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## **CHINESE ESTATES HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 127)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2017**

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, 2017 (the “Period”) together with the comparative figures for the corresponding period in 2016:-

#### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30th June, 2017*

		<b>Six months ended 30th June,</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>672,948</b>	1,944,869
Cost of sales		<b>(233,053)</b>	(588,462)
Gross profit		<b>439,895</b>	1,356,407
Other income	5	<b>51,681</b>	51,493
Investment income, net	6	<b>2,095,395</b>	1,170,183
Administrative expenses		<b>(157,782)</b>	(192,835)
Gain on disposals of equipment, net		<b>103</b>	99
Fair value changes on investment properties		<b>247,019</b>	(891,210)
Finance costs	8	<b>(146,978)</b>	(89,415)
Other gains and losses, net	9	<b>143,401</b>	1,992,303
Share of results of associates		<b>27,721</b>	117,739
Profit before tax		<b>2,700,455</b>	3,514,764
Income tax expense	10	<b>(100,072)</b>	(352,087)
Profit for the period	7	<b>2,600,383</b>	3,162,677

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(continued)*

*For the six months ended 30th June, 2017*

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income (expenses)</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Gains and losses on investments in equity instruments measured at fair value through other comprehensive income	<b>3,390,874</b>	(2,336,029)
Share of other comprehensive income (expenses) of associates	<b>264</b>	(2)
	<b><u>3,391,138</u></b>	<b><u>(2,336,031)</u></b>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<b>241,367</b>	(265,049)
Reclassification adjustment related to foreign operations disposed of	<b>409</b>	9,053
Share of other comprehensive income (expenses) of associates	<b>6,640</b>	(2,419)
	<b><u>248,416</u></b>	<b><u>(258,415)</u></b>
Other comprehensive income (expenses) for the period (net of tax)	<b><u>3,639,554</u></b>	<b><u>(2,594,446)</u></b>
<b>Total comprehensive income for the period</b>	<b><u>6,239,937</u></b>	<b><u>568,231</u></b>
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>2,562,706</b>	2,931,016
Non-controlling interests	<b>37,677</b>	231,661
	<b><u>2,600,383</u></b>	<b><u>3,162,677</u></b>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>6,202,260</b>	336,570
Non-controlling interests	<b>37,677</b>	231,661
	<b><u>6,239,937</u></b>	<b><u>568,231</u></b>
<b>Earnings per share (HK\$)</b>		
Basic and diluted	<b>12</b> <b><u>1.343</u></b>	<b><u>1.537</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2017

	Notes	30th June, 2017 HK\$'000 (Unaudited)	31st December, 2016 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties		15,024,010	12,887,253
Property, plant and equipment		44,712	45,430
Intangible assets		-	-
Goodwill		322,938	322,938
Interests in associates		2,005,222	1,955,120
Advances to associates		49,501	49,485
Financial assets measured at fair value through profit or loss	13	270,546	373,050
Financial assets measured at fair value through other comprehensive income	14	9,044,966	5,442,591
Advances to investee companies		597,104	596,354
Advances to non-controlling shareholders		93,183	14,908
Other receivables	15	-	1,102,338
Deferred tax assets		2,578	2,692
Pledged deposits		113,114	13,884
		<u>27,567,874</u>	<u>22,806,043</u>
<b>Current assets</b>			
Stock of properties		239,474	1,273,474
Financial assets measured at fair value through profit or loss	13	10,333,881	14,642,623
Inventories		2,347	2,860
Debtors, deposits, other receivables and prepayments	15	1,066,081	4,722,891
Securities trading receivables and deposits		152,336	27,327
Tax recoverable		4,202	3,991
Pledged deposits		300,194	929,879
Time deposits, bank balances and cash		1,865,725	1,070,471
Sales proceeds held by stakeholders		59,626	296,176
		<u>14,023,866</u>	<u>22,969,692</u>
<b>Current liabilities</b>			
Creditors and accruals	16	263,302	408,702
Securities trading and margin payable		236,816	9,245
Deposits and receipts in advance		345,106	252,132
Tax liabilities		333,634	294,511
Borrowings		8,589,367	10,797,503
		<u>9,768,225</u>	<u>11,762,093</u>
<b>Net current assets</b>		<u>4,255,641</u>	<u>11,207,599</u>
<b>Total assets less current liabilities</b>		<u>31,823,515</u>	<u>34,013,642</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*  
*At 30th June, 2017*

	<b>30th June, 2017 HK\$'000 (Unaudited)</b>	31st December, 2016 HK\$'000 (Audited)
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>190,762</b>	190,762
Properties revaluation reserve	-	18,632
Financial assets measured at fair value through other comprehensive income reserve	<b>1,378,082</b>	(2,255,201)
Statutory reserve	<b>668</b>	668
Other reserve	<b>(2,369)</b>	(2,378)
Special reserve	<b>2,499,685</b>	2,499,685
Capital redemption reserve	<b>138,062</b>	138,062
Translation reserve	<b>(479,819)</b>	(728,226)
Retained profits		
- declared/proposed dividends	<b>381,524</b>	3,834,314
- others	<b>22,514,395</b>	26,107,898
	<b>26,620,990</b>	29,804,216
<b>Non-controlling interests</b>	<b>133,316</b>	95,639
<b>Total equity</b>	<b>26,754,306</b>	29,899,855
<b>Non-current liabilities</b>		
Borrowings	<b>4,845,105</b>	3,793,891
Amounts due to associates	<b>134,819</b>	110,269
Amounts due to non-controlling shareholders	<b>49,177</b>	84,761
Deferred tax liabilities	<b>40,108</b>	124,866
	<b>5,069,209</b>	4,113,787
	<b>31,823,515</b>	34,013,642

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*For the six months ended 30th June, 2017*

**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”) (“Listing Rules”) 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 Amended 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, 2016 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 2014-2016 Cycle relating to
HKAS 7 (Amendments)	Amendments to HKFRS 12 Disclosure of Interests in Other Entities
HKAS 12 (Amendments)	Disclosure Initiative
	Recognition of Deferred Tax Assets for Unrealised Losses

***Amendments to HKAS 7 Disclosure Initiative***

The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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, new interpretations and amendments to existing HKFRSs (“new and amended HKFRSs”) that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle except
HKFRS 2 (Amendments)	HKFRS 12 (Amendments) <sup>1</sup>
HKFRS 10 and HKAS 28 (2011)	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
(Amendments)	Sale or Contribution of Assets between an Investor and its Associate or
HKFRS 15	Joint Venture <sup>3</sup>
HKFRS 15 (Amendments)	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Clarifications to HKFRS 15 <sup>1</sup>
HKAS 40 (Amendments)	Leases <sup>2</sup>
HK(IFRIC) – Int 22	Transfers of Investment Property <sup>1</sup>
HK(IFRIC) – Int 23	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2018

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

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

### *Amendments to HKFRS 10 and HKAS 28 (2011) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and HKAS 28 (2011) 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.

### *HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1st January, 2018. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

### *HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

The directors of the Company (“Directors”) are in the process of assessing the potential impact of the new and amended HKFRSs but are not yet in a position to determine whether the new and amended HKFRSs will have a significant impact on how the Group’s results of operations and financial position are prepared and presented. The new and amended 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, gain/loss on sales of investments held-for-trading, commission from brokerage, settlement charges from brokerage, cosmetic goods sold less returns and interest income from loan financing, are analysed as follows:

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Property rental income	<b>239,919</b>	482,046
Sales of properties held for sale	<b>425,906</b>	1,480,363
Loss on sales of investments held-for-trading, net	-	(24,351)
Brokerage and cosmetic income	<b>7,065</b>	6,811
Interest income from loan financing	<b>58</b>	-
	<b>672,948</b>	<b>1,944,869</b>

#### 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 equity investments at fair value through other comprehensive income (“FVTOCI”); (v) listed investments held-for-trading and treasury products; and (vi) unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management of the Group uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
- Retail	–	Property leasing from retail properties
- Non-retail	–	Property leasing from non-retail properties
Listed equity investments at FVTOCI	–	Listed equity securities at FVTOCI
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 investment 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.

Unallocated corporate assets mainly comprised leasehold land and building for own use, deposit paid in respect of a property, advances to non-controlling shareholders, deferred tax assets, tax recoverable and deferred consideration receivables in respect of disposals of subsidiaries.

Unallocated corporate liabilities mainly comprised tax liabilities, bank borrowings, amounts due to associates, amounts due to non-controlling shareholders and deferred tax liabilities.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2016.

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 results are attributed to countries on the basis of the property or asset location.

There were three major customers (2016: two) who individually accounted for 10% or more of the Group’s revenue. Revenue of approximately HK\$107,693,000 and HK\$75,000,000 were derived from property development and trading segment in Hong Kong from each of the two customers and revenue of approximately HK\$84,881,000 was derived from non-retail property leasing segment outside Hong Kong from a customer (2016: HK\$377,836,000 and HK\$333,909,000 were derived from property development and trading segment in Hong Kong from each of the two customers).

#### 4. Operating Segments (continued)

Operating segment information is presented below:

### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2017

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
<b>Major cash items excluding in revenue</b>								
- Hong Kong	-	-	-	-	8,086,045	-	-	8,086,045
- Other countries	-	-	-	-	1,392,300	-	-	1,392,300
	-	-	-	-	9,478,345	-	-	9,478,345
<b>Revenue</b>								
Revenue from external customers								
- Hong Kong	425,906	28,218	66,546	-	-	2,880	4,243	527,793
- United Kingdom	-	17,089	125,144	-	-	-	-	142,233
- Mainland China	-	2,922	-	-	-	-	-	2,922
	425,906	48,229	191,690	-	-	2,880	4,243	672,948
Revenue from external customers after non-controlling interests	329,440	47,643	191,483	-	-	2,880	4,243	575,689
Attributable property sales from associates/investee company								
- Hong Kong	726	-	-	-	-	-	-	726
Attributable rental revenue from associates/investee company								
- Hong Kong	-	10,186	16,299	-	-	-	-	26,485
- Mainland China	-	36,141	4,506	-	-	-	-	40,647
	330,166	93,970	212,288	-	-	2,880	4,243	643,547
<b>Result</b>								
Segment result								
- Hong Kong	202,407	26,271	66,168	162,984	869,638	3,887	10,532	1,341,887
- United Kingdom	-	16,754	122,739	-	-	12	-	139,505
- Mainland China	-	2,630	-	-	-	1,058	-	3,688
- Other countries	-	-	-	-	296,895	993	-	297,888
	202,407	45,655	188,907	162,984	1,166,533	5,950	10,532	1,782,968
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	468	-	-	-	-	-	-	468
- Attributable gross income								
- Hong Kong	-	9,788	15,686	-	-	-	1,136	26,610
- Mainland China	-	36,141	4,506	-	-	-	-	40,647
- Attributable operating cost								
- Hong Kong	-	(262)	(3,589)	-	-	-	-	(3,851)
- Mainland China	-	(14,543)	(1,532)	-	-	-	-	(16,075)
Non-controlling interests	(44,374)	(510)	(181)	-	-	-	-	(45,065)
	158,501	76,269	203,797	162,984	1,166,533	5,950	11,668	1,785,702
Finance costs	-	-	-	(20,034)	(83,602)	-	-	(103,636)
Share of results of associates								
- income tax and others	(73)	(19,611)	(30,814)	-	-	-	(250)	(50,748)
Income tax expense	-	-	-	(16,302)	-	-	-	(16,302)
	158,428	56,658	172,983	126,648	1,082,931	5,950	11,418	1,615,016
Unallocated items								
Unallocated corporate expenses, net								(115,345)
Unallocated finance costs								(43,342)
Imputed interest income from deferred consideration receivables								761,666
Gains on disposals of subsidiaries								143,404
Unallocated income tax expense								(83,770)
Unallocated non-controlling interests								7,388
<b>Operating profit for the period attributable to owners of the Company</b>								2,285,017
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of associates)								277,689
<b>Profit for the period attributable to owners of the Company</b>								2,562,706
<b>Core profit (excluding major non-cash items)</b>								
<b>Operating profit for the period attributable to owners of the Company</b>								2,285,017
<b>Major accumulated realised fair value changes together with their respective deferred tax on disposals of investment properties and stock of properties in current period (including fair value changes recognised in properties revaluation reserve) after non-controlling interest</b>								
- Recognised in prior years								336,182
<b>Core profit for the period attributable to owners of the Company</b>								2,621,199



