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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, 2019

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, 2019 (the “Period”) together with the comparative figures for the corresponding period in 2018:-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2019

	<i>Notes</i>	Six months ended 30th June,	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	269,865	559,741
Cost of sales		(14,788)	(108,719)
Gross profit		255,077	451,022
Other income	5	30,080	51,931
Investment income (expenses), net	6	1,253,385	(540,830)
Administrative expenses		(137,072)	(132,115)
Gain on disposals of equipment		-	1,106
Fair value changes on investment properties		(427,132)	(22,755)
Finance costs	7	(192,625)	(156,166)
Other gains and losses		(694)	(1)
Share of results of investments accounted for using the equity method		95,209	94,293
Profit (loss) before tax		876,228	(253,515)
Income tax expense	8	(29,870)	(65,220)
Profit (loss) for the period	9	846,358	(318,735)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30th June, 2019

	Six months ended 30th June,	
	2019	2018
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive expenses		
<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	(1,012,299)	(5,815,551)
Share of other comprehensive income of investments accounted for using the equity method	4	79
	<u>(1,012,295)</u>	<u>(5,815,472)</u>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(6,260)	(105,340)
Share of other comprehensive expenses of investments accounted for using the equity method	(673)	(2,462)
	<u>(6,933)</u>	<u>(107,802)</u>
Other comprehensive expenses for the period (net of tax)	<u>(1,019,228)</u>	<u>(5,923,274)</u>
Total comprehensive expenses for the period	<u>(172,870)</u>	<u>(6,242,009)</u>
Profit (loss) for the period attributable to:		
Owners of the Company	844,917	(363,534)
Non-controlling interests	1,441	44,799
	<u>846,358</u>	<u>(318,735)</u>
Total comprehensive expenses for the period attributable to:		
Owners of the Company	(174,311)	(6,286,808)
Non-controlling interests	1,441	44,799
	<u>(172,870)</u>	<u>(6,242,009)</u>
Earnings (loss) per share (HK\$)		
Basic and diluted	11	11
	<u>0.443</u>	<u>(0.191)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2019

	<i>Notes</i>	30th June, 2019 HK\$'000 (Unaudited)	31st December, 2018 HK\$'000 (Audited)
Non-current assets			
Investment properties		14,840,174	15,280,848
Property, plant and equipment		35,271	36,654
Right-of-use assets		38,654	-
Intangible assets		-	-
Goodwill		322,938	322,938
Investments accounted for using the equity method		2,321,877	2,276,177
Advances to associates		49,802	49,259
Advance to a joint venture		154,218	154,218
Financial assets measured at fair value through profit or loss	12	1,623,249	1,350,090
Financial assets measured at fair value through other comprehensive income	13	20,355,008	21,367,307
Advances to investee companies		264,141	652,304
Advance to a non-controlling shareholder		11,170	11,170
Deferred tax assets		1,642	1,899
Pledged deposits		85,227	83,203
		<u>40,103,371</u>	<u>41,586,067</u>
Current assets			
Stock of properties		228,223	228,799
Financial assets measured at fair value through profit or loss	12	6,875,305	5,415,827
Inventories		2,395	3,187
Debtors, deposits, other receivables and prepayments	14	341,661	517,562
Securities trading receivables and deposits		21,909	22,497
Tax recoverable		31,775	15,670
Pledged deposits		158,632	154,195
Time deposits, bank balances and cash		870,895	714,572
Sales proceeds held by stakeholders		32,339	32,327
		<u>8,563,134</u>	<u>7,104,636</u>
Current liabilities			
Creditors and accruals	15	142,101	247,187
Securities trading and margin payable		31,855	22,295
Deposits and receipts in advance		216,209	218,633
Lease liabilities		15,065	-
Tax liabilities		42,825	62,656
Borrowings		9,873,923	9,303,688
Derivative financial instrument		377	-
		<u>10,322,355</u>	<u>9,854,459</u>
Net current liabilities		<u>(1,759,221)</u>	<u>(2,749,823)</u>
Total assets less current liabilities		<u>38,344,150</u>	<u>38,836,244</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 30th June, 2019

