014: HK\$105.8 million), the total attributable rental revenue to the Group after non-controlling interests amounted to approximately HK\$867.3 million (2014: HK\$1,072.4 million), which representing a decline of 19.1% over the same period of last year.

Attributable net rental income for the Period showed HK\$785.7 million, a 20.6% decrease over HK\$989.0 million in the same period of last year.

Property Development and Trading

During the Period, the attributable property sales revenue and the relevant attributable profit from the Group and its associates recorded a decrease of 86.4% to HK\$230.4 million (2014: HK\$1,700.3 million) and a decrease of 87.0% to HK\$62.3 million (2014: HK\$478.7 million) respectively, of which the attributable results from an investee company was included for the six months ended 30th June, 2014.

The major components recorded in gross profit are sales of: Phase I, Phase II and parking spaces of Splendid City in Chengdu (100% interest) generated profit of HK\$0.5 million (2014: an underprovision of construction costs of HK\$3.4 million), HK\$1.9 million (2014: HK\$8.3 million) and HK\$6.7 million (2014: nil) respectively and Tower 1 of The Metropolis in Chengdu (100% interest) generated profit of HK\$22.3 million (2014: HK\$0.2 million).

Sales of One WanChai and parking spaces at The Zenith in Wanchai (both 87.5% interest) recognised during the Period had contributed an attributable profit to the Group of HK\$25.1 million (2014: HK\$80.4 million) and HK\$1.5 million (2014: loss of HK\$0.3 million) respectively.

In respect of properties held by associates, The Coronation in Chongqing (25% interest) generated profit of HK\$4.3 million (2014: Kwong Kin Trade Centre in Tuen Mun (40% interest) generated profit of HK\$3.6 million) as reflected in the share of results of associates.

For the six months ended 30th June, 2014, sale of The Coronation in West Kowloon (15% interest) had contributed HK\$389.9 million to investment income upon recognition of dividend income. No similar dividend income was received during the Period from the Group's investee company.

As at 30th June, 2015, deposits received from stock of properties contracted to be sold amounted to HK\$496.0 million. Of which, HK\$40.0 million deposits were received from sales contracted for Tower 2 of The Metropolis, with average selling price of approximately Renminbi ("RMB") 1.5 million per unit. The sales contracted for Tower 2 of The Metropolis were 84 units of RMB123.6 million (equivalent to approximately HK\$154.4 million). Deposits received from presale of 88 units of One South Lane in Kennedy Town (100% interest) with contracted sale of HK\$467.3 million (after discount) amounted to HK\$453.9 million. Deposits received for 2 carparks and 2 motorcycle parking spaces of The Zenith were HK\$2.1 million with contracted for sale of HK\$3.9 million, and the attributable interest of sales to the Group amounted to HK\$3.4 million. The presale recorded for The Coronation in Chongqing was 614 units and the attributable interest of sales to the Group was HK\$189.4 million.

In summary, the Group together with associates executed properties sale agreements, including presale agreements to third parties, recorded an attributable contracted sales of HK\$390.7 million (2014: to third parties and connected persons of HK\$167.3 million) during the Period. Total attributable property sale profit recognised for the Period was HK\$62.3 million (2014: HK\$478.7 million).

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Securities Investments

Under the low interest rate environment, the Group has closely managed the securities investments with a view to yield enhancement. During the Period, the Group recorded a realised gain of HK\$10.0 million (2014: HK\$14.3 million) on disposal of listed investments held-for-trading (the gains/losses of which was included in revenue) with gross proceeds of HK\$608.2 million (2014: HK\$154.8 million). However, a realised loss from sale of bonds of HK\$41.0 million (2014: HK\$104.3 million) was recognised. The net realised loss for the Period was HK\$31.0 million (2014: HK\$90.0 million).

Furthermore, the Group recorded an unrealised loss of HK\$39.5 million (2014: HK\$333.3 million) representing the changes in fair value of listed securities and bonds, which had no effect on the cash flow of the Group.

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

Summing up the above and adding the net income from interest income, other investment income and other finance costs of HK\$220.5 million (2014: HK\$414.0 million), the gain recognised on securities investments was HK\$150.0 million (2014: loss of HK\$9.3 million).

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

Listed Available-for-sale Equity Investments

The Group had not acquired and disposed any listed available-for-sale equity investments for the first half of 2015 and 2014.

Listed Investments Held-for-trading and Treasury Products

The listed investments held-for-trading and treasury products recorded a profit before and after finance cost of HK\$152.8 million and HK\$150.0 million respectively for the Period (2014: profit before finance costs of HK\$4.0 million but after finance costs turning to a loss of HK\$9.3 million).