**4. Operating Segments (continued)**  
**Condensed Consolidated Statement of Financial Position**  
*At 30th June, 2017*

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI 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					
<b>Assets</b>								
Segment assets								
- Hong Kong	1,158,344	3,319,050	4,658,347	8,130,871	7,138,348	433,879	62,907	24,901,746
- United Kingdom	-	1,646,279	7,781,770	-	-	-	-	9,428,049
- Mainland China	-	-	38,305	-	-	-	6,077	44,382
- Other countries	-	-	-	-	3,659,475	657,474	-	4,316,949
Interests in associates								
- Hong Kong	71,851	375,276	1,365,235	-	-	2,412	6,108	1,820,882
- Mainland China	-	128,098	56,242	-	-	-	-	184,340
Advances to associates								
- Hong Kong	1,183	-	298	-	-	7	1,157	2,645
- Mainland China	-	32,562	14,294	-	-	-	-	46,856
Reportable segment assets	<u>1,231,378</u>	<u>5,501,265</u>	<u>13,914,491</u>	<u>8,130,871</u>	<u>10,797,823</u>	<u>1,093,772</u>	<u>76,249</u>	<u>40,745,849</u>
Unallocated corporate assets								<u>845,891</u>
Consolidated total assets								<u>41,591,740</u>
<b>Liabilities</b>								
Segment liabilities								
- Hong Kong	272,931	24,647	61,496	2,991,177	2,626,921	143,847	9,622	6,130,641
- United Kingdom	-	15,039	221,116	-	-	-	-	236,155
- Mainland China	-	-	8	-	-	-	83	91
- Other countries	-	-	-	-	1,340,189	3	2	1,340,194
Reportable segment liabilities	<u>272,931</u>	<u>39,686</u>	<u>282,620</u>	<u>2,991,177</u>	<u>3,967,110</u>	<u>143,850</u>	<u>9,707</u>	<u>7,707,081</u>
Unallocated corporate liabilities								<u>7,130,353</u>
Consolidated total liabilities								<u>14,837,434</u>
<b>Additions to non-current assets (other than financial instruments and deferred tax assets)</b>								
	-	939	1,781,758	-	-	-	839	

**Other Material Items**

*For the six months ended 30th June, 2017*

	Reportable segments HK\$'000	Adjustments for unallocated items HK\$'000	Adjustments for major non-cash items HK\$'000	Condensed consolidated statement of comprehensive income HK\$'000
Interest income	495,034	761,666	-	1,256,700
Finance costs	(103,636)	(43,342)	-	(146,978)
Net income	<u>391,398</u>	<u>718,324</u>	-	<u>1,109,722</u>
Depreciation	-	(4,585)	-	(4,585)
Fair value changes on investment properties	-	-	247,019	247,019
Share of results of associates	(2,949)	-	30,670	27,721
Income tax expense	(16,302)	(83,770)	-	(100,072)
Non-controlling interests	(45,065)	7,388	-	(37,677)

#### 4. Operating Segments (continued)

### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2016

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI 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					
<b>Major cash items excluding in revenue</b>								
- Hong Kong	-	-	-	-	6,014,754	-	-	6,014,754
- Other countries	-	-	-	-	1,346,222	-	-	1,346,222
	-	-	-	-	7,360,976	-	-	7,360,976
<b>Revenue</b>								
Revenue from external customers								
- Hong Kong	1,480,363	165,786	169,641	-	(24,351)	1,989	4,822	1,798,250
- Mainland China	-	23,834	19,036	-	-	-	-	42,870
- United Kingdom	-	6,344	97,405	-	-	-	-	103,749
	1,480,363	195,964	286,082	-	(24,351)	1,989	4,822	1,944,869
Revenue from external customers after non-controlling interests	1,036,254	195,390	285,867	-	(24,351)	1,989	4,822	1,499,971
Attributable property sales from associates								
- Hong Kong	635	-	-	-	-	-	-	635
Attributable rental revenue from associates/investee company								
- Hong Kong	-	10,170	20,056	-	-	-	-	30,226
- Mainland China	-	34,411	4,309	-	-	-	-	38,720
	1,036,889	239,971	310,232	-	(24,351)	1,989	4,822	1,569,552
<b>Result</b>								
Segment result								
- Hong Kong	929,352	164,757	176,814	189,653	348,001	17,900	12,415	1,838,892
- Mainland China	-	21,276	16,637	-	-	2,648	-	40,561
- United Kingdom	-	5,880	93,800	-	-	88	-	99,768
- Other countries	-	-	-	-	84,266	-	-	84,266
	929,352	191,913	287,251	189,653	432,267	20,636	12,415	2,063,487
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	528	-	-	-	-	-	-	528
- Attributable gross income								
- Hong Kong	-	9,662	19,463	-	-	-	1,132	30,257
- Mainland China	-	34,411	4,309	-	-	-	-	38,720
- Attributable operating cost								
- Hong Kong	-	(328)	(3,611)	-	-	-	-	(3,939)
- Mainland China	-	(14,742)	(1,525)	-	-	-	-	(16,267)
Non-controlling interests	(272,020)	(504)	(189)	-	-	-	-	(272,713)
	657,860	220,412	305,698	189,653	432,267	20,636	13,547	1,840,073
Finance (costs) income	-	(1,278)	(45,272)	-	1,579	-	-	(44,971)
Other gains and losses, net	(6,085)	(60)	-	-	-	-	-	(6,145)
Share of results of associates								
- income tax and others	(84)	(16,622)	(3,247)	-	-	-	(254)	(20,207)
Income tax expense	-	-	-	(19,117)	-	-	-	(19,117)
	651,691	202,452	257,179	170,536	433,846	20,636	13,293	1,749,633
Unallocated items								
Unallocated corporate expenses, net								(152,141)
Unallocated finance costs								(44,444)
Imputed interest income from deferred consideration receivables								474,001
Gains on disposals of subsidiaries								1,998,448
Unallocated income tax expense								(335,278)
Unallocated non-controlling interests								41,052
<b>Operating profit for the period attributable to owners of the Company</b>								3,731,271
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of associates)								(802,563)
- Deferred tax credit								2,308
<b>Profit for the period attributable to owners of the Company</b>								2,931,016
<b>Core profit (excluding major non-cash items)</b>								
<b>Operating profit for the period attributable to owners of the Company</b>								3,731,271
<b>Major accumulated realised fair value changes together with their respective deferred tax on disposals of investment properties in current period (including fair value changes recognised in properties revaluation reserve)</b>								
- Recognised in prior years								8,682,033
<b>Core profit for the period attributable to owners of the Company</b>								12,413,304

#### 4. Operating Segments (continued)

### Condensed Consolidated Statement of Financial Position

At 31st December, 2016

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI 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					
<b>Assets</b>								
Segment assets								
- Hong Kong	2,322,983	3,635,368	4,037,319	4,559,729	13,695,381	364,102	56,246	28,671,128
- Mainland China	-	388,955	27,045	-	-	-	6,133	422,133
- United Kingdom	-	1,508,649	5,551,717	-	-	-	-	7,060,366
- Other countries	-	11	-	-	1,577,011	693,763	-	2,270,785
Interests in associates								
- Hong Kong	81,330	373,778	1,318,165	-	-	2,368	5,637	1,781,278
- Mainland China	-	120,649	53,193	-	-	-	-	173,842
Advances to associates								
- Hong Kong	1,139	-	210	-	-	5	1,145	2,499
- Mainland China	-	32,611	14,375	-	-	-	-	46,986
Reportable segment assets	<u>2,405,452</u>	<u>6,060,021</u>	<u>11,002,024</u>	<u>4,559,729</u>	<u>15,272,392</u>	<u>1,060,238</u>	<u>69,161</u>	<u>40,429,017</u>
Unallocated corporate assets								<u>5,346,718</u>
Consolidated total assets								<u>45,775,735</u>
<b>Liabilities</b>								
Segment liabilities								
- Hong Kong	430,034	23,413	62,451	44	7,193,900	11,895	12,480	7,734,217
- Mainland China	-	11,611	25	-	-	-	80	11,716
- United Kingdom	-	13,399	103,813	-	-	-	-	117,212
- Other countries	-	1	15	-	2,700,203	7	-	2,700,226
Reportable segment liabilities	<u>430,034</u>	<u>48,424</u>	<u>166,304</u>	<u>44</u>	<u>9,894,103</u>	<u>11,902</u>	<u>12,560</u>	<u>10,563,371</u>
Unallocated corporate liabilities								<u>5,312,509</u>
Consolidated total liabilities								<u>15,875,880</u>
<b>Additions to non-current assets (other than financial instruments and deferred tax assets)</b>	<u>328</u>	<u>1,592,723</u>	<u>1,998,998</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>738</u>	

#### Other Material Items

For the six months ended 30th June, 2016

	Reportable segments HK\$'000	Adjustments for unallocated items HK\$'000	Adjustments for major non-cash items HK\$'000	Condensed consolidated statement of comprehensive income HK\$'000
Interest income	454,086	474,001	-	928,087
Finance costs	(44,971)	(44,444)	-	(89,415)
Net income	409,115	429,557	-	838,672
Depreciation	-	(5,795)	-	(5,795)
Fair value changes on investment properties	-	-	(891,210)	(891,210)
Share of results of associates	29,092	-	88,647	117,739
Income tax (expense) credit	(19,117)	(335,278)	2,308	(352,087)
Non-controlling interests	(272,713)	41,052	-	(231,661)

## 5. Other Income

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Included in other income are:		
Building management fee income	17,314	50,978
Building management fee expenses	(7,970)	(40,080)
	<b>9,344</b>	<b>10,898</b>
Rental services income	<b>6,870</b>	11,220
Property management services, leasing administration services and property administration services income	<b>28,578</b>	17,091
Asset management and maintenance services income	<b>466</b>	2,120
Advisory and consultancy services income	<b>14</b>	277
Exchange gain, net	<b>3,311</b>	-
	<b>9,344</b>	<b>10,898</b>

## 6. Investment Income, Net

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised loss arising on change in fair value	-	(14,154)
Financial assets measured at fair value through profit or loss:		
Unrealised gain (loss) arising on change in fair value of bonds	453,355	(89,713)
Realised gain arising on change in fair value of bonds		
- Change in fair value	166,588	87,057
- Exchange component of change	41,552	8,716
Net gain arising on change in fair value of bonds	<b>661,495</b>	<b>6,060</b>
Unrealised gain (loss) arising on change in fair value of club debentures, net	<b>431</b>	(2)
Loss on disposal of a club debenture	-	(53)
Other investment income, net	<b>13,198</b>	14,413
Dividends income on:		
Listed investment	<b>163,018</b>	191,167
Unlisted investments	<b>993</b>	45,306
Interest income	<b>1,256,260</b>	927,446
	<b>2,095,395</b>	<b>1,170,183</b>

Interest income mainly included interest income from bonds of approximately HK\$491,806,000 (2016: HK\$448,785,000) and imputed interest income from deferred consideration receivables of approximately HK\$761,666,000 (2016: HK\$474,001,000).