	30th June, 2019 HK\$'000 (Unaudited)	31st December, 2018 HK\$'000 (Audited)
Equity attributable to owners of the Company		
Share capital	190,762	190,762
Financial assets measured at fair value through other comprehensive income reserve	6,004,072	7,016,367
Statutory reserve	668	668
Special reserve	2,499,685	2,499,685
Capital redemption reserve	138,062	138,062
Translation reserve	(600,141)	(593,208)
Retained profits		
- declared/proposed dividend	19,076	190,762
- others	25,445,111	24,619,270
	<u>33,697,295</u>	<u>34,062,368</u>
Non-controlling interests	<u>32,642</u>	<u>81,201</u>
Total equity	<u>33,729,937</u>	<u>34,143,569</u>
Non-current liabilities		
Borrowings	4,347,760	4,443,987
Amounts due to associates	187,319	171,619
Amount due to a non-controlling shareholder	253	24,177
Lease liabilities	23,151	-
Deferred tax liabilities	55,730	52,892
	<u>4,614,213</u>	<u>4,692,675</u>
	<u>38,344,150</u>	<u>38,836,244</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30th June, 2019

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 and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

As at 30th June, 2019, the Group’s current liabilities exceeded its current assets by approximately HK\$1,759,221,000 (31st December, 2018: HK\$2,749,823,000). Notwithstanding the above result, these unaudited condensed consolidated financial statements have been prepared on a going concern basis.

The management closely monitors the Group’s financial performance and liquidity position. The validity of the going concern basis depends upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its financial obligations as and when they fall due, and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

As at 30th June, 2019, the Group had unutilised bank facilities. Based on the latest communications with the banks, the directors of the Company (“Directors”) are not aware of any intention of the principal banks to withdraw their bank facilities or require early repayment of the borrowings, and the Directors believe that the existing bank facilities will be renewed or roll-overed when their current terms expire given the good track records and relationships the Group has with the banks. Further, the Group has unutilised loan facility from a Director. In addition, the Group held a portfolio of listed securities investments and treasury products presented as non-current assets as at 30th June, 2019 in aggregate of approximately HK\$20,385,099,000 (31st December, 2018: HK\$21,438,609,000) (Note 18), which could be realised into cash, if necessary.

The Directors have reviewed the Group’s cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 30th June, 2019. Based on the cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30th June, 2019. The management has made key assumptions on the projections with regard to the anticipated cash flows from the Group’s operations, capital expenditures and the continuous availability of bank facilities. The Group’s ability to achieve the projected cash flows depends on the continuous availability of bank facilities from the banks.

In view of the above, the Directors are of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the Directors have prepared these unaudited condensed consolidated financial statements on a going concern basis.

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. Principal Accounting Policies

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, 2018 except as described below.

In the current period, the Group has applied, for the first time, the following new Hong Kong Financial Reporting Standards (“HKFRSs”), new interpretation and amendments to existing HKFRSs (“2019 new HKFRSs”) issued by the HKICPA, which are effective for the current accounting period of the Group. The 2019 new HKFRSs adopted by the Group in these unaudited condensed consolidated financial statements are set out below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

2. Principal Accounting Policies (continued)

HKFRS 16 Leases

Accounting policies applied from 1st January, 2019

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 superseded HKAS 17 “Leases” and the related interpretations when it became effective. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single lessee accounting model. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 “Revenue from Contracts with Customers” as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application and the comparative information for 2018 was not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” at the date of initial application.

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for office premises and equipment. As a lessee, the Group previously classified leases as operating leases. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of twelve months or less. Accordingly, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term. In addition, lease payments in relation to lease liability are allocated into a principal and an interest portion which are presented as financing cash flows in the unaudited condensed consolidated statement of cash flows by the Group.

Impacts on transition

In accordance with the transitional provision under HKFRS 16, the Group applied the simplified transition approach on 1st January, 2019. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. All right-of-use assets were measured at the amount of lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses, if any).

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applied the short-term lease recognition exemption to leases with lease term that ends within twelve months at the date of initial application; and
- excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

2. Principal Accounting Policies (continued)

HKFRS 16 Leases (continued)

Accounting policies applied from 1st January, 2019 (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1st January, 2019 are as follows:

	HK\$'000
Assets	
Increase in right-of-use assets	7,825
Properties	6,593
Equipment	1,232
Liabilities	
Increase in lease liabilities	7,825
Non-current portion	4,588
Current portion	3,237

The weighted average discount rate applied to the lease liabilities on 1st January, 2019 was 2.73%. The lease liabilities as at 1st January, 2019 reconciled to the operating lease commitments as at 31st December, 2018 is as follows:

	HK\$'000
Operating lease commitments as at 31st December, 2018	20,138
Less: Commitments relating to short-term leases	(1,688)
Leases not yet commenced on 1st January, 2019	(10,375)
	8,075
Discounted operating lease commitments, lease liabilities recognised as at 1st January, 2019	7,825

Summary of new accounting policies

As a result of the adoption of HKFRS 16, the new accounting policies of the Group which have been applied from the date of initial application are set out below:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, estimated costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset).