Profit from the listed investments held-for-trading reflected in the unaudited condensed consolidated statement of comprehensive income for the Period comprised a gross profit totaling HK\$10.0 million (2014: HK\$14.3 million), an unrealised loss on fair value changes of listed securities and bonds of HK\$39.5 million (2014: HK\$333.3 million), a realised loss on bonds of HK\$41.0 million (2014: HK\$104.3 million) and interest income and other investment income of HK\$223.3 million (2014: HK\$427.3 million). Net relevant finance costs for the Period was HK\$2.8 million (2014: HK\$13.3 million) including interest expense of HK\$4.6 million (2014: HK\$14.1 million) and exchange gain of HK\$1.8 million (2014: HK\$0.8 million).

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Other Income and Expenses

Other income for the Period, which mainly came from net building management fee income, asset management and maintenance services income, property management services, leasing administration services and property administration services income, advisory and consultancy services income and rental services income, increased to HK\$60.4 million (2014: HK\$45.1 million), representing an increase of 33.9% as compared with the same period of last year.

During the Period, administrative expenses increased by 41.3% to HK\$215.3 million (2014: HK\$152.4 million), the increase was mainly due to the expenses incurred upon commencement of hotel operation. Finance costs decreased by 12.7% to HK\$185.4 million (2014: HK\$212.4 million) during the Period, including exchange gain of HK\$1.8 million (2014: HK\$0.8 million) on foreign currency loans hedged for foreign currency securities investments. Other expenses amounted to HK\$0.4 million (2014: HK\$2.1 million) mainly consisted of interest on sales deposits repaid to promissory purchasers of presold property units under the La Scala project and pre-operating expenses incurred by the hotel in Chengdu).

Other gains and losses recorded a net loss of HK\$97.0 million mainly comprised loss on the Silvercord Disposal of HK\$97.2 million (2014: HK\$4.9 million including costs of development recognised in respect of property project in Macau Special Administrative Region of the People's Republic of China of HK\$2.2 million).

Disposals of Subsidiaries to Connected Persons

As set out in the announcement of the Company dated 2nd September, 2014 and the circular of the Company dated 23rd September, 2014, (a) (i) Super Series Limited ("Super Series"), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Super Series; (iii) Fly High Target Limited ("Fly High Target"), a company wholly-owned by Mr. Joseph Lau, Luen-hung ("Mr. Joseph Lau"); and (iv) Mr. Joseph Lau, being the guarantor of Fly High Target, entered into sale and purchase agreements, namely "Silvercord First SP Agreement" and "Silvercord Second SP Agreement", pursuant to which Super Series agreed to sell and Fly High Target agreed to purchase the entire issued share capital of Brass Ring and Union Leader respectively, both are indirect wholly-owned subsidiaries of the Company; and (b) (i) Chinese Estates, Limited ("CEL"), a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of CEL; (iii) Coast Field Ltd. ("Coast Field"), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of Coast Field, entered into a sale and purchase agreement, namely "Silvercord Third SP Agreement", pursuant to which CEL agreed to sell and Coast Field agreed to purchase the entire issued share capital of CE Finance, an indirect wholly-owned subsidiary of the Company.

The Silvercord Disposal was completed on 13th January, 2015 at a total consideration of approximately HK\$7,656.1 million. Upon completion, the Silvercord Group ceased to be subsidiaries of the Company and its consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

Upon completion of the Silvercord Disposal, the Group recorded loss on disposals of subsidiaries of approximately HK\$97.2 million. The loss was mainly derived from the increase in fair value of the investment properties of HK\$93.2 million due to revaluation of the investment properties as at 31st December, 2014 (which is carried out in accordance with the Group's accounting policies on revaluation of the Group's investment properties as at reporting date) as compared with the property valuation under the sale and purchase agreements of the Silvercord Disposal dated 1st September, 2014.

FINANCIAL OPERATION REVIEW *(continued)*

Results *(continued)*

Associates

The share of results of associates for the Period was a profit of HK\$132.3 million as compared to HK\$110.5 million for the same period of last year, the increase of which was mainly due to the increase in attributable unrealised fair value gain on investment properties together with their respective deferred tax of HK\$57.9 million for the same period of last year to HK\$88.6 million for the Period.

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 30th June, 2015 by B.I. Appraisals Limited (“B.I. Appraisals”) whereas the investment property in the United Kingdom was revalued by Peak Vision Appraisals Limited (“Peak Vision Appraisals”). B.I. Appraisals and Peak Vision Appraisals are independent property valuers. A decrease in fair value on investment properties of HK\$543.5 million (2014: increase of HK\$1,419.8 million) was recorded during the Period. The unrealised fair value changes will not affect the cash flow of the Group.