## 7. Profit for the Period

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	<b>(100,600)</b>	(108,200)
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$54,000 (2016: HK\$215,000)	<b>(5,176)</b>	(5,026)
	<b>(105,776)</b>	(113,226)
Auditors' remuneration:		
Auditors of the Company		
- Current period	<b>(1,153)</b>	(1,214)
Other auditors		
- Current period	<b>(243)</b>	(173)
- Underprovision in prior years	<b>(18)</b>	(127)
Depreciation	<b>(4,585)</b>	(5,795)
Exchange loss, net	<b>-</b>	(23,512)
Cost of trading properties recognised	<b>(176,505)</b>	(481,437)
Cost of cosmetic products recognised	<b>(1,458)</b>	(1,586)
Share of tax of associates (included in share of results of associates)	<b>(33,855)</b>	(5,899)
Gross proceeds on disposals of investments held-for-trading	<b>-</b>	568,085
Carrying amount of investments held-for-trading disposed of	<b>-</b>	(591,227)
Transaction costs on investments held-for-trading disposed of	<b>-</b>	(1,209)
Net loss on disposals of investments held-for-trading included in revenue	<b>-</b>	(24,351)
Gross rental income from investment properties	<b>239,919</b>	482,046
Less: Direct operating expenses from investment properties that generated rental income during the period	<b>(4,142)</b>	(29,448)
Direct operating expenses from investment properties that did not generate rental income during the period	<b>(1,215)</b>	(3,434)
	<b>234,562</b>	449,164

## 8. Finance Costs

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
Bank loans	<b>40,011</b>	85,609
Other loans	<b>60,933</b>	31,999
Total interest	<b>100,944</b>	117,608
Exchange loss (gain) on translation of foreign currency borrowings, net	<b>42,703</b>	(33,578)
Other finance costs	<b>3,471</b>	6,618
	<b>147,118</b>	90,648
Less: Interest capitalised to stock of properties under development held for sale	<b>(140)</b>	(1,233)
	<b>146,978</b>	89,415

During the Period, the Group has capitalised borrowing costs at a rate of 2.58% (2016: 2.25%) per annum amounting to approximately HK\$140,000 (2016: HK\$1,233,000) on qualifying assets.

## 9. Other Gains and Losses, Net

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Included in other gains and losses, net are:		
Gain on disposal of subsidiaries - Pinecrest Group ( <i>note (i)</i> )	<b>114,446</b>	-
Gain on disposal of subsidiaries - Win Kings Group ( <i>note (ii)</i> )	<b>28,958</b>	-
Gain on disposal of a subsidiary - Pioneer Time ( <i>note (iii)</i> )	-	1,277,154
Gain on disposal of a subsidiary - Evergo Shanghai ( <i>note (iv)</i> )	-	721,294
Impairment loss recognised in respect of interest in and advance to an associate, net	-	(6,083)
Underprovision for rental guarantee ( <i>note (v)</i> )	-	(60)
	<b>114,446</b>	<b>1,992,315</b>

### Notes:

- (i) Gain on disposal of subsidiaries arose from the disposal of the Group's entire issued share capital of Pinecrest International Limited ("Pinecrest"), an indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively "Pinecrest Group") ("Pinecrest Disposal") on 10th February, 2017. Pinecrest Group held certain shops of Lowu Commercial Plaza located in Shenzhen, the People's Republic of China ("PRC"). Details of the Pinecrest Disposal are set out in Note 17(a).
- (ii) Gain on disposal of subsidiaries arose from the disposal of the Group's entire issued share capital of Win Kings Holding Ltd. ("Win Kings"), an indirect wholly-owned subsidiary of the Company, and its subsidiary (collectively "Win Kings Group") ("Win Kings Disposal") on 10th February, 2017. Win Kings Group held a property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong. Details of the Win Kings Disposal are set out in Note 17(b).
- (iii) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Pioneer Time Investment Limited ("Pioneer Time"), an indirect wholly-owned subsidiary of the Company ("Pioneer Time Disposal") on 15th January, 2016. Pioneer Time held the property known as MassMutual Tower (now known as China Evergrande Centre) in Hong Kong.
- (iv) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Evergo Real Estate (Shanghai) Company Limited ("Evergo Shanghai"), an indirect wholly-owned subsidiary of the Company ("Evergo Shanghai Disposal") on 22nd June, 2016. Evergo Shanghai held the property known as Evergo Tower in Shanghai, the PRC.
- (v) The amount represented underprovision for rental guarantee provided to purchasers of certain shops or units of an investment property in Hong Kong disposed of in prior years.

## 10. Income Tax Expense

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	<b>37,111</b>	163,829
Other than Hong Kong	<b>52,862</b>	167,444
	<b>89,973</b>	331,273
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	<b>(4)</b>	(308)
Other than Hong Kong	<b>6,727</b>	22,869
	<b>6,723</b>	22,561
Deferred tax:		
Current period charge (credit)	<b>3,376</b>	(1,747)
	<b>100,072</b>	<b>352,087</b>

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the Period. The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2016: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



### 13. Financial Assets Measured at Fair Value Through Profit or Loss (continued)

Major terms of the bonds denominated in United States dollar (“US\$”), Euro (“EUR”) and Pound Sterling (“GBP”) are as follows:

Notional amount	Maturity
US\$33,500,000	2018
US\$8,882,000	2019
US\$29,000,000	2021
US\$2,500,000	2022
US\$30,000,000	2023
US\$162,000,000	2024
US\$151,303,000	2025
US\$9,000,000	2036
US\$21,000,000	2046
US\$6,000,000	2075
US\$805,460,000	Perpetual
EUR4,000,000	Perpetual
GBP23,000,000	Perpetual

### 14. Financial Assets Measured at Fair Value Through Other Comprehensive Income

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
Listed investments:		
- Equity securities listed in Hong Kong (notes (i) and (ii))	8,130,871	4,559,726
Unlisted equity securities:		
- Incorporated in Hong Kong	262,945	195,790
- Incorporated elsewhere (note (iii))	651,150	687,075
	<b>9,044,966</b>	<b>5,442,591</b>

#### Notes:

- (i) During the Period, the Group disposed of a subsidiary whose principal asset was its holding of a block of 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) (“Shengjing Bank”) (“SJB Shares”), which represented approximately 9.96% of the total issued share capital of Shengjing Bank, or approximately 37.5% of the total H shares of Shengjing Bank in issue as at the date of the disposal. Details of the disposal of the subsidiary are set out in Note 17(c). At the date of completion of the disposal, the SJB Shares were carried at their fair value determined based on the consideration of the disposal transaction. The resulting gain on fair value change of the SJB Shares amounting to approximately HK\$2,125,982,000 and the transaction costs of the disposal of approximately HK\$1,687,000 were recognised in other comprehensive income of the Group for the Period (31st December, 2016: carrying amount of approximately HK\$4,559,726,000 represented the acquisition consideration of the SJB Shares of approximately HK\$6,926,166,000 after deducting unrealised loss on fair value change of approximately HK\$2,366,440,000 for the year ended 31st December, 2016 which was determined based on quoted price in active market).
- (ii) During the Period, the Group has acquired 579,948,000 shares of China Evergrande Group (Stock Code: 3333) (“China Evergrande”) (“Evergrande Shares”) at a total consideration (including transaction costs) of approximately HK\$6,911,727,000. The unrealised gain on fair value change of the Evergrande Shares of approximately HK\$1,219,144,000 which was determined based on quoted price in active market, was recorded in financial assets measured at FVTOCI reserve during the Period. The carrying amount of the Evergrande Shares as at 30th June, 2017 was approximately HK\$8,130,871,000.
- (iii) As at 30th June, 2017, the carrying amount 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\$547,939,000 (31st December, 2016: HK\$584,510,000).

### 15. Debtors, Deposits, Other Receivables and Prepayments

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$8,653,000 (31st December, 2016: HK\$5,894,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from cosmetic business.



## 15. Debtors, Deposits, Other Receivables and Prepayments (continued)

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:

	<b>30th June, 2017 HK\$'000</b>	31st December, 2016 HK\$'000
0 - 30 days	<b>3,051</b>	2,371
31 - 60 days	<b>931</b>	794
61 - 90 days	<b>1,426</b>	693
Over 90 days	<b>3,245</b>	2,036
	<b>8,653</b>	5,894

Included in debtors, deposits, other receivables and prepayments are consideration receivable(s) in respect of deferred consideration(s) of the Chongqing Project Disposal (as defined below) of approximately HK\$514,082,000 to be received within one year was shown as current (31st December, 2016: the Chengdu Project Disposal (as defined below), the Chongqing Project Disposal and the Pioneer Time Disposal of approximately HK\$5,100,696,000 in aggregate, of which approximately HK\$3,998,358,000 to be received within one year was shown as current and HK\$1,102,338,000 to be received after one year was shown as non-current). The deferred consideration receivable(s) was (were) initially recognised at fair value and subsequently measured at amortised cost, which was (were) recorded as other receivable(s).