2. Principal Accounting Policies (continued)

HKFRS 16 Leases (continued)

Accounting policies applied from 1st January, 2019 (continued)

Summary of new accounting policies (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of assets (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with termination option

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Group has the option, under some of its leases, to terminate the lease with prior written notice without any compensation. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to terminate. That is, the Group considers all relevant factors that create an economic incentive for it to exercise the termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

Amounts recognised in unaudited condensed consolidated financial statements

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the Period are as follows:

	Right-of-use assets HK\$'000	Lease liabilities HK\$'000
At 1st January, 2019	7,825	7,825
Additions	36,537	33,837
Depreciation (Note 9)	(5,708)	-
Interest expense (Note 7)	-	304
Lease payments	-	(3,750)
At 30th June, 2019	38,654	38,216
Analysed for reporting purpose as:		
Non-current	38,654	23,151
Current	-	15,065
	38,654	38,216

The Group recognised rental expenses from short-term leases of approximately HK\$19,195,000 (Note 9) during the Period.

Save as disclosed above, the application of the 2019 new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

2. Principal Accounting Policies (continued)

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

HKFRS 3 (Amendments)	Definition of a Business ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 17	Insurance Contracts ²
HKAS 1 and HKAS 8 (Amendments)	Definition of Material ¹

¹ Effective for annual periods beginning on or after 1st January, 2020

² Effective for annual periods beginning on or after 1st January, 2021

³ Effective for annual periods beginning on or after a date to be determined

The 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 of sales of properties held for sale, commission from brokerage, settlement charges from brokerage, cosmetic goods sold less returns and amounts received and receivable from property rental income, are analysed as follows:

	Six months ended 30th June,	
	2019	2018
	HK\$’000	HK\$’000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sales of properties held for sale	-	273,989
Brokerage and cosmetic income	8,103	10,730
	8,103	284,719
Revenue from other source:		
Property rental income	261,762	275,022
	269,865	559,741

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 and treasury products at fair value through profit or loss (“FVTPL”); 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 and treasury products at FVTPL	–	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, right-of-use assets, advance to a non-controlling shareholder, deferred tax assets and tax recoverable (31st December, 2018: also included derivative financial instrument).

Unallocated corporate liabilities mainly comprised tax liabilities, bank borrowings, amounts due to associates, amount due to a non-controlling shareholder, lease liabilities, deferred tax liabilities and derivative financial instrument.

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2018.

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 was one (2018: two) major customer who individually accounted for 10% or more of the Group’s revenue. Revenue of approximately HK\$88,166,000 was derived from a customer in non-retail property leasing segment in the United Kingdom (2018: HK\$273,989,000 was derived from a customer in property development and trading segment in Hong Kong and HK\$93,623,000 was derived from a customer in non-retail property leasing segment in the United Kingdom).

4. Operating Segments (continued)

Operating segment information is presented below:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2019

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	1,394,901	-	-	1,394,901
- Other countries	-	-	-	-	138,403	-	-	138,403
	-	-	-	-	1,533,304	-	-	1,533,304
Revenue								
Revenue from external customers								
- Hong Kong	-	20,849	68,033	-	-	3,060	5,043	96,985
- United Kingdom	-	17,432	155,134	-	-	-	-	172,566
- Mainland China	-	-	314	-	-	-	-	314
	-	38,281	223,481	-	-	3,060	5,043	269,865
Revenue from external customers								
- Hong Kong	-	38,281	223,481	-	-	3,060	5,043	269,865
Attributable rental revenue from associates/joint venture/investee company								
- Hong Kong	-	10,136	23,628	-	-	-	-	33,764
- Mainland China	-	26,109	3,919	-	-	-	-	30,028
	-	74,526	251,028	-	-	3,060	5,043	333,657
Result								
Segment result								
- Hong Kong	-	18,793	64,188	-	754,034	(1,598)	7,237	842,654
- United Kingdom	-	16,897	152,229	-	-	48	-	169,174
- Mainland China	-	-	144	-	-	1,567	-	1,711
- Other countries	-	-	-	-	503,303	-	-	503,303
	-	35,690	216,561	-	1,257,337	17	7,237	1,516,842
Share of results of investments accounted for using the equity method								
Attributable gross income								
- Hong Kong	-	9,658	23,483	-	-	-	1,103	34,244
- Mainland China	-	26,109	3,919	-	-	-	-	30,028
Attributable operating cost								
- Hong Kong	-	(399)	(3,591)	-	-	-	-	(3,990)
- Mainland China	-	(11,820)	(1,482)	-	-	-	-	(13,302)
	-	59,238	238,890	-	1,257,337	17	8,340	1,563,822
Other income	6,462	-	-	-	-	-	-	6,462
Finance costs	-	-	-	(62,713)	(49,318)	-	-	(112,031)
Other gains and losses	(694)	-	-	-	-	-	-	(694)
Share of results of investments accounted for using the equity method								
- Income tax and others	682	(18,955)	(3,664)	-	-	-	(162)	(22,099)
	6,450	40,283	235,226	(62,713)	1,208,019	17	8,178	1,435,460
Unallocated items								
Unallocated corporate expenses, net								(121,834)
Unallocated finance costs								(80,594)
Income tax expense								(28,088)
Non-controlling interests								(1,441)
Operating profit for the period attributable to owners of the Company								
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								(356,804)
- Deferred tax expense								(1,782)
Profit for the period attributable to owners of the Company								
844,917								
Core profit for the period attributable to owners of the Company								
1,203,503								