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

Loss

Loss attributable to owners of the Company for the Period was HK\$115.4 million as compared to profit of HK\$2,446.5 million for the same period of last year. The result of loss for the Period was arising from fair value loss on investment properties, decline in attributable property sale profit, no dividend income from the Group’s investee company in respect of property development and trading, loss on the Silvercord Disposal and decline in attributable net rental income as a result of the Silvercord Disposal in January 2015. Loss per share for the Period was HK\$0.06 (2014: earnings per share of HK\$1.28).

Core Profit

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

If the net loss on the major non-cash items of HK\$609.0 million (2014: net gain of HK\$1,465.9 million) are excluded, but the accumulated realised fair value gain on disposal of investment properties recognised in prior years of HK\$8,507.7 million (2014: HK\$19.7 million) are included, the Group will have a core profit attributable to owners of the Company for the Period of HK\$9,001.3 million (2014: HK\$1,000.3 million) and a core earnings per share of HK471.9 cents (2014: HK52.4 cents), which were both 9.0 times to those in the first half of 2014.

The major non-cash items represented the attributable unrealised fair value loss on investment properties together with their respective deferred tax from the Group and its associates of HK\$609.0 million (2014: unrealised fair value gain on investment properties together with their respective deferred tax of HK\$1,465.9 million).

FINANCIAL OPERATION REVIEW *(continued)*

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

Dividends

Special interim dividend of HK\$4 (2013: nil) per share in total amount of HK\$7,630.5 million and final dividend of HK1 cent (year ended 31st December, 2013: HK50 cents) per share in total amount of HK\$19.1 million for the year ended 31st December, 2014 were paid in cash on 13th January, 2015 and 5th June, 2015 respectively.

A special interim dividend of HK\$2.6 (2014: nil) per share was declared on 15th June, 2015 and subsequently paid in cash on 15th July, 2015 in total amount of HK\$4,959.8 million.

Repurchase

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

Cash Payment Ratio

Based on (a) the core profit for the Period of HK\$9,001.3 million (2014: HK\$1,000.3 million) or HK471.9 cents (2014: HK52.4 cents) per share; (b) cash special interim dividend of HK\$4 per share was paid during the Period; and (c) cash interim dividend of HK30 cents (2014: HK30 cents) per share declared for the Period, the ratio of such cash payment to the core profit is 91.1% (2014: 57.3%).

Net Asset Value

As at 30th June, 2015, the Group's total net asset attributable to owners of the Company amounted to approximately HK\$36,486.7 million (31st December, 2014: HK\$41,567.4 million), a decrease of HK\$5,080.7 million or 12.2% when compared with 31st December, 2014. With the total number of ordinary shares in issue of 1,907,619,079 as at 30th June, 2015 (31st December, 2014: 1,907,619,079 shares), the net asset value per share attributable to owners of the Company was HK\$19.13 (31st December, 2014: HK\$21.79). The movement in net asset value was mainly due to (a) total comprehensive expenses for the Period attributable to owners of the Company of HK\$101.7 million; (b) payment of final dividend of HK\$19.1 million; and (c) declaration of special interim dividend of HK\$4,959.8 million.

There was no transaction on the listed equity securities investments categorised as available-for-sale investments for the Period. The carrying amounts of the listed equity securities investments reserve as at 30th June, 2015 and 31st December, 2014 were nil.

Other than the disposal of Asian East Limited ("Asian East"), an indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively "One Group") ("One Disposal") (as disclosed in the paragraph "Assets Classified as Held for Sale/Liabilities Directly Associated with Assets Classified as Held for Sale" below), the commitment for investment in an exempted limited partnership formed under the Exempted Limited Partnership Law (Revised) of the Cayman Islands ("Cayman Islands Partnership") (as disclosed in the paragraph "Unlisted Securities Investments" below), disposal of subsidiaries holding Chengdu properties and disposal of a company holding Platinum by an associate of the Group (as disclosed in the section headed "Other Information and Events after the Reporting Period" below), the existing projects and those disclosed in the interim results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

FINANCIAL OPERATION REVIEW *(continued)*

Securities Investments

Listed Securities Investments and Treasury Products

As at 31st December, 2014, the carrying amount of the listed securities investments and treasury products was HK\$5,128.8 million. During the Period, the portfolio was decreased by a net disposal of HK\$1,981.6 million. After deducting the fair value loss of HK\$39.5 million for the Period, the listed securities investments and treasury products portfolio of the Group became HK\$3,107.7 million as at 30th June, 2015 representing 5.2% of total assets, which formed part of the Group's cash management activities.

As at 30th June, 2015, the portfolio of HK\$3,107.7 million (31st December, 2014: HK\$5,128.8 million) comprised (a) listed equity securities (investments held-for-trading) of HK\$320.5 million (31st December, 2014: HK\$501.9 million) and (b) bonds (financial assets designated as at fair value through profit or loss) of HK\$2,787.2 million (31st December, 2014: HK\$4,626.9 million).