On 30th July, 2015, the Group disposed of the entire issued share capital of Lucky Benefit Limited and Rising Sheen Limited, both are indirect wholly-owned subsidiaries of the Company, and their respective subsidiaries ("Chengdu Project Disposal"). The consideration of the Chengdu Project Disposal was HK\$6,500,000,000 of which 10% was received from Shengyu (BVI) Limited ("Shengyu"), a wholly-owned subsidiary of Evergrande Real Estate Group Limited (now known as China Evergrande Group) which is independent of and not connected with the Company, up to the date of completion of the Chengdu Project Disposal. In accordance with the equity and debt transfer agreement of the Chengdu Project Disposal dated 14th July, 2015, the remaining 90% of the cash consideration receivable from the Chengdu Project Disposal amounting to HK\$5,850,000,000 would be received in 4 instalments within 24 months from the date of the disposal agreement. During the Period, the Group received all the remaining balance of HK\$3,250,000,000 (during the year ended 31st December, 2016: HK\$2,600,000,000).

On 27th October, 2015, the Group disposed of the entire issued share capital of Million Castle Investments Limited, an indirect wholly-owned subsidiary of the Company ("Chongqing Project Disposal"). The consideration of the Chongqing Project Disposal was HK\$1,750,000,000 of which 15% was received from Shengyu up to the date of completion of the Chongqing Project Disposal. In accordance with the equity and debt receivable transfer agreement of the Chongqing Project Disposal dated 19th October, 2015, the remaining 85% of the cash consideration receivable from the Chongqing Project Disposal amounting to HK\$1,487,500,000 would be received in 4 instalments within 24 months from the date of the disposal agreement. During the Period, the Group received HK\$350,000,000 (during the year ended 31st December, 2016: HK\$612,500,000). The remaining balance of HK\$525,000,000 was received by the Group subsequent to the Period.

The consideration of the Pioneer Time Disposal was approximately HK\$12,448,280,000 (after adjustment) of which HK\$5,000,000,000 was received from Shengyu up to the date of completion of the Pioneer Time Disposal. In accordance with the equity and debt transfer agreement of the Pioneer Time Disposal dated 12th November, 2015, the remaining cash consideration receivable from the Pioneer Time Disposal amounting to approximately HK\$7,448,280,000 would be received in 6 instalments within 6 years from the date of completion of the Pioneer Time Disposal. During the Period, the Group received all the remaining balance of approximately HK\$1,748,280,000 (during the year ended 31st December, 2016: HK\$5,700,000,000).

## 16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$16,325,000 (31st December, 2016: HK\$24,879,000).

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

	<b>30th June, 2017 HK\$'000</b>	31st December, 2016 HK\$'000
0 - 90 days	<b>460</b>	965
Over 90 days	<b>15,865</b>	23,914
	<b>16,325</b>	24,879

## 17. Disposals of Subsidiaries

### (a) Pinecrest Disposal

On 5th December, 2016, (i) New Silver Limited (“New Silver”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of New Silver; (iii) Strong Point Ventures Limited (“Strong Point Ventures”), a company wholly and beneficially owned by Mr. Lau, Ming-wai (“Mr. MW Lau”), being a non-executive Director; and (iv) Mr. MW Lau, being the guarantor of Strong Point Ventures, entered into a sale and purchase agreement, pursuant to which New Silver agreed to sell and Strong Point Ventures agreed to acquire the entire issued share capital of Pinecrest.

The Pinecrest Disposal was completed on 10th February, 2017 at a consideration of approximately HK\$352,221,000. Upon completion, the Pinecrest 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.

Details of the Pinecrest Disposal were set out in the announcements of the Company dated 5th December, 2016, 13th January, 2017 and 10th February, 2017 and the circular of the Company dated 28th December, 2016.

	2017 HK\$'000
The consolidated net assets of the Pinecrest Group as at the date of disposal were as follows:	
Investment properties	347,162
Equipment	22
Debtors, deposits, other receivables and prepayment	681
Bank balances and cash	5,805
Amount due from the Group	289,856
Creditors and accruals	(613)
Deposits and receipts in advance	(13,392)
Tax liabilities	(281)
Deferred tax liabilities	(104,419)
Consolidated net assets disposed of	524,821
Release of translation reserve upon disposal	409
Assumption of amount due from the Group	(289,856)
Gain on disposal of subsidiaries	114,446
	<u>349,820</u>
Satisfied by:	
Cash consideration	352,221
Expenses incurred for disposal	(2,401)
	<u>349,820</u>
Net cash inflow arising from disposal:	
Cash consideration	352,221
Settled by special interim dividend ( <i>note</i> )	(240,786)
Net cash consideration received	111,435
Expenses incurred for disposal	(2,401)
Bank balances and cash disposed of	(5,805)
	<u>103,229</u>

The gain on the Pinecrest Disposal was included in other gains and losses, net (Note 9(i)) in the unaudited condensed consolidated statement of comprehensive income.

*Note:* Strong Point Ventures has elected to settle the consideration by procuring the entitlement of each of Global King (PTC) Ltd. (“Global King”) and Joseph Lau Luen Hung Investments Limited (“JLLHIL”), both were shareholders of the Company, on the special interim dividend (Note 11) in an amount of approximately HK\$240,786,000.

## 17. Disposals of Subsidiaries (continued)

### (b) Win Kings Disposal

On 5th December, 2016, (i) Paul Y. Holdings Company Limited (“Paul Y.”), a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Paul Y.; (iii) Creative Dragon Ventures Limited (“Creative Dragon Ventures”), a company wholly and beneficially owned by Ms. Chan, Hoi-wan (“Ms. Chan”), being an associate of three Directors (Ms. Chan, Sze-wan, Ms. Chan, Lok-wan and Mr. MW Lau) and an associate of Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”), the then substantial shareholder and controlling shareholder of the Company, at the time of entering into the agreement; and (iv) Ms. Chan, being the guarantor of Creative Dragon Ventures, entered into a sale and purchase agreement, pursuant to which Paul Y. agreed to sell and Creative Dragon Ventures agreed to acquire the entire issued share capital of Win Kings.

The Win Kings Disposal was completed on 10th February, 2017 at a consideration of approximately HK\$889,554,000. Upon completion, the Win Kings 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.

Details of the Win Kings Disposal were set out in the announcements of the Company dated 5th December, 2016, 13th January, 2017 and 10th February, 2017 and the circular of the Company dated 28th December, 2016.

	<b>2017</b>
	<b>HK\$'000</b>
The consolidated net assets of the Win Kings Group as at the date of disposal were as follows:	
Stock of properties	859,061
Deposits and prepayments	1,048
Bank balance	1,291
Creditors and accruals	(2,434)
Amount due to the Group	<u>(624,967)</u>
Consolidated net assets disposed of	233,999
Sale of amount due to the Group	624,967
Gain on disposal of subsidiaries	<u>28,958</u>
	<b><u>887,924</u></b>
Satisfied by:	
Cash consideration	889,554
Expenses incurred for disposal	<u>(1,630)</u>
	<b><u>887,924</u></b>
Net cash inflow arising from disposal:	
Cash consideration	889,554
Settled by special interim dividend (note)	<u>(615,342)</u>
Net cash consideration received	274,212
Expenses incurred for disposal	(1,630)
Bank balance disposed of	<u>(1,291)</u>
	<b><u>271,291</u></b>

The gain on the Win Kings Disposal was included in other gains and losses, net (Note 9(ii)) in the unaudited condensed consolidated statement of comprehensive income.

Note: Creative Dragon Ventures has elected to settle the consideration by procuring the entitlement of each of Global King and JLLHIL on the special interim dividend (Note 11) in an amount of approximately HK\$615,342,000.

## 17. Disposals of Subsidiaries (continued)

### (c) Great Captain Disposal

On 15th March, 2017, (i) China Entertainment and Land Investment Company, Limited (“CELIC”), a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of CELIC; (iii) Perfect Sign Investments Limited (“Perfect Sign”), a company wholly and beneficially owned by Ms. Chan, being an executive Director and a substantial shareholder of the Company (as trustee for her two minor children); and (iv) Ms. Chan, being the guarantor of Perfect Sign, entered into a sale and purchase agreement, pursuant to which CELIC agreed to sell and Perfect Sign agreed to acquire the entire issued share capital of Great Captain Limited (“Great Captain”), an indirect wholly-owned subsidiary of the Company (“Great Captain Disposal”).

The Great Captain Disposal was completed on 23rd June, 2017 at a consideration of approximately HK\$5,567,687,000. Upon completion, Great Captain ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Great Captain Disposal were set out in the announcements of the Company dated 15th March, 2017, 4th May, 2017 and 23rd June, 2017 and the circular of the Company dated 13th April, 2017.

	2017 HK\$'000
The net assets of Great Captain as at the date of disposal were as follows:	
Financial asset measured at fair value through other comprehensive income	6,685,708
Other receivable	146,696
Borrowing	(1,264,717)
Amount due to the Group	(5,501,013)
Net assets disposed of	<u>66,674</u>
Sale of amount due to the Group	<u>5,501,013</u>
	<u>5,567,687</u>
Satisfied by:	
Cash consideration	<u>5,567,687</u>
Net cash inflow arising from disposal:	
Cash consideration	5,567,687
Settled by special interim dividend ( <i>note</i> )	(4,163,339)
Net cash consideration received	<u>1,404,348</u>
Expenses incurred for disposal	(1,687)
	<u>1,402,661</u>

*Note: Perfect Sign has elected to settle the consideration by procuring the entitlement of each of Solar Bright Ltd., JLLHLH and Century Frontier Limited, all are shareholders of the Company, on the special interim dividend (Note 11) in an amount of approximately HK\$4,163,339,000.*

## 18. Acquisition of Assets Through Acquisition of a Subsidiary

On 5th May, 2017 (London time), the Group acquired a property located in the United Kingdom and its related assets and liabilities by way of acquisition of the entire issued share capital of Knightlights Property International S.A. (“KPI”) (“Acquisition”). The Acquisition was completed on 5th May, 2017 (London time) at a provisional cash consideration of approximately GBP96,830,000 (equivalent to approximately HK\$965,985,000) and repayment of loan due to former shareholder on behalf of KPI of approximately GBP77,073,000 (equivalent to approximately HK\$773,354,000). KPI holds a mixed use freehold building located in 11 and 12 St James’s Square and 14 to 17 Ormond Yard, London, the United Kingdom. Details of the Acquisition were set out in the announcement of the Company dated 7th May, 2017.

Under HKFRSs, the Acquisition was accounted for as an acquisition of assets and liabilities as KPI being acquired by the Group does not constitute an acquisition of business. The Group identified and recognised the individual identifiable assets acquired and liabilities assumed. The cost of the Acquisition was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values as at the date of acquisition. Such a transaction does not give rise to goodwill.