4. Operating Segments (continued)
Condensed Consolidated Statement of Financial Position
At 30th June, 2019

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	1,103,136	2,189,581	5,264,914	18,834,010	6,996,262	406,547	156,382	34,950,832
- United Kingdom	-	1,497,861	7,129,364	-	-	-	-	8,627,225
- Mainland China	261,489	-	29,050	-	-	6,850	-	297,389
- Other countries	-	-	-	-	1,631,262	522,606	-	2,153,868
Investments accounted for using the equity method								
- Hong Kong	36,356	428,011	1,662,352	-	-	2,052	6,328	2,135,099
- Mainland China	-	140,906	45,872	-	-	-	-	186,778
Advances to associates and a joint venture								
- Hong Kong	1,663	-	154,331	-	-	2	1,117	157,113
- Mainland China	-	35,389	11,518	-	-	-	-	46,907
Reportable segment assets	<u>1,402,644</u>	<u>4,291,748</u>	<u>14,297,401</u>	<u>18,834,010</u>	<u>8,627,524</u>	<u>938,057</u>	<u>163,827</u>	<u>48,555,211</u>
Unallocated corporate assets								<u>111,294</u>
Consolidated total assets								<u>48,666,505</u>
Liabilities								
Segment liabilities								
- Hong Kong	66,639	21,192	70,108	4,003,519	3,391,458	26,484	6,586	7,585,986
- United Kingdom	-	14,757	171,904	-	-	-	-	186,661
- Mainland China	-	-	184	-	-	-	-	184
- Other countries	-	-	-	-	534,489	-	-	534,489
Reportable segment liabilities	<u>66,639</u>	<u>35,949</u>	<u>242,196</u>	<u>4,003,519</u>	<u>3,925,947</u>	<u>26,484</u>	<u>6,586</u>	<u>8,307,320</u>
Unallocated corporate liabilities								<u>6,629,248</u>
Consolidated total liabilities								<u>14,936,568</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	-	-	2,041	-	-	6	44	

Other Material Items
For the six months ended 30th June, 2019

	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	355,641	-	-	355,641
Finance costs	(112,031)	(80,594)	-	(192,625)
Net income	243,610	(80,594)	-	163,016
Depreciation - property, plant and equipment	-	(2,514)	-	(2,514)
Depreciation - right-of-use assets	-	(5,708)	-	(5,708)
Fair value changes on investment properties	-	-	(427,132)	(427,132)
Write-down of stock of properties	(694)	-	-	(694)
Share of results of investments accounted for using the equity method	24,881	-	70,328	95,209
Income tax expense	-	(28,088)	(1,782)	(29,870)
Non-controlling interests	-	(1,441)	-	(1,441)