Unlisted Securities Investments

As at 30th June, 2015, the Group had invested RMB300.0 million (equivalent to approximately HK\$374.7 million) in an exempted limited partnership registered under the Partnership Enterprise Law of the People's Republic of China which was included in available-for-sale investments.

The Group entered into a subscription agreement for commitment in contribution of United States dollar ("US\$") 100.0 million (equivalent to approximately HK\$775.2 million) in the Cayman Islands Partnership. During the Period, the Group has invested US\$32.2 million (equivalent to approximately HK\$249.7 million) which was also included in available-for-sale investments.

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

On 12th December, 2014, (i) Rich Lucky Limited ("Rich Lucky"), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Rich Lucky; (iii) Market Victory Limited ("Market Victory"), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of Market Victory, entered into a sale and purchase agreement pursuant to which Rich Lucky agreed to sell and Market Victory agreed to purchase the entire issued share capital of Asian East, an indirect wholly-owned subsidiary of the Company.

The One Disposal was completed on 15th July, 2015 at a consideration of approximately HK\$5,020.6 million. As a result of the One Disposal, the assets and liabilities of the One Group have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively as at 30th June, 2015 in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Details of the One Disposal were set out in the announcements of the Company dated 12th December, 2014, 15th July, 2015 and 13th August, 2015 and the circular of the Company dated 7th January, 2015.

FINANCIAL OPERATION REVIEW *(continued)*

Assets Classified as Held for Sale/Liabilities Directly Associated with Assets Classified as Held for Sale *(continued)*

During the Period, an indirect wholly-owned subsidiary of the Company (“Property Vendor”), has entered into a provisional agreement for sale and purchase (“Provisional Agreement”) with an independent third party (“Property Purchaser”). Pursuant to the Provisional Agreement, the Property Vendor would sell an investment property in Hong Kong (“Property”) to the Property Purchaser upon the terms and conditions contained therein. The Provisional Agreement had been entered into at a consideration of HK\$90.0 million. It is expected that the sale of the Property will highly probably be completed within one year. As such, the Property and the related liabilities have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively as at 30th June, 2015 in accordance with HKFRS 5.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 30th June, 2015 and 31st December, 2014 were 1,907,619,079.

Debt and Gearing

As at 30th June, 2015, the Group’s bank and other borrowings amounted to HK\$11,463.4 million (31st December, 2014: HK\$16,548.9 million) (excluding bank borrowings presented as liabilities directly associated with assets classified as held for sale). Cash and deposits at banks amounted to HK\$4,513.6 million (31st December, 2014: HK\$4,719.2 million) (excluding cash and deposits at banks presented as assets classified as held for sale), pledged deposits amounted to HK\$665.3 million (31st December, 2014: HK\$868.7 million) and net borrowings amounted to HK\$6,284.5 million (31st December, 2014: HK\$10,961.0 million).

Total debt to equity ratio was 31.4% (31st December, 2014: 39.7%) and net debt to equity ratio was 17.2% (31st December, 2014: 26.3%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$36,570.1 million (31st December, 2014: HK\$41,652.6 million). The decrease in the total debt to equity ratio and the net debt to equity ratio were mainly due to the decrease in borrowings.

If the listed securities investments and treasury products of HK\$3,107.7 million (31st December, 2014: HK\$5,128.8 million) are included, the net debt to equity ratio will be 8.7% (31st December, 2014: 14.0%).

As at 30th June, 2015, the Group’s bank and other borrowings were denominated in HK\$ (57.2%), Pound Sterling (“GBP”) (25.9%), RMB (16.3%) and Euro (“EUR”) (0.6%). Of the Group’s bank and other borrowings of HK\$11,463.4 million (excluding bank borrowings presented as liabilities directly associated with assets classified as held for sale), 58.5%, 25.1% and 16.4% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. EUR investment securities was hedged by EUR borrowing. The Group’s bank and other borrowings in HK\$ and EUR were carried at interest rates calculated mainly with reference to HIBOR/cost of funds; bank borrowing in GBP was effectively carried at fixed rate; and bank borrowing in RMB was carried at interest rates calculated with reference to borrowing rates quoted by People’s Bank of China. As at 30th June, 2015, about 74.2% of the Group’s borrowings were on floating rate basis and 25.8% were on fixed rate basis. No hedging for interest rate is subsisted at the end of the reporting period.