## 18. Acquisition of Assets Through Acquisition of a Subsidiary (continued)

	2017 HK\$'000
The net assets of KPI as at the date of acquisition were determined on a provisional basis as follows:	
Investment properties	1,779,643
Debtors, deposits, other receivables and prepayments	22,356
Bank balances	65,619
Creditors and accruals	(6,982)
Deposits and receipts in advance	(86,761)
Tax liabilities	(1,855)
Loan due to former shareholder	(773,354)
Deferred tax liabilities	(16,253)
Net assets acquired (subject to adjustment)	<u>982,413</u>
Repayment of loan due to former shareholder	<u>773,354</u>
	<u><b>1,755,767</b></u>
Consideration for acquisition:	
Provisional cash consideration (subject to adjustment)	965,985
Repayment of loan due to former shareholder	773,354
Expenses incurred for acquisition	16,428
	<u><b>1,755,767</b></u>
Net cash outflow arising from acquisition:	
Provisional cash consideration (subject to adjustment)	965,985
Overpaid consideration (subject to adjustment)	207
Cash consideration paid	<u>966,192</u>
Repayment of loan due to former shareholder	773,354
Expenses incurred for acquisition	16,428
Bank balances acquired	(65,619)
	<u><b>1,690,355</b></u>

The above financial information is determined on a provisional basis as the fair value of the identifiable assets acquired and liabilities assumed can be determined on a provisional value only. The Group is in the process of finalising the completion accounts. It may be adjusted upon the completion of the initial accounting.

## 19. Capital Commitments

	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
Authorised and contracted for:		
Renovation of properties	4,881	5,656
Capital investment in limited partnership (note)	119,056	125,434
Development expenditure of properties in Hong Kong	-	15,026
	<u><b>123,937</b></u>	<u><b>146,116</b></u>

Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to approximately HK\$780,580,000) in the Cayman Islands Partnership. Up to the end of the reporting period, approximately US\$84,748,000 (equivalent to approximately HK\$656,936,000) (31st December, 2016: US\$83,825,000 (equivalent to approximately HK\$649,768,000)) among the contribution has been paid by the Group. The outstanding amount was approximately US\$15,252,000 (equivalent to approximately HK\$119,056,000, after exchange adjustment) (31st December, 2016: US\$16,175,000 (equivalent to approximately HK\$125,434,000, after exchange adjustment)).

## 20. Contingent Liabilities and Assets

### *Contingent Liabilities*

	<b>30th June, 2017 HK\$'000</b>	31st December, 2016 HK\$'000
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	<b>15,000</b>	<b>15,000</b>

### *Contingent Assets*

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

On 1st September, 2014, (i) Data Dynasty Limited (“Data Dynasty”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Data Dynasty; (iii) One Midland Limited (“One Midland”), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of One Midland, entered into a sale and purchase agreement, namely “Moon Ocean SP Agreement”, pursuant to which Data Dynasty agreed to sell and One Midland agreed to acquire the entire issued share capital of Value Eight Limited (“Value Eight”), Value Eight held investments relating to the Macau Land (as defined below) through Moon Ocean (“Moon Ocean Disposal”).

Subject to completion of the Moon Ocean Disposal on 31st October, 2014, (a) if judgments are made in favour of Moon Ocean in the appeals to its legal case in the 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 shall pay to Data Dynasty the development upside sharing pursuant to the 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 Appeals comprise (i) the appeal against the Chief Executive of Macau’s declaration of the previous act of the Chief Executive of Macau in confirming the approval of the transfers of the rights deriving from the land concession for the Macau Land to Moon Ocean and the amendments of the related land concession contracts in March 2006 invalid (“First Decision Appeal”); and (ii) the appeal against the notice from the Land, Public Works and Transport Bureau of Macau that the Chief Executive of Macau declared the previous act of approval of the increase of residential gross floor area of the Macau Land and an exchange of land in March 2011 by the Chief Executive of Macau was invalid (“Second Decision Appeal”).

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\$12,500,000,000.

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\$12,500,000,000 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.

The Last Instance Court of Macau denied the First Decision Appeal in its judgment on 22nd June, 2016. Up to the date of this announcement, the Second Decision Appeal is still in progress.

Details of the Moon Ocean Disposal, 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.

## **INTERIM DIVIDEND**

The board of directors of the Company (the “Directors” or the “Board”) has resolved to declare an interim dividend of HK20 cents per share (2016 interim dividend: HK1 cent per share) for the Period (the “Interim Dividend”).

The Group recorded a substantial decline of 65.4% in the revenue for the Period as compared with the same period of last year, as a result of mainly, the disposals of several major assets since 2015 and the subsequent distribution of the majority of sale proceeds of such disposals by way of special dividends to shareholders. Accordingly, starting from 2015, the Group’s revenue and income from property leasing have been reducing due to the fact that no further income contribution is generated from the disposed major assets. In addition, the property sales revenue of 55 Conduit Road recorded by the Group for the same period of last year was much higher than that of the Period. However, the decrease in the attributable profit of the Group for the Period was only 12.6% as compared with the same period of last year, which was lesser than the decline of the revenue. It was mainly due to the Group’s net profit from the listed securities investments and treasury products for the Period has significantly increased by two-fold as compared with the same period of last year to approximately HK\$1,209.6 million. Therefore, after considering the current business, financial and cashflow position of the Group, the Board has resolved to declare the Interim Dividend.

During the Period, the Company had paid total dividends of HK\$4.92 per share in the total amount of approximately HK\$9,385.5 million to shareholders, which included 2016 final dividend of HK1 cent per share (payment date: 12th June, 2017) (2015 final dividend: HK1 cent per share) and special interim dividends of (i) HK\$1.36 per share in the total amount of approximately HK\$2,594.3 million (payment date: 10th February, 2017), (ii) HK64 cents per share in the total amount of approximately HK\$1,220.9 million (payment date: 10th February, 2017), in connection with the completion of the Win Kings Disposal and the Pinecrest Disposal (both as defined in “Other Information and Events After the Reporting Period” of this interim results announcement) of which gains on disposals of subsidiaries in aggregate of approximately HK\$143.4 million were recorded, and (iii) HK\$2.91 per share in the total amount of approximately HK\$5,551.2 million (payment date: 23rd June, 2017), in connection with the completion of the Great Captain Disposal (as defined in “Other Information and Events After the Reporting Period” of this interim results announcement) of which a substantial net gain attributable from its principal asset of 577,180,500 H shares of Shengjing Bank Co., Ltd. (stock code: 2066) (including the Great Captain Disposal) of approximately HK\$2.3 billion was recorded (2016 first half-year special interim dividend: HK\$2 per share).

During the Period, the Group recorded unrealised gain on fair value change of listed equity securities investment in China Evergrande Group (stock code: 3333) of approximately HK\$1,219.1 million (as detailed in Note 14(ii) to the unaudited condensed consolidated financial statements). However, such gain was unrealised and was not a cash item, any dividend declaration or recommendation on such unrealised gain is not currently intended by the Board. As and when the share price of China Evergrande Group reaches a satisfactory and attractive level, the Group may consider realise part of the securities investments in China Evergrande Group. Subject to the then business, financial and cashflow position of the Group, the Board may consider declaration or recommendation of dividend(s) if and when appropriate upon realisation of investments in financial assets measured at fair value through other comprehensive income including the net proceeds of the intended realisation of the cost and profit arising from the shares in China Evergrande Group (if any). Further announcement(s) regarding any proposal of such dividend(s) (if any) will be made by the Company pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Dividend warrants for the Interim Dividend will be posted on or about 13th September, 2017 to shareholders whose names appear on the register of members of the Company on 4th September, 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed on 4th September, 2017. In order to qualify for the Interim Dividend, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company’s Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 1st September, 2017.

## FINANCIAL OPERATION REVIEW

### Results

#### Revenue

Revenue for the Period amounted to HK\$672.9 million (2016: HK\$1,944.9 million), a decrease of 65.4% over the same period of last year and comprised gross rental income of HK\$239.9 million (2016: HK\$482.1 million), property sales of HK\$425.9 million (2016: HK\$1,480.4 million), sales of investments held-for-trading on a net basis was nil (2016: loss of HK\$24.4 million) and others of HK\$7.1 million (2016: HK\$6.8 million). The substantial decline in revenue was mainly due to the decrease in sales of trading properties and gross rental income.

#### Gross Profit

Gross profit for the Period amounted to HK\$439.9 million (2016: HK\$1,356.4 million), a decrease of 67.6% as compared with the same period of last year which was mainly due to the decrease in profit from property sales of HK\$726.9 million and the decrease in net rental income of HK\$214.6 million.

#### Property Leasing

For property leasing, the rental revenue in retail and non-retail section has decreased significantly by 75.4% to HK\$48.2 million and 33.0% to HK\$191.7 million respectively during the Period. The total rental income in revenue for the Period recorded a decrease of 50.2% to HK\$239.9 million as compared with the same period of last year of HK\$482.1 million.

Together with the attributable rental revenue generated from associates and an investee company of HK\$67.1 million (2016: HK\$68.9 million), the total attributable rental revenue to the Group after non-controlling interests amounted to HK\$306.3 million (2016: HK\$550.2 million), which representing a decline of 44.3% over the same period of last year.

Attributable net rental income for the Period showed HK\$280.1 million, a 46.8% decrease over HK\$526.1 million in the same period of last year.

Notwithstanding the acquisitions of properties located in London, the United Kingdom (including a mixed use building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard in May 2017, mixed use building located in 61-67 (odd) Oxford Street and 11-14 Soho Street in May 2016 and office building located in 14 St George Street in April 2016) which contributed rental revenue and net rental income of HK\$54.8 million (2016: HK\$15.6 million) and HK\$54.3 million (2016: HK\$14.5 million) respectively during the Period, subsequent to completion of the disposals of subsidiaries holding certain shops of Lowu Commercial Plaza in Shenzhen, the PRC in February 2017, Windsor House in September 2016 and Evergo Tower in Shanghai, the PRC in June 2016, it led to the decline in attributable rental revenue and net rental income.

#### Property Development and Trading

During the Period, the attributable property sales revenue from the Group, its associates and an investee company recorded a decrease of 68.2% to HK\$330.2 million (2016: the Group and its associates had contributed HK\$1,036.9 million) and the relevant attributable profit from the Group and its associates recorded a decrease of 75.9% to HK\$158.5 million (2016: HK\$657.9 million), the attributable profit from investee company to be recognised in investment income upon receipt of dividend income.

Sales of One South Lane in the West District (100% interest) generated profit of HK\$48.6 million (2016: nil) was recorded in gross profit.

Sales of 55 Conduit Road in Mid-Levels West (70% interest) and parking spaces at The Zenith in Wanchai (87.5% interest) had contributed an attributable profit to the Group of HK\$108.7 million and HK\$0.9 million respectively (2016: sales of 55 Conduit Road (including 1 unit and 1 parking space sold to a connected person) had contributed an attributable profit of HK\$657.4 million).

In respect of properties held by associates, sales of parking spaces at Greenville Residence in Yuen Long (50% interest) generated profit of HK\$0.3 million (2016: HK\$0.5 million) as reflected in the share of results of associates.



As at 30th June, 2017, deposits received from stock of properties contracted to be sold amounted to HK\$84.6 million for The Zenith with contracted sales of HK\$564.2 million and its attributable interest of sales to the Group amounted to HK\$493.7 million.

In summary, the Group together with associates and an investee company executed properties sale agreements, including contracted for sales agreements to third parties, recorded an attributable contracted sales of HK\$178.3 million (after cash rebate or discount) (2016: the Group together with associates of HK\$539.8 million (after cash rebate)) during the Period. Total attributable property sales profit recognised for the Period was HK\$158.5 million (2016: HK\$657.9 million).