4. Operating Segments (continued)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2018

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	4,674,329	-	-	4,674,329
- Other countries	-	-	-	-	443,255	-	-	443,255
	-	-	-	-	5,117,584	-	-	5,117,584
Revenue								
Revenue from external customers								
- Hong Kong	273,989	20,907	68,271	-	-	6,008	4,722	373,897
- United Kingdom	-	18,511	167,333	-	-	-	-	185,844
	273,989	39,418	235,604	-	-	6,008	4,722	559,741
Revenue from external customers after non-controlling interests								
	191,792	39,418	235,601	-	-	6,008	4,722	477,541
Attributable property sales from associates								
- Hong Kong	2,908	-	-	-	-	-	-	2,908
Attributable rental revenue from associates/joint venture/investee company								
- Hong Kong	-	10,138	20,327	-	-	-	-	30,465
- Mainland China	-	37,779	4,824	-	-	-	-	42,603
	194,700	87,335	260,752	-	-	6,008	4,722	553,517
Result								
Segment result								
- Hong Kong	179,149	17,235	67,024	575	(275,087)	12,857	9,557	11,310
- United Kingdom	-	17,967	163,972	-	-	52	-	181,991
- Mainland China	-	-	-	-	-	1,737	-	1,737
- Other countries	-	-	-	-	(276,893)	-	-	(276,893)
	179,149	35,202	230,996	575	(551,980)	14,646	9,557	(81,855)
Share of results of investments accounted for using the equity method								
- Attributable property sales, net								
- Hong Kong	2,227	-	-	-	-	-	-	2,227
- Attributable gross income								
- Hong Kong	-	9,696	19,596	-	-	-	1,085	30,377
- Mainland China	-	37,779	4,824	-	-	-	-	42,603
- Attributable operating cost								
- Hong Kong	-	(375)	(3,838)	-	-	-	-	(4,213)
- Mainland China	-	(14,311)	(1,551)	-	-	-	-	(15,862)
Non-controlling interests	(52,741)	-	(3)	-	-	-	-	(52,744)
	128,635	67,991	250,024	575	(551,980)	14,646	10,642	(79,467)
Finance costs	-	-	-	(52,899)	(31,537)	-	-	(84,436)
Share of results of investments accounted for using the equity method								
- Income tax and others	8	(19,448)	(2,016)	-	-	-	(218)	(21,674)
	128,643	48,543	248,008	(52,324)	(583,517)	14,646	10,424	(185,577)
Unallocated items								
Unallocated corporate expenses, net								(87,032)
Unallocated finance costs								(71,730)
Income tax expense								(64,410)
Unallocated non-controlling interests								7,945
Operating loss for the period attributable to owners of the Company								(400,804)
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of investments accounted for using the equity method)								38,080
- Deferred tax expense								(810)
Loss for the period attributable to owners of the Company								(363,534)
Core loss for the period attributable to owners of the Company								(400,804)

4. Operating Segments (continued)
Condensed Consolidated Statement of Financial Position
At 31st December, 2018

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments and treasury products at FVTPL HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	1,651,525	1,948,679	5,253,665	20,167,010	5,499,322	420,325	76,278	35,016,804
- United Kingdom	-	1,632,210	7,433,806	-	-	-	-	9,066,016
- Mainland China	267,880	-	29,045	-	-	6,821	-	303,746
- Other countries	-	-	-	-	1,272,109	493,267	-	1,765,376
Investments accounted for using the equity method								
- Hong Kong	68,750	424,507	1,582,710	-	-	2,167	6,549	2,084,683
- Mainland China	-	141,553	49,941	-	-	-	-	191,494
Advances to associates and a joint venture								
- Hong Kong	1,000	-	154,306	-	-	2	1,160	156,468
- Mainland China	-	34,751	12,258	-	-	-	-	47,009
Reportable segment assets	<u>1,989,155</u>	<u>4,181,700</u>	<u>14,515,731</u>	<u>20,167,010</u>	<u>6,771,431</u>	<u>922,582</u>	<u>83,987</u>	<u>48,631,596</u>
Unallocated corporate assets								<u>59,107</u>
Consolidated total assets								<u><u>48,690,703</u></u>
Liabilities								
Segment liabilities								
- Hong Kong	165,431	20,593	69,688	3,809,914	3,091,361	35,868	8,452	7,201,307
- United Kingdom	-	16,464	167,234	-	-	-	-	183,698
- Mainland China	778	-	31	-	-	7	-	816
- Other countries	-	-	-	-	432,759	9	-	432,768
Reportable segment liabilities	<u>166,209</u>	<u>37,057</u>	<u>236,953</u>	<u>3,809,914</u>	<u>3,524,120</u>	<u>35,884</u>	<u>8,452</u>	<u>7,818,589</u>
Unallocated corporate liabilities								<u>6,728,545</u>
Consolidated total liabilities								<u><u>14,547,134</u></u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	<u>-</u>	<u>-</u>	<u>2,224</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>16</u>	

Other Material Items

For the six months ended 30th June, 2018

	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	316,816	-	-	316,816
Finance costs	(84,436)	(71,730)	-	(156,166)
Net income	232,380	(71,730)	-	160,650
Depreciation - property, plant and equipment	-	(3,745)	-	(3,745)
Fair value changes on investment properties	-	-	(22,755)	(22,755)
Share of results of investments accounted for using the equity method	33,458	-	60,835	94,293
Income tax expense	-	(64,410)	(810)	(65,220)
Non-controlling interests	(52,744)	7,945	-	(44,799)