FINANCIAL OPERATION REVIEW *(continued)*

Pledge of Assets

As at 30th June, 2015, the Group had pledged the following assets:

- (a) The Group's investment properties, properties and time deposits with their respective carrying amounts of approximately HK\$34,736.4 million (31st December, 2014: HK\$44,156.9 million), HK\$1,524.6 million (31st December, 2014: HK\$1,509.3 million) and HK\$655.5 million (31st December, 2014: HK\$857.9 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) The Group's investments held-for-trading and bonds with carrying amounts of approximately HK\$2,038.4 million (31st December, 2014: HK\$5,048.7 million) and cash deposits of HK\$9.8 million (31st December, 2014: HK\$10.8 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which approximately HK\$169.8 million (31st December, 2014: HK\$1,713.7 million) was utilised as at 30th June, 2015 as borrowings due within one year.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.
- (d) The Group has subordinated and assigned its advances to associates of approximately HK\$1,573.5 million (31st December, 2014: HK\$1,679.4 million) to financial institutions to secure general banking credit facilities granted to the associates.

Repurchase Guarantee

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

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

The total outstanding amount of repurchase guarantee as at 30th June, 2015 was RMB41.2 million (equivalent to approximately HK\$51.4 million) (31st December, 2014: RMB15.8 million (equivalent to approximately HK\$19.7 million)) and disclosed in the contingent liabilities. The contingent liabilities no longer exist upon completion of disposal of the subsidiaries holding Chengdu properties which provided the repurchase guarantees to the mortgagee banks.

FINANCIAL OPERATION REVIEW *(continued)*

Financial and Interest Income/Expenses

Interest income was included in revenue, other income and investment income (2014: included in revenue and investment income). Interest income for the Period was HK\$235.0 million, representing a decrease of 47.6% over the same period of last year of HK\$448.5 million.

Finance costs included interest expenses on bank loans, other loans and amount due to a non-controlling shareholder; exchange difference on foreign currency loans; and arrangement fee and facility and commitment fee expenses. Interest expenses for the Period amounted to HK\$160.5 million, representing a decrease of 17.2% over the same period of last year of HK\$193.8 million. Interest capitalised for the Period was HK\$67.2 million as compared to HK\$70.9 million for the same period of last year. The average interest rate over the period under review was 2.93% (2014: 2.43%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 30th June, 2015, the Group employed a total of 613 staff in Hong Kong (31st December, 2014: 624 staff) including about 279 staff (31st December, 2014: 266 staff) employed under the estate management company in Hong Kong. Besides, there was a total of 713 staff in the offices at Mainland China (31st December, 2014: 739 staff), which included about 198 staff (31st December, 2014: 197 staff) of the estate management company and 346 staff (31st December, 2014: 370 staff) of the hotel in Chengdu.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted during the Period.

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

Mainland China and United Kingdom

Profit contribution from the Group's investment in Mainland China (mainly included in gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Period amounted to HK\$80.3 million (2014: HK\$16.3 million). The Group's net investment in Mainland China as at 30th June, 2015 amounted to HK\$9,949.0 million (31st December, 2014: HK\$9,979.7 million) representing approximately 27.2% of the Group's total equity.

Further, the Group's investment property in the United Kingdom with carrying amount of GBP390.2 million as at 30th June, 2015 (equivalent to approximately HK\$4,758.1 million) (31st December, 2014: GBP390.9 million (equivalent to approximately HK\$4,720.1 million)) contributed a profit of HK\$28.4 million (2014: HK\$217.8 million) to the Group for the Period. As at 30th June, 2015, the Group's net investment in the United Kingdom amounted to HK\$2,125.1 million (31st December, 2014: HK\$2,078.5 million) representing approximately 5.8% of the Group's total equity.

FINANCIAL OPERATION REVIEW *(continued)*

Listed Subsidiary

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

Property Valuation

Property valuation has been carried out by B.I. Appraisals as at 30th June, 2015 (31st December, 2014: B.I. Appraisals and Vigers Appraisal and Consulting Limited), independent qualified professional valuer, in respect of the Group's investment properties in Hong Kong and Mainland China. For the investment property in the United Kingdom, the valuations as at 30th June, 2015 and 31st December, 2014 were carried out by Peak Vision Appraisals, another independent qualified professional valuer. Their valuations were based on investment method and/or direct comparison method as the valuation methodologies and were used in preparing 2015 interim results.

The Group's investment properties were valued at HK\$39,256.9 million (31st December, 2014: HK\$48,917.2 million) (including those presented as assets classified as held for sale), a 1.4% decrease over 2014 after adjusted for the additions and disposals of investment properties during the Period. The decrease in fair value of approximately HK\$543.5 million was recognised in the unaudited condensed consolidated statement of comprehensive income for the Period. The Group also shared an increase in fair value of investment properties of associates of HK\$88.6 million (adjusted deferred tax of HK\$2.5 million) for the Period. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in these unaudited condensed consolidated financial statements. Investment properties under development of shopping arcade, residential tower and parking spaces at Chinese Estates Plaza, Chengdu were stated at cost of HK\$3,429.8 million in total in investment properties and will be carried at fair value, until the earlier of the date when its fair value first becomes reliably measurable or the date of the completion of the property.