#### Securities Investments

The Group has in the ordinary and normal course of business conducted its securities investment activities. During the Period, the gain recognised from listed securities investments and treasury products was HK\$1,209.6 million (2016: HK\$604.4 million), comprised gain on listed equity investments at FVTOCI of HK\$126.7 million (2016: HK\$170.5 million) and gain on listed investments held-for-trading and treasury products of HK\$1,082.9 million (2016: HK\$433.9 million).

During the Period, the Group did not dispose of any listed investments held-for-trading (2016: realised loss of HK\$24.4 million was included in revenue), but a realised gain from sale of bonds of HK\$208.1 million (2016: HK\$95.8 million) was recognised. The net realised gain for the Period was HK\$208.1 million (2016: HK\$71.4 million).

Furthermore, the Group recorded an unrealised gain of HK\$453.4 million representing the changes in fair value of bonds (2016: unrealised loss of HK\$103.9 million representing the changes in fair value of listed investments held-for-trading and bonds), which had no effect on the cash flow of the Group. The Group believes that the increase in price of bonds issued by financial institutions in the first half of 2017, among others, was because of the banks in European Union facing a more stable political environment and recovering economy in the first half of 2017. In addition, the hike in interest rate means banks' profitability would improve as their interest spread widens.

Summing up the above and adding the net income from net dividend income, interest income, other net investment income and net finance costs of HK\$548.1 million (2016: from net dividend income, interest income, other net investment income and net finance income of HK\$636.9 million), the gain recognised from listed securities investments and treasury products was HK\$1,209.6 million (2016: HK\$604.4 million).

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

#### *Listed Equity Investments at Fair Value Through Other Comprehensive Income*

The listed equity investments at FVTOCI recorded a net profit of HK\$126.7 million (2016: HK\$170.5 million) comprised after-expenses dividend income of HK\$163.0 million (2016: HK\$189.6 million) and the withholding tax of HK\$16.3 million (2016: HK\$19.1 million), making a net dividend income of HK\$146.7 million (2016: HK\$170.5 million) from the SJB Shares, and net expenses from other investment expenses and net finance costs of HK\$20.0 million (2016: nil).

During the Period, the Group has acquired 579,948,000 shares of China Evergrande at a total consideration (including transaction costs) of HK\$6,911.8 million.

During the Period, gains on fair value changes of listed equity investments at FVTOCI of HK\$3,345.1 million (2016: unrealised loss of HK\$2,314.5 million from the SJB Shares) was recognised in other comprehensive income, which comprised realised gain on fair value change of the SJB Shares of HK\$2,126.0 million and unrealised gain on fair value change of the Evergrande Shares of HK\$1,219.1 million. Realised gain/loss on fair value change is a cash item while unrealised fair value change is a non-cash item and will not affect the cash flow of the Group. The Group believes that the increase in share price of China Evergrande from April to the end of June 2017, among others, was because of the encouraging operating data and anticipated improved financial health by paying back all its perpetual bonds in the first half of 2017 which implied improvement in profitability. In addition, the overall optimistic prospect in the PRC real estate industry was demonstrated by increase in share price of companies in the same industry in the first half of 2017.

### *Listed Investments Held-for-trading and Treasury Products*

The listed investments held-for-trading and treasury products recorded a profit before and after finance costs of HK\$1,166.5 million and HK\$1,082.9 million (2016: before and after finance income of HK\$432.3 million and HK\$433.9 million) respectively for the Period.

Profit from the listed investments held-for-trading and treasury products reflected in the unaudited condensed consolidated statement of comprehensive income for the Period comprised a realised gain on bonds of HK\$208.1 million, an unrealised gain on fair value changes of bonds of HK\$453.4 million and interest income and other net investment income of HK\$505.0 million (2016: realised loss on listed investments held-for-trading of HK\$24.4 million, realised gain on bonds of HK\$95.8 million, an unrealised loss on fair value changes of listed investments held-for-trading and bonds of HK\$103.9 million and interest income and other net investment income of HK\$464.8 million). Net relevant finance costs for the Period was HK\$83.6 million including interest expense of HK\$42.5 million and exchange loss of HK\$41.1 million (2016: net relevant finance income of HK\$1.6 million including interest expense of HK\$32.0 million and exchange gain of HK\$33.6 million).

### *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, maintained stable at HK\$51.7 million (2016: HK\$51.5 million).

During the Period, administrative expenses decreased by 18.2% to HK\$157.8 million (2016: HK\$192.8 million). Finance costs increased by 64.4% to HK\$147.0 million (2016: HK\$89.4 million) during the Period, including exchange loss of HK\$42.7 million (2016: exchange gain of HK\$33.6 million) on foreign currency borrowings hedged for foreign currency securities investments. The decrease in administrative expenses mainly due to the disposals of subsidiaries during the Period and the year of 2016. The increase in finance costs was mainly due to the exchange loss (2016: exchange gain) on translation of foreign currency borrowings.

Other gains and losses recorded a net gain of HK\$143.4 million mainly comprised gains on the Pinecrest Disposal and the Win Kings Disposal of HK\$143.4 million in total (2016: HK\$1,992.3 million mainly comprised gains on the Pioneer Time Disposal and the Evergo Shanghai Disposal of HK\$1,998.4 million in total).

### *Disposals of Subsidiaries to Connected Persons*

(a) The Pinecrest Disposal and the Win Kings Disposal were completed on 10th February, 2017 at a consideration of HK\$352.2 million and HK\$889.6 million respectively. Upon completion, the Pinecrest Group and the Win Kings Group ceased to be subsidiaries of the Company and their respective consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Pinecrest Disposal and the Win Kings Disposal were set out in the announcements of the Company dated 5th December, 2016, 13th January, 2017 and 10th February, 2017 and the circular of the Company dated 28th December, 2016.

(b) The Great Captain Disposal was completed on 23rd June, 2017 at a consideration of HK\$5,567.7 million. Upon completion, Great Captain ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Great Captain Disposal were set out in the announcements of the Company dated 15th March, 2017, 4th May, 2017 and 23rd June, 2017 and the circular of the Company dated 13th April, 2017.

### *Associates*

The share of results of associates for the Period was a profit of HK\$27.7 million as compared to HK\$117.7 million for the same period of last year, the decrease was mainly due to the decrease in fair value gain of investment properties held by an associate compared with the same period of last year and an under-provision of tax in prior years of an associate.

### Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 30th June, 2017 by B.I. Appraisals Limited (“B.I. Appraisals”) whereas investment properties in the United Kingdom were revalued by Peak Vision Appraisals Limited (“Peak Vision Appraisals”). B.I. Appraisals and Peak Vision Appraisals are independent property valuers. An increase in fair value of investment properties of HK\$247.0 million (2016: decrease of HK\$891.2 million) was recorded during the Period. The unrealised fair value changes will not affect the cash flow of the Group.

### **Profit, Core Profit, Dividends, Repurchase, Cash Payment Ratio and Total Comprehensive Income**

#### Profit

Profit attributable to owners of the Company for the Period was HK\$2,562.7 million as compared to HK\$2,931.0 million for the same period of last year. The decrease in profit of 12.6% for the Period was mainly arising from (i) decrease in attributable net rental income; (ii) decrease in attributable property sales profit; (iii) decrease in share of results of associates; (iv) decrease in gains on disposals of subsidiaries; despite (v) increase in imputed interest income from deferred consideration receivables; (vi) increase in fair value gain on investment properties; and (vii) increase in net profit from the segment of the listed investments held-for-trading and treasury products. Earnings per share for the Period was HK\$1.343 (2016: HK\$1.537).

#### Core Profit

The Group disposed of certain investment properties through disposals of subsidiaries during the Period, the costs of which are stated at fair value. In addition, the Group disposed of stock of properties which were classified as investment properties and land and building in prior years. 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 gain on the major non-cash items of HK\$277.7 million (2016: net loss of HK\$800.3 million) are excluded, but the accumulated net realised fair value gain together with their respective deferred tax on disposals of investment properties and stock of properties from the Group recognised in prior years of HK\$336.2 million (2016: HK\$8,682.0 million) (including those recognised in properties revaluation reserve) are included, the Group will have a core profit attributable to owners of the Company for the Period of HK\$2,621.2 million (2016: HK\$12,413.3 million) and a core earnings per share of HK\$1.374 (2016: HK\$6.507), which were both decreased by 78.9% to those in the first half of 2016.

The major non-cash items represented the attributable unrealised fair value gain on investment properties together with their respective deferred tax from the Group and its associates of HK\$277.7 million (2016: net loss of HK\$800.3 million).

#### Dividends

Special interim dividends of HK\$2 in aggregate per share in total amount of HK\$3,815.2 million and HK\$2.91 per share in total amount of HK\$5,551.2 million were paid in cash on 10th February, 2017 and 23rd June, 2017 respectively. During the first half of 2016, a conditional special interim dividend of HK\$2 per share in total amount of HK\$3,815.2 million was paid in cash on 20th January, 2016.

Final dividend of HK1 cent (year ended 31st December, 2015: HK1 cent) per share in total amount of HK\$19.1 million for the year ended 31st December, 2016 was paid in cash on 12th June, 2017.

Total dividends of HK\$9,385.5 million were paid in cash during the Period.

#### 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\$2,621.2 million (2016: HK\$12,413.3 million) or HK\$1.374 (2016: HK\$6.507) per share; (b) cash special interim dividends of HK64 cents in aggregate per share and HK\$2.91 per share were paid (2016: HK\$2 per share and HK\$2.1 per share were paid and declared respectively) during the Period; and (c) cash interim dividend of HK20 cents (2016: HK1 cent) per share declared, the ratio of such cash payment to the core profit is 272.9% (2016: 63.2%).

### Total comprehensive Income

Total comprehensive income attributable to owners of the Company for the Period was HK\$6,202.3 million (2016: HK\$336.6 million), an increase of 17.4 times over the same period of last year which comprised (a) profit attributable to owners of the Company for the Period of HK\$2,562.7 million (2016: HK\$2,931.0 million); and (b) other comprehensive income attributable to owners of the Company for the Period of HK\$3,639.6 million (2016: expenses of HK\$2,594.4 million) which mainly included gains on fair value changes of listed equity investments at FVTOCI of HK\$3,345.1 million (2016: unrealised loss of HK\$2,314.5 million), details are disclosed in the sub-paragraph headed “Listed Equity Investments at Fair Value Through Other Comprehensive Income” of paragraph headed “Securities Investments” above.