5. Other Income

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
Included in other income are:		
Building management fee income	14,056	18,897
Building management fee expenses	(7,974)	(10,944)
	6,082	7,953
Rental services income	2,561	3,536
Property management services, leasing administration services and property administration services income	14,250	14,850
Advisory and consultancy services income	18	15
Asset management and maintenance services income	-	4
Overprovision of costs incurred in prior years in respect of a development project	6,462	-
Consultancy fee income	-	13,354
Exchange gain, net	-	3,563
Reversal of impairment in respect of other receivable and interest thereon of HK\$2,192,000	-	4,884
	6,082	4,884

6. Investment Income (Expenses), Net

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
Financial assets measured at fair value through profit or loss:		
Unrealised gain (loss) arising from change in fair value of bonds	810,665	(868,114)
Realised gain (loss) arising from change in fair value of bonds		
- Change in fair value	74,038	(9,850)
- Exchange component of change	3,074	5,271
Net gain (loss) arising from change in fair value of bonds	887,777	(872,693)
Unrealised (loss) gain arising from change in fair value of club and corporate debentures	(6,160)	5,158
Realised loss arising from change in fair value of a club debenture	(171)	-
(Loss) gain arising from change in fair value of club and corporate debentures	(6,331)	5,158
Unrealised loss arising from change in fair value of derivative financial instrument	(377)	-
Realised loss arising from change in fair value of derivative financial instrument	(1,921)	-
Loss arising from change in fair value of derivative financial instruments	(2,298)	-
Other investment income	18,845	12,446
Interest income	355,392	314,259
	1,253,385	(540,830)

Interest income mainly included interest income from bonds of approximately HK\$350,715,000 (2018: HK\$308,842,000).

7. Finance Costs

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	78,180	67,087
Other borrowings	114,958	86,178
Lease liabilities	304	-
Total interest	<u>193,442</u>	<u>153,265</u>
Exchange gain on translation of foreign currency bank and other borrowings, net	(4,446)	(1,742)
Other finance costs	<u>3,629</u>	<u>4,643</u>
	<u>192,625</u>	<u>156,166</u>

8. Income Tax Expense

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	5,357	34,639
Other than Hong Kong	21,155	23,621
	<u>26,512</u>	<u>58,260</u>
Underprovision in prior years:		
Hong Kong Profits Tax	(30)	5,207
Other than Hong Kong	201	(2,418)
	<u>171</u>	<u>2,789</u>
Deferred tax:		
Current period charge	3,187	4,171
	<u>29,870</u>	<u>65,220</u>

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The People's Republic of China ("PRC") Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2018: 25%). Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. Profit (Loss) for the Period

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
Profit (loss) for the period has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(74,948)	(80,887)
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$171,000 (2018: HK\$324,000)	(4,099)	(4,108)
	(79,047)	(84,995)
Auditors' remuneration:		
Auditors of the Company		
- Current period	(1,007)	(1,025)
Other auditors		
- Current period	(131)	(249)
- Underprovision in prior years	(5)	(21)
Depreciation of:		
Property, plant and equipment	(2,514)	(3,745)
Right-of-use assets	(5,708)	-
	(8,222)	(3,745)
Exchange loss, net	(718)	-
Rental expenses from short-term leases	(19,195)	-
Cost of trading properties recognised	-	(71,064)
Cost of cosmetic products recognised	(2,022)	(1,754)
Share of tax of associates	(4,101)	(6,409)
Share of tax of a joint venture	(237)	(259)
Share of tax of investments accounted for using the equity method (included in share of results of investments accounted for using the equity method)	(4,338)	(6,668)
Gross rental income from investment properties	261,762	275,022
Less: Direct operating expenses from investment properties that generated rental income during the period	(8,006)	(7,665)
Direct operating expenses from investment properties that did not generate rental income during the period	(1,505)	(1,159)
	252,251	266,198
Reversal of impairment loss recognised in respect of trade receivables, net (Impairment loss) reversal of impairment loss recognised in respect of other receivables, net	30	13
	(18)	2,445

10. Dividends

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
Final dividend for 2018 paid on 12th June, 2019 of HK10 cents (2017: HK10 cents) per share	190,762	190,762

Interim dividend for 2019 of HK1 cent (2018: HK1 cent) per share has been declared by the Board after interim period end.

11. Earnings (Loss) per Share

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

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
Earnings (loss):		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share		
Profit (loss) for the period attributable to owners of the Company	844,917	(363,534)
	Number of shares	
	Six months ended 30th June,	
	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	1,907,619,079	1,907,619,079

Diluted earnings (loss) per share for the six months ended 30th June, 2019 and 2018 were the same as the basic earnings (loss) per share as there were no diluting events during both periods.