The decrease in fair value of HK\$543.5 million or 1.4% was mainly due to decrease in fair value of the retail properties in Hong Kong as a result of rental rates of certain retail business sectors have shown indications of reaching their peaks.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 99.15% during the Period. The high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

The Group's attributable overall gross rental income from Hong Kong including the performance of non wholly-owned properties was HK\$640.0 million for the Period, recorded a decrease of 23.63% as compared with the corresponding period of last year. The rental income from retail portion recorded substantial decline of 35.10% while the non-retail portion recorded steady growth of 8.02%. The decline of rental income from retail portion is mainly attributable to the disposal of Silvercord in January 2015. Although Mainland China tourists' spending in Hong Kong is yet to be recovered and the local consumption demand was still weak, as the Group's retail properties located mainly in prime shopping areas and were highly praised and appreciated by tenants, retail rents were generally raised. However, rental rates of certain retail business sectors have shown the indications of reaching their peaks.

The average occupancy rate of the shops of Causeway Place during the Period was approximately 87.55% excluding those disposed of.

The overall rental income of Windsor House was raised 4.64% for the Period as compared with the corresponding period of last year. During the Period, its average occupancy rate was approximately 98.53%. Windsor House provides shoppers a cozy shopping environment with a diversified trade mix. Various marketing and promotion activities are held in Windsor House from time to time which boost shoppers' flow and thus increase tenants' business turnover. As a result, Windsor House recorded satisfactory rental growth and high occupancy rate.

In January 2015, the Group has disposed the companies holding Silvercord.

During the Period, the average occupancy rate of The ONE was approximately 99.90%. The Group disposed the company holding The ONE in July 2015.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, all the shops were fully let out during the Period.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the average occupancy rate was approximately 62.21% during the Period.

The occupancy rate for the Group's office properties maintained at a high level throughout the Period. During the Period, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 93.14%, 99.46% and 99.52% respectively, bringing the approximate occupancy rate of the overall office portfolio to 96.89%.

BUSINESS REVIEW *(continued)*

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily.

No. 12 Shiu Fai Terrace, located in Mid-Levels East, is a traditional prestigious location for luxury residential project in Hong Kong. A luxury residential tower which provides a total residential gross floor area of around 40,726 square feet will be redeveloped. Superstructure work is in progress. Completion of the project is scheduled for the first quarter of 2016.

One South Lane is located in the Western District and enjoys close proximity to the HKU MTR Station. It will be redeveloped into a luxury residential/retail tower with a total gross floor area of around 41,318 square feet and consists of 92 residential units. Superstructure work is in progress. Completion of the project is scheduled for the third quarter of 2016. Since its pre-sales commenced in September 2014, 88 units were presold up to 30th June, 2015, representing 95.65% of total units.

The Group has a two-phase redevelopment project in Wanchai (87.5% interest) undertaken with the Urban Renewal Authority. All residential units of The Zenith (Phase I project) were sold. One WanChai (Phase II project with preservation of the core elements of Wanchai Market) is a residential/commercial complex development with total gross floor area of approximately 159,700 square feet which provides 237 residential units and retail properties. As at 30th June, 2015, all residential units of One WanChai were sold and recognised.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area of about 36,000 square feet which provides a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. Occupation permit was issued in March 2015. It is expected that the certificate of compliance will be issued in the third quarter of 2015. The project is expected to be launched in the third quarter of 2015.

The Hermitage (25% interest) is one of the Group's joint venture development projects in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. As at 30th June, 2015, 99.79% of total units were sold and recognised (2 units remaining).

The Coronation (15% interest) is another joint venture development project of the Group in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 740 residential units and retail properties with a total gross floor area of around 650,600 square feet. As at 30th June, 2015, 99.86% of total units were sold and recognised (1 unit remaining).

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

BUSINESS REVIEW *(continued)*

Mainland China Property Investment

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

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex and has a gross floor area of around 263,708 square feet. The average occupancy rates of the office and retail spaces for the Period were approximately 74.54% and 96.94% respectively.

Platinum (50% interest), a 20-storey Grade A office building located at Taicang Road of Huangpu District in Shanghai, has a gross floor area of about 466,464 square feet. The average occupancy rate for the Period was approximately 92.43%. In August 2015, the associate of the Group has entered into a sale and purchase agreement to dispose the company holding Platinum. Such transaction is expected to be completed in 2015.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 72.77% for the Period.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 98.42% for the Period.

Mainland China Property Development

Splendid City is a residential and commercial project located at Yingbin Avenue of Jinniu District in Chengdu with a gross floor area of approximately 3.74 million square feet. It comprises two phases with 19 residential tower blocks and a commercial building with gross floor area of approximately 272,740 square feet. The whole project had been completed. Up to 30th June, 2015, 1,216 units of Phase I were sold (representing 99.18% of total units) while 1,611 units of Phase II were sold (representing 99.14% of total units). All units of the commercial building were fully let out during the Period. The Group disposed the company holding Splendid City in July 2015.