### **Net Asset Value**

As at 30th June, 2017, the Group’s net asset attributable to owners of the Company amounted to HK\$26,621.0 million (31st December, 2016: HK\$29,804.2 million), a decrease of HK\$3,183.2 million or 10.7% when compared with 31st December, 2016. With the total number of ordinary shares in issue of 1,907,619,079 as at 30th June, 2017 and 31st December, 2016, the net asset value per share attributable to owners of the Company was HK\$13.96 (31st December, 2016: HK\$15.62). The movement in net asset value was mainly due to (a) total comprehensive income for the Period attributable to owners of the Company of HK\$6,202.3 million; and (b) final and special interim dividends recognised as distribution during the Period totaling HK\$9,385.5 million.

During the Period, gains on fair value changes on the listed equity investments categorised as financial assets measured at FVTOCI of HK\$3,345.1 million (2016: unrealised loss of HK\$2,314.5 million) as well as the transaction costs of the Great Captain Disposal of HK\$1.7 million were recorded in other comprehensive income. Upon completion of the Great Captain Disposal, the Group transferred the negative balance of financial assets measured at FVTOCI reserve of HK\$242.2 million to retained profits. The carrying amount of the gain on fair value change of listed equity investment included in financial assets measured at FVTOCI reserve was HK\$1,219.1 million as at 30th June, 2017 (31st December, 2016: loss of HK\$2,366.5 million).

Other than the existing projects and those disclosed in the interim results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

### **Securities Investments**

#### Listed Equity Investment at Fair Value Through Other Comprehensive Income

During the Period, the Group disposed of the SJB Shares through disposal of a subsidiary, details of the Great Captain Disposal are disclosed in paragraph headed “Disposals of Subsidiaries to Connected Persons” above.

During the Period, the Group has acquired 579,948,000 shares of China Evergrande at a total consideration (including transaction costs) of HK\$6,911.8 million, after adding the fair value gain of HK\$1,219.1 million for the Period, the carrying amount of listed equity investment categorised as financial assets measured at FVTOCI was HK\$8,130.9 million as at 30th June, 2017. China Evergrande is principally engaged in development of large scale residential properties and integrated commercial properties in the PRC. As stated in the Company’s announcement dated 19th July, 2017 (“July Announcement”), the Group has acquired up to 655,208,000 shares of China Evergrande at 12:00 noon of 19th July, 2017, representing approximately 5.0% of the total issued share capital of China Evergrande as at 30th June, 2017 (being the latest date which the total number of issued shares is publicly available as at the date of the July Announcement), at a total consideration (including transaction costs) of approximately HK\$8.1 billion.

### Listed Investments Held-for-trading and Treasury Products

As at 31st December, 2016, the carrying amount of the listed investments held-for-trading and treasury products was HK\$14,952.9 million. During the Period, the portfolio was decreased by a net disposal of HK\$4,865.1 million. After adding the fair value gain of HK\$453.4 million for the Period, the listed investments held-for-trading and treasury products portfolio of the Group became HK\$10,541.2 million as at 30th June, 2017, which formed part of the Group's cash management activities. As at 30th June, 2017, entire portfolio comprised bonds, of which issued by financial institutions of 60.8%, PRC-based real estate companies of 28.2% and other industries of 11.0%. They are denominated in different currencies with 97.3% in US\$, 2.3% in GBP and 0.4% in EUR. The bonds denominated in US\$ carry at fixed rate range from 3.875% to 13.250% per annum of which notional amount of US\$1,191.3 million are callable, the bonds denominated in EUR carry at fixed rate range from 6.750% to 12.500% per annum are callable and the bond denominated in GBP carries at fixed rate of 7.250% per annum is callable.

As at 30th June, 2017, the portfolio of listed securities investments and treasury products of HK\$18,672.1 million (31st December, 2016: HK\$19,512.6 million) comprised (a) bonds (financial assets measured at FVTPL) of HK\$10,541.2 million (31st December, 2016: HK\$14,952.9 million); and (b) listed equity investment (financial assets measured at FVTOCI) of HK\$8,130.9 million (31st December, 2016: HK\$4,559.7 million), representing 44.9% (31st December, 2016: 42.6%) of total assets.

### Unlisted Securities Investments

The Group had committed to make a capital contribution of US\$100.0 million (equivalent to approximately HK\$780.6 million) in the Cayman Islands Partnership. As at 31st December, 2016, the carrying amount was HK\$584.5 million. During the Period, the Group has contributed US\$0.9 million (equivalent to approximately HK\$7.2 million) (net of recallable distribution) less received distribution of US\$3.0 million (equivalent to approximately HK\$23.4 million) (which was included in financial assets measured at FVTOCI), after deducting the fair value loss for the Period of HK\$20.4 million (which was recognised in financial assets measured at FVTOCI reserve), the carrying amount was HK\$547.9 million as at 30th June, 2017, representing 1.3% (31st December, 2016: 1.3%) of total assets.

### **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, 2017 and 31st December, 2016 were 1,907,619,079.

### **Debt and Gearing**

As at 30th June, 2017, the Group's bank and other borrowings amounted to HK\$13,434.5 million (31st December, 2016: HK\$14,591.4 million). Cash and deposits at banks amounted to HK\$1,865.7 million (31st December, 2016: HK\$1,070.5 million), pledged deposits amounted to HK\$413.3 million (31st December, 2016: HK\$943.7 million) and net borrowings amounted to HK\$11,155.5 million (31st December, 2016: HK\$12,577.2 million).

Total debt to equity ratio was 50.2% (31st December, 2016: 48.8%) and net debt to equity ratio was 41.7% (31st December, 2016: 42.1%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$26,754.3 million (31st December, 2016: HK\$29,899.9 million). The increase in the total debt to equity ratio was mainly due to decrease in total equity after payments of dividends notwithstanding total comprehensive income was recognised during the Period. The decrease in net debt to equity ratio was mainly due to decrease in net debt.

If the listed securities investments and treasury products of HK\$18,672.1 million (31st December, 2016: HK\$19,512.6 million) are included, there would be a net cash position of HK\$7,516.6 million (31st December, 2016: HK\$6,935.4 million).

As at 30th June, 2017, the Group's bank and other borrowings of HK\$13,434.5 million, 63.9%, 9.6%, 17.2% and 9.3% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. Of which the Group's bank and other borrowings were denominated in HK\$ (55.6%), US\$ (10.4%) and GBP (34.0%). HK\$, US\$ and GBP securities investments were hedged by HK\$, US\$ and GBP borrowings. The Group's bank borrowings in HK\$ and GBP were carried at interest rates calculated mainly with reference to Hong Kong Interbank Offered Rate and London Interbank Offered Rate respectively; other borrowings were carried at interest rates calculated with reference to cost of funds. As at 30th June, 2017, all the Group's borrowings were on floating rate basis. No hedging for interest rate is subsisted at the end of the reporting period.

### **Pledge of Assets**

As at 30th June, 2017, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of HK\$13,620.4 million and bank deposits of HK\$211.9 million (31st December, 2016: investment properties of HK\$10,231.4 million, stock of properties of HK\$858.4 million and bank deposits of HK\$77.3 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) The Group's bonds and listed equity investment at FVTOCI with carrying amounts of HK\$18,082.7 million (31st December, 2016: HK\$18,713.3 million) and cash deposits of HK\$201.4 million (31st December, 2016: HK\$866.4 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which HK\$6,861.9 million (31st December, 2016: HK\$9,893.3 million) was utilised as at 30th June, 2017 as borrowings due within one year.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

### **Financial and Interest Income/Expenses**

Interest income was included in revenue and investment income. Interest income for the Period was HK\$1,256.7 million, representing an increase of 35.4% over the same period of last year of HK\$928.1 million.

Finance costs included interest expenses on bank and other borrowings; exchange difference on translation of foreign currency borrowings; and arrangement fee and facility and commitment fee expenses. Interest expenses for the Period amounted to HK\$100.8 million, representing a decrease of 13.4% over the same period of last year of HK\$116.4 million. Interest capitalised for the Period was HK\$0.1 million as compared to HK\$1.2 million for the same period of last year. The decrease in interest expenses was mainly due to decrease in bank borrowings following certain disposals of subsidiaries during the Period and the year of 2016. The average interest rate over the period under review was 1.53% (2016: 1.59%), 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, 2017, the Group employed a total of 553 staff (31st December, 2016: 552 staff) in Hong Kong including about 269 staff (31st December, 2016: 257 staff) employed under the estate management company in Hong Kong and 4 staff (31st December, 2016: 4 staff) in the offices in Mainland China.

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 of the Company 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.

## **United Kingdom and Mainland China**

The Group further acquired an investment property in the United Kingdom in May 2017. As at 30th June, 2017, the Group's investment properties in the United Kingdom with carrying amount of GBP870.1 million (equivalent to approximately HK\$8,840.2 million) (31st December, 2016: GBP690.7 million (equivalent to approximately HK\$6,586.0 million)) contributed a net profit of HK\$104.5 million (2016: net loss of HK\$59.9 million) to the Group for the Period, the profit mainly included in gross profit and fair value changes on investment properties. GBP exchange gain of foreign operations included in other comprehensive income for the Period amounted to HK\$231.9 million (2016: loss of HK\$262.6 million). As at 30th June, 2017, the Group's net investment in the United Kingdom amounted to HK\$4,750.7 million (31st December, 2016: HK\$3,609.2 million) representing 17.8% (31st December, 2016: 12.1%) of the Group's total equity.

Profit contribution from the Group's investment in Mainland China (mainly included in gross profit, fair value changes on investment properties, gain on disposal of subsidiaries, share of results of associates and taxation) for the Period amounted to HK\$64.3 million (2016: HK\$581.0 million). Renminbi exchange gain of foreign operations included in other comprehensive income (including share of an associate) for the Period amounted to HK\$16.1 million (2016: loss of HK\$4.9 million). The Group's net investment in Mainland China as at 30th June, 2017 amounted to HK\$507.3 million (31st December 2016: HK\$749.5 million) representing 1.9% (31st December, 2016: 2.5%) of the Group's total equity.

## **Listed Subsidiary**

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

## **Property Valuation**

Property valuations in respect of the Group's investment properties in Hong Kong and Mainland China have been carried out by B.I. Appraisals as at 30th June, 2017 and 31st December, 2016, independent qualified professional valuer. For the investment properties in the United Kingdom, the valuations as at 30th June, 2017 and 31st December, 2016 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 2017 interim results.

The Group's investment properties were valued at HK\$15,024.0 million (31st December, 2016: HK\$12,887.3 million), a 2.0% increase over 2016 after adjusted for the additions, disposals and exchange adjustments of investment properties during the Period. The increase in fair value of HK\$247.0 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\$30.7 million (adjusted deferred tax of HK\$0.1 million) for the Period.

The increase in fair value of HK\$247.0 million was mainly derived from increase in fair value of Harcourt House. The fair value change is a non-cash item and will not affect the cash flow of the Group.

## **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 86.70% during the Period. The high occupancy rate was attributable to the prime locations of the Group's retail properties.

During the Period, the average occupancy rate of the shops of Causeway Place was approximately 87.42%.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, the average occupancy rate was approximately 97.90% during the Period.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the average occupancy rate was approximately 72.16% during the Period.