12. Financial Assets Measured at Fair Value Through Profit or Loss

	30th June,	31st December,
	2019	2018
	HK\$'000	HK\$'000
Bonds	8,426,404	6,685,515
Club and corporate debentures	72,150	78,481
Derivative financial instrument	-	1,921
	8,498,554	6,765,917
Analysed for reporting purpose as:		
Non-current	1,623,249	1,350,090
Current	6,875,305	5,415,827
	8,498,554	6,765,917

Major terms of the bonds denominated in United States dollar ("US\$") and Pound Sterling ("GBP") are as follows:

Notional amount	Maturity
US\$9,000,000	2021
US\$49,000,000	2022
US\$187,000,000	2023
US\$267,000,000	2024
US\$40,000,000	2025
US\$9,000,000	2036
US\$21,000,000	2046
US\$464,365,000	Perpetual
GBP25,500,000	Perpetual

13. Financial Assets Measured at Fair Value Through Other Comprehensive Income

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Listed investment:		
- Equity securities listed in Hong Kong (<i>note (i)</i>)	18,834,000	20,167,000
Unlisted equity securities:		
- Incorporated in Hong Kong (<i>note (ii)</i>)	998,909	707,542
- Incorporated elsewhere (<i>note (iii)</i>)	522,099	492,765
	20,355,008	21,367,307

Notes:

- (i) As at 30th June, 2019, the Group held certain shares of China Evergrande Group (stock code: 3333) ("China Evergrande") ("Evergrande Shares"). The unrealised loss on fair value change of the Evergrande Shares of HK\$1,333,000,000 (during the year ended 31st December, 2018: HK\$3,052,253,000), which was determined based on quoted market bid price in active market, was recorded in financial assets measured at FVTOCI reserve during the Period. The carrying amount of the Evergrande Shares held by the Group as at 30th June, 2019 was HK\$18,834,000,000 (31st December, 2018: HK\$20,167,000,000).
- (ii) As at 30th June, 2019, the carrying amount mainly comprised investment in a property development project in Hong Kong of HK\$829,517,000 (31st December, 2018: HK\$540,659,000).
- (iii) As at 30th June, 2019, 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\$432,764,000 (31st December, 2018: HK\$408,159,000).

14. Debtors, Deposits, Other Receivables and Prepayments

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$4,834,000 (31st December, 2018: HK\$3,553,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from cosmetic business.

The carrying amounts of trade receivables (net of allowance for doubtful debts) of the Group's major businesses are as follows:

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Property leasing	2,312	1,240
Cosmetic business	2,522	2,313
	4,834	3,553

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
0 - 30 days	2,164	755
31 - 60 days	984	534
61 - 90 days	742	634
Over 90 days	944	1,630
	4,834	3,553

15. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$3,579,000 (31st December, 2018: HK\$6,555,000).

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

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
0 - 90 days	3,150	6,531
Over 90 days	429	24
	3,579	6,555

16. Capital Commitments

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Authorised and contracted for:		
Capital investment in limited partnership (<i>note</i>)	78,202	98,387
Purchases of equipment, furniture and leasehold improvement	17,745	-
	95,947	98,387

Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to HK\$781,450,000) in the Cayman Islands Partnership. Up to the end of the reporting period, approximately US\$89,993,000 (equivalent to approximately HK\$697,973,000) (31st December, 2018: US\$87,437,000 (equivalent to approximately HK\$677,957,000)) among the contribution has been paid by the Group. The outstanding amount was approximately US\$10,007,000 (equivalent to approximately HK\$78,202,000, after exchange adjustment) (31st December, 2018: US\$12,563,000 (equivalent to approximately HK\$98,387,000, after exchange adjustment)).

Other than the capital commitments as disclosed above, an interest-free funding undertaking in proportion of 50% has been provided by the Group to a 50% joint venture, Landrich (H.K.) Limited (“Landrich”), in the event that the funds raised from banks or financial institutions by Landrich are not sufficient for satisfying any working capital requirements at any time. As at 30th June, 2019 and 31st December, 2018, Landrich was in net asset position and the Directors considered that Landrich had sufficient working capital and therefore no funding was required as of these dates.

17. Contingent Liabilities

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000	15,000
Guarantees given to banks in respect of banking facilities utilised by investee companies	625,178	625,178
Guarantee given to a bank in respect of a banking facility utilised by a joint venture	90,000	-
	730,178	640,178

No provision for financial guarantee contracts have been made as at 30th June, 2019 and 31st December, 2018 as the Directors considered the default risk is low.