The Metropolis is a residential project located at Yixue Lane and Tangba Street of Jinjiang District in Chengdu, with site area of approximately 194,336 square feet and corresponding gross floor area of approximately 1.65 million square feet. It will comprise 3 twin residential tower blocks and will be developed in phases. Tower 1 and Tower 2 had been completed. 529 units of Tower 1 were sold (representing 92.48% of total units) and 84 units of Tower 2 were pre-sold (representing 14.66% of total units) up to 30th June, 2015. As at 30th June, 2015, construction work of Tower 3 has not yet commenced. In July 2015, the Group has disposed the company holding The Metropolis.

Chinese Estates Plaza, a commercial and residential project at Tidu Street of Qingyang District in Chengdu, has a site area of about 404,110 square feet with a development scale of 3.2 million square feet. It comprises a Grade A office building, a five-star hotel, a shopping arcade and 4 residential tower blocks. As at 30th June, 2015, the office building, hotel and shopping arcade have been completed; superstructure work of residential towers has been completed. The Group disposed the company holding Chinese Estates Plaza in July 2015.

The Coronation, a commercial and residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), has a site area of around 2,207,546 square feet and a gross floor area of approximately 11.09 million square feet. The project will be developed in four phases. Phase I will be divided into several zones, its construction work is in progress amongst the first zone of Phase I has been completed in June 2015. The entire Phase I is expected to be completed in the third quarter of 2017. Since the launching of 1,036 units of the first zone of Phase I, 186 units were sold and 614 units were pre-sold up to 30th June, 2015.

BUSINESS REVIEW *(continued)*

Overseas Property Investment

River Court is a Grade A freehold office building situated at 116-129 Fleet Street, London, United Kingdom. It provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces. It was fully let out as of 30th June, 2015.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

Disposal of a Subsidiary holding The ONE – Major and Connected Transaction

The Group has on 12th December, 2014 entered into a sale and purchase agreement in relation to, inter alia, disposal of a wholly-owned subsidiary of the Company that ultimately held the property known as The ONE to the company wholly-owned by Mr. Joseph Lau, Luen-hung (a substantial shareholder and a controlling shareholder of the Company) at a final consideration of HK\$5,020,555,522.58 (the “Disposal Transaction”). The Disposal Transaction was completed on 15th July, 2015. Details of the Disposal Transaction were set out in the Company’s announcement dated 12th December, 2014; circular dated 7th January, 2015; announcements dated 23rd January, 2015, 15th June, 2015, 15th July, 2015 and 13th August, 2015.

Disposal of Gemstar Tower Car Parking Spaces

On 23rd June, 2015, the Group has entered into a provisional agreement for sale and purchase in relation to, inter alia, disposal of the roof and 50 car parking spaces at Gemstar Tower held by the Group to an independent third party at a consideration of HK\$90,000,000. Completion shall take place on or before 21st December, 2015.

Disposal of Subsidiaries holding Chengdu Projects – Discloseable Transaction

On 14th July, 2015, the Group has entered into an equity and debt transfer agreement in relation to, inter alia, disposal of the Company’s wholly-owned subsidiaries that ultimately held, inter alia, the property projects located at Chengdu, known as Splendid City, The Metropolis and Chinese Estates Plaza, together with an investment in a PRC partnership which was set up mainly for the purpose of long term capital investment, to an independent third party at a consideration of HK\$6,500,000,000 (the “Transaction”). The Transaction constituted a discloseable transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). Details of the Transaction were set out in the announcement of the Company dated 14th July, 2015. Completion of the Transaction took place on 30th July, 2015.

Disposal of a Company holding Platinum by an Associate

An associate of the Group (50% interest) has on 7th August, 2015 entered into a sale and purchase agreement in relation to, inter alia, disposal of a company that ultimately held the office building namely Platinum located at Shanghai, to an independent third party of the Company. Completion and finalisation of consideration shall take place on or after 30th September, 2015.

PROSPECTS

At present, the local economy is undergoing certain kind of micro adjustment, with the stabilization of rental property market in light of the coming potential increase of interest rate and signs of retail rental reaching the top. Meanwhile, the global economy is resuming momentum moderately with the gradual economic recovery of the United States. Nevertheless, the loose monetary measures are expected to be continued by various economic giants in light of the recent European and Asian economic development like the devaluation of Renminbi and there still has the pressure of keeping the interest rate low from the macro-global point of view in the second half of 2015.

The Group's local retail investment properties leased well during the Period. The Group will closely monitor the changes in local consumption patterns, boost customer flow and spending for its remaining retail investment properties by organizing various marketing and promotional activities.