The occupancy rate for the Group's office property maintained at a high level throughout the Period. During the Period, the average occupancy rate of Harcourt House was approximately 92.41%.

### **Hong Kong Property Development**

In general, the Group's development projects have been progressing satisfactorily and sales of trading properties has recorded a pleasing results.

One South Lane is located in the Western District and enjoys close proximity to the HKU MTR Station. It is a luxury residential/retail tower with a total gross floor area of around 41,353 square feet which provides 92 residential units. As at 30th June, 2017, all residential units were sold and handed over to individual purchasers.

55 Conduit Road (70% interest) is a luxury residential development in Mid-Levels West with total residential gross floor area of around 87,800 square feet which provides 35 residential units. As at 30th June, 2017, 34 residential units were sold and handed over to individual purchasers, representing 97.14% of total units.

The Hermitage (25% interest) is one of the Group's joint venture development project 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, 2017, 99.79% of total units were sold.

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, 2017, 99.86% of total units were sold.

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. Excavation and lateral support works and pile cap works were completed. The whole project is expected to be completed in the first quarter of 2021.

In February 2017, the Group disposed the company holding the property development situated at No. 12 Shiu Fai Terrace.

### **Mainland China Property Investment**

Hilton Beijing (50% interest), a five-star international hotel having 502 rooms, average occupancy rate was approximately 74.74% for the Period.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 96.60% for the Period.

In February 2017, the Group disposed the companies holding 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen. The average occupancy rate of such retail outlets for the Period immediately before disposal was approximately 99.02%.

### **Overseas Property Investment**

The overall occupancy rate of the Group's United Kingdom investment property portfolio was 100% during the Period.

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.

"14 St George Street" is a Grade A freehold office building located in London, United Kingdom. The building comprises approximately 51,861 square feet of office accommodation arranged over lower ground, ground and four upper floors.

"61-67 (odd) Oxford Street and 11-14 Soho Street" is a mixed use freehold building located in London, United Kingdom, comprising approximately 55,162 square feet in aggregate. The building provides retails, office and residential accommodation, occupying approximately 33,850 square feet, 13,735 square feet and 7,577 square feet respectively, over lower ground, ground and six upper floors.



“11 and 12 St James’s Square and 14 to 17 Ormond Yard” is a mixed use freehold building located in London, United Kingdom. The building provides around 80,000 square feet Grade A office accommodation arranged over lower ground, ground and six upper floors. The Group acquired the company holding this property in May 2017.

## **Securities Investment**

Securities investment is one of the principal activities of the Group.

The Group’s strategy is to maintain securities investment portfolio for treasury management. The Group’s primary objectives when managing capital are to safeguard the abilities of the entities in the Group to continue as a going concern, so that it can continue to provide returns for shareholders of the Company. The Group’s strategy for future investments is to invest in a diversified portfolio with attractive yield, good liquidity and issuers from reputable entities, so as to maintain a healthy financial status and grasp every good investment chance.

The gain recognised on securities investments for the Period was approximately HK\$1,209.6 million. Details of the performance of securities investment are disclosed under “Financial Operation Review” of this interim results announcement.

The Group will continue to closely monitor its portfolio of securities investments to achieve satisfactory returns.

## **OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD**

### **Disposal of Subsidiaries holding the Property Development situated at No. 12 Shiu Fai Terrace and Certain Shops of Lowu Commercial Plaza, Shenzhen – Major and Connected Transactions**

The Group has on 5th December, 2016 entered into sale and purchase agreements, in relation to, inter alia, disposal of the wholly-owned subsidiaries of the Company that ultimately held (i) the property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong; and (ii) certain shops of Lowu Commercial Plaza located in Shenzhen, the People’s Republic of China to the companies wholly-owned by (i) Ms. Chan, Hoi-wan, an associate of Mr. Joseph Lau, Luen-hung (the then substantial shareholder and controlling shareholder of the Company) (“Mr. Joseph Lau”) and an associate of Directors at the time of entering into relevant sale and purchase agreement (the “Win Kings Disposal”); and (ii) Mr. Lau, Ming-wai (“Mr. MW Lau”), the Chairman of the Board and a non-executive Director (the “Pinecrest Disposal”) respectively. The Win Kings Disposal and the Pinecrest Disposal constituted major and connected transactions of the Company under the Listing Rules and each of them was approved by the independent shareholders of the Company at the special general meeting of the Company held on 13th January, 2017. The Win Kings Disposal and the Pinecrest Disposal were completed on 10th February, 2017 at the final consideration of approximately HK\$889.6 million and HK\$352.2 million respectively. Details of the Win Kings Disposal and the Pinecrest Disposal were set out in the Company’s announcement dated 5th December, 2016, circular dated 28th December, 2016 and announcement dated 10th February, 2017.

### **Appointment of Executive Director**

As announced on 13th February, 2017, the Board appointed Ms. Chan, Hoi-wan (“Ms. Chan”) as an Executive Director with effect from 13th February, 2017.

### **Restructuring of Shareholding**

On 1st March, 2017, after the distribution of all the shares in the Company indirectly held under a discretionary trust (the “Share Trust”) founded by Mr. Joseph Lau to certain eligible beneficiaries of the Share Trust, Mr. MW Lau and Ms. Chan (as trustee for her minor children) indirectly hold shares representing approximately 24.97% and 50.02% of the total issued share capital of the Company as at 1st March, 2017 respectively. Details of the restructuring of shareholding were set out in the announcement of the Company dated 1st March, 2017.

### **Disposal of a Subsidiary holding of Equity Interest in Shengjing Bank Co., Ltd. – Major and Connected Transaction**

The Group has on 15th March, 2017 entered into a sale and purchase agreement, in relation to the disposal of a wholly-owned subsidiary of the Company that held 577,180,500 H shares in Shengjing Bank Co., Ltd. (Stock Code: 2066) to the company wholly-owned by Ms. Chan (the “Great Captain Disposal”). The Great Captain Disposal

constituted major and connected transaction of the Company under the Listing Rules and was approved by the independent shareholders of the Company at the special general meeting of the Company held on 4th May, 2017. The Great Captain Disposal was completed on 23rd June, 2017 at a consideration of approximately HK\$5,567.7 million. Details of the Great Captain Disposal were set out in the Company's announcement dated 15th March, 2017, circular dated 13th April, 2017 and announcement dated 23rd June, 2017.

### **Acquisition of Knightlights Property International S.A. holding a Property in the United Kingdom – Discloseable Transaction**

As announced on 7th May, 2017, the Group has on 5th May, 2017 (London time) entered into a sale and purchase agreement, in relation to, inter alia, acquisition of the entire issued share capital of Knightlights Property International S.A. ("KPI"), a company that held a freehold property situated at 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, United Kingdom, with an independent third party, at a provisional cash consideration of approximately GBP96.8 million (equivalent to approximately HK\$966.0 million) (subject to adjustment) and repayment of loan due to former shareholder on behalf of KPI of approximately GBP77.1 million (equivalent to approximately HK\$773.4 million) (the "Acquisition"). The Acquisition constituted a discloseable transaction of the Company under the Listing Rules. Completion of the Acquisition took place on 5th May, 2017 (London time).

### **Acquisition of Shares in China Evergrande Group**

During the period from April 2017 and up to 12:00 noon of 19th July, 2017, the Group acquired 655,208,000 shares in China Evergrande Group (Stock Code: 3333), at a total consideration (including transaction costs) of approximately HK\$8.1 billion in the open market. Details of the acquisition were set out in the announcement of the Company dated 19th July, 2017.

## **PROSPECTS**

The signal of global economic recovery is rather clear as seen from the latter part of 2016 which has been further extending into 2017 with the gradual increase of interest rate by the United States of America. British economy remains tepid since the votes for Brexit; however, it attracts external capital investment.

As for Mainland China, the National Bureau of Statistics of China announced that our national economy has extended the satisfactory progress last year. According to the macroeconomic statistics for the first half-year published by the Bureau in July, major indexes are better than expected, indicating an apparently rising macroeconomic growth. In view of this, International Monetary Fund has raised the growth rate forecast of Chinese economy for 2017 and considers it progressing steadily with good support for its prospects.

In light of the economic growth of Mainland China, the Group has increased stake in China-based stocks. The Group believes that our expanded securities investment portfolio will bring about stable and satisfactory returns in the long run.

The Group sees a strong outlook for its core businesses. Subsequent to the acquisition of a mixed use freehold building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard, London in May, our Group's development in the property market in United Kingdom has been further expanded. It is expected that the business of overseas property leasing will continue to generate stable and significant recurrent income to the Group in the remainder of the year.

The Group remains positive in the prospects for the local residential property market in Hong Kong. Despite the Government's determination to develop land resources to launch major land supply projects, the prolonged shortage of completed residential units is expected to continue in the foreseeable future.

Since 2015, the Group had disposed of several major assets namely or formerly namely Silvercord, The ONE, Splendid City, The Metropolis, Chinese Estates Plaza, MassMutual Tower (now known as China Evergrande Centre), Windsor House, Evergo Tower and Lowu Commercial Plaza, a property development situated at No. 12 Shiu Fai Terrace as well as securities investment in H shares of Shengjing Bank Co., Ltd. The majority of sale proceeds of such disposals had been distributed by way of special dividends to shareholders, amounting to HK\$20.04 per share in aggregate. Accordingly, starting from 2015, the Group's revenue and income have been reducing due to the fact that no further income contribution is generated from these disposed major assets. The Group's revenue and income for the year ending 31st December, 2017 is expected to be lower than that of 2016.

Looking ahead, the Group will keep an eye on the property markets of Hong Kong, Mainland China and overseas as well and will consider replenishing its land bank at opportune times for the benefit of the Group and its shareholders as a whole.

## **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 (“INED(s)”), 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.6.7 – Independent Non-executive Directors and Non-executive Directors Attending General Meetings**

Mr. MW Lau, a Non-executive Director (“NED”), was unable to attend the special general meetings of the Company held on 13th January, 2017 and 4th May, 2017 (“SGMs”); and the annual general meeting of the Company held on 24th May, 2017 (“AGM”) as he had business engagement on the dates of SGMs and AGM. Ms. Amy Lau, Yuk-wai, another NED, was also unable to attend the AGM as she was not in Hong Kong on that day. Ms. Phillis Loh, Lai-ping, an INED, was unable to attend the AGM as she had business engagement.

### **Code Provision E.1.2 – Chairman Attending Annual General Meeting**

Mr. MW Lau, the Chairman of the Board, was unable to attend the AGM as he had business engagement. Mr. Chan, Kwok-wai, the chairman of the Audit Committee and Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. Although the chairman of Nomination Committee, Ms. Phillis Loh, Lai-ping had not attended the AGM due to business engagement, all other members of the Nomination Committee had attended the AGM.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (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.

## 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, 21st August, 2017

*As at the date of this announcement, the Board comprised Ms. Chan, Sze-wan, Ms. Chan, Hoi-wan, Ms. Chan, Lok-wan and Mr. Lam, Kwong-wai as Executive Directors, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors, and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.*

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