18. Financial Assets Measured at Fair Value Through Profit or Loss and Financial Assets Measured at Fair Value Through Other Comprehensive Income

Included in non-current assets, there were financial assets measured at FVTPL and financial assets measured at FVTOCI in the sum of approximately HK\$1,623,249,000 (31st December, 2018: HK\$1,350,090,000) and approximately HK\$20,355,008,000 (31st December, 2018: HK\$21,367,307,000) respectively. They were included in non-current assets according to their intended holding periods. Notwithstanding the presentation of the above assets as non-current assets, these financial assets to the extent of approximately HK\$20,385,099,000 (31st December, 2018: HK\$21,438,609,000) were listed securities investments and treasury products and could be realised in the market at any time within twelve months from the end of the reporting period.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent per share (2018: HK1 cent per share) for the Period (the “Interim Dividend”).

During the Period, the Group has recorded a total comprehensive expenses attributable to owners of the Company of approximately HK\$174.3 million (2018: HK\$6,286.8 million). As at 30th June, 2019, the Group had cumulative unrealised gain on fair value change of listed equity investment in China Evergrande Group (stock code: 3333) of approximately HK\$5,238.0 million (details are disclosed in the sub-paragraph headed “Listed Equity Investments at Fair Value Through Other Comprehensive Income” of paragraph headed “Securities Investments” in the section headed “Financial Operation Review” below). However, such gain was unrealised and was a non-cash item, any dividend declaration or recommendation on such unrealised gain is not currently intended by the Board. The Board recognised the possible potential fluctuation in Hong Kong stock market. As and when the share price of China Evergrande Group reaches a satisfactory and attractive level, the Group may consider realise part of the listed equity investment in China Evergrande Group. Subject to the Company’s dividend policy as well as 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 listed equity investments 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), as a return to the shareholders of the Company. 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”).

Having considered the Company’s dividend policy, to preserve more cash for the Group’s future financial, property investment or securities investment opportunities, the Board has resolved to declare the Interim Dividend of HK1 cent per share (2018: HK1 cent per share).

Dividend warrants for the Interim Dividend will be posted on or about 27th August, 2019 to shareholders whose names appear on the register of members of the Company on 16th August, 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on 16th August, 2019. 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 15th August, 2019.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Period amounted to HK\$269.9 million (2018: HK\$559.7 million), a decrease of 51.8% over the same period of last year and comprised gross rental income of HK\$261.8 million and others of HK\$8.1 million (2018: gross rental income of HK\$275.0 million, property sales of HK\$274.0 million and others of HK\$10.7 million). The decline in revenue was mainly due to no property sales recorded for the Period.

Gross Profit

Gross profit for the Period amounted to HK\$255.1 million (2018: HK\$451.0 million), a decrease of 43.4% as compared with the same period of last year which also mainly derived from no property sales profit for the Period (2018: HK\$179.1 million).

Property Leasing

For property leasing, the overall rental revenue in both non-retail and retail sections slightly decreased to HK\$223.5 million and HK\$38.3 million respectively during the Period. The total rental income in revenue for the Period recorded a decrease of 4.8% to HK\$261.8 million as compared with the same period of last year of HK\$275.0 million.

Together with the attributable rental revenue generated from associates, a joint venture and an investee company of HK\$63.8 million (2018: HK\$73.1 million), the total attributable rental revenue to the Group amounted to HK\$325.6 million (2018: HK\$348.1 million after non-controlling interests), which represents a decrease of 6.5% over the same period of last year.

Attributable net rental income for the Period showed HK\$298.1 million, a decrease of 6.3% over HK\$318.0 million in the same period of last year.

Property Development and Trading

During the Period, the Group did not dispose of any trading property. In the first half of 2018, the attributable property sales revenue and profit from the Group and its associates recorded HK\$194.7 million and HK\$128.6 million respectively, including sales of 55 Conduit Road in Mid-Levels West (70% interest) contributed an attributable profit to the Group of HK\$126.4 million, and sales of a workshop unit at Kwong Kin Trade Centre in Tuen Mun (50% interest) and parking spaces at Greenville Residence in Yuen Long (50% interest) (properties held by associates) generated profit of HK\$1.9 million and HK\$0.3 million respectively, as reflected in the share of results of investments accounted for using the equity method.

Securities Investments

The Group has in the ordinary and normal course of business conducted its securities investment activities, as at 30th June, 2019, comprised of bonds and listed equity investment. During the Period, the gain (excluding gain/loss recognised in financial assets measured at FVTOCI reserve) recognised from listed securities investments and treasury products was HK\$1,145.3 million (2018: loss of HK\$635.8 million), comprised loss on listed equity investments at FVTOCI of HK\$62.7 million (2018: HK\$52.3 million) and gain on listed investments and treasury products at FVTPL of