Subsequent to the disposal of the companies holding Silvercord and The ONE in January 2015 and July 2015 respectively, contribution of rental income from Silvercord and The ONE to the Group in year 2015 will be significantly lowered. Accordingly, it is expected that the Group's rental income and revenue for the year ending 31st December, 2015 will record a sizeable decrease when compared to that of the year ended 31st December, 2014.

During the Period, the local prime located office properties of the Group maintained high occupancy rate. It is expected that the Group's local office properties will continue to lease well in the second half of the year.

The economic reform policy of the PRC continues to keep pace and the Central Government keens on opening new liberal trading and economic development zones as one of new measures to keep momentum in further economic development. In the meantime, given the anticipated levy of real estate tax and oversupply of properties in certain cities, especially in non-Tier 1 cities, the Group recently in July determined to sell its interests in various property projects in Chengdu to capture profits at good times. After the disposal of Chengdu property projects and an associate in Shanghai, it is expected that the Group's revenue and profit or loss contribution from Mainland China will be lowered in year 2015.

The Group will consider realizing other property interests in the PRC if good opportunity arises, at the same time, the Group will continue monitoring the property markets of Hong Kong, Mainland China and overseas closely, and will replenish its land bank and expand its investment property portfolio at opportune times.

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

As at 30th June, 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company as recorded in the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Appendix 10 of Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:–

Name of Director	Number of Shares Held	<i>Note</i>	Capacity	Percentage of Issued Share Capital
Mr. Lau, Ming-wai ("Mr. MW Lau")	1,430,700,768	*	Beneficiary of trust	74.99%

Note:

* These shares were indirectly owned by a discretionary trust of which Mr. MW Lau was eligible beneficiary of that trust.

All the interests stated above represent long positions. The percentage shown was the number of shares the relevant Director was interested in expressed as a percentage of the number of issued shares as at 30th June, 2015.

Save as disclosed above, none of the other Directors and chief executives of the Company had or were deemed under the SFO to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as at 30th June, 2015.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30th June, 2015, so far as are known to any Directors or chief executives of the Company, the following parties (other than Directors or chief executives of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:–

Name of Substantial Shareholders	Number of Shares Held	Notes	Capacity	Percentage of Issued Share Capital
Mr. Joseph Lau, Luen-hung ("Mr. Joseph Lau")	1,430,700,768	^	Founder, beneficiary of trust and interest of children under 18	74.99%
Alto Trust Limited	1,430,700,768	#	Trustee and interest in controlled corporation	74.99%
Solar Bright Ltd.	1,430,700,768	#	Beneficiary of a trust and interest in controlled corporation	74.99%
Global King (PTC) Ltd.	1,199,715,948	#	Trustee	62.89%
Joseph Lau Luen Hung Investments Limited	230,984,820	#	Beneficial owner	12.10%

Notes:

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

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

All the interests stated above represent long positions. As at 30th June, 2015, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

SHARE AWARD SCHEME

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

AUDIT COMMITTEE REVIEW

The interim results for the Period are unaudited and have not been reviewed by the auditors of the Company. The Audit Committee of the Company, comprised all the Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the Period.

CORPORATE GOVERNANCE

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

Code Provision A.1.8 – Directors’ Insurance

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

Code Provision A.2.1 – Chairman and Chief Executive

Mr. MW Lau acts as both the chairman of the Board (the “Chairman”) and the Chief Executive Officer (“CEO”). The Board considers that the balance of power and authority of the Board will not be impaired even the roles of the Chairman and the CEO are performed by the same individual. At present, the Board also believes that under the leadership of Mr. MW Lau as the Chairman and CEO, the Board’s decision could be made effectively and it is beneficial to the management and development of the Group’s businesses. The Board would still consider segregation of the roles of the Chairman and the CEO if and when appropriate.

BOARD OF DIRECTORS

Ms. Lui, Lai-kwan has resigned as an Executive Director of the Company with effect from 27th April, 2015 and Ms. Chan, Lok-wan has been appointed as an Executive Director of the Company with effect from 27th July, 2015. The Company has made relevant announcements on 27th April, 2015 and 27th July, 2015 respectively.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code. All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code and the said code of conduct during the Period.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (the “Relevant Employees”) who, because of office or employment, are likely to be in possession of unpublished inside information in relation to the Group’s securities had been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the said code during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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

Ms. Chan, Sze-wan, Executive Director of the Company, is the elder sister of Ms. Chan, Lok-wan, the newly appointed Executive Director of the Company.

Mr. Ma, Tsz-chun, Independent Non-executive Director of the Company, ceased to act as a director of ACE (CPA) Limited since April 2015.

Save those changes mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51B(1) and 13.51(2) of the Listing Rules, since the publication of 2014 Annual Report.

APPRECIATION

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

On behalf of the Board
Lau, Ming-wai
Chairman

Hong Kong, 18th August, 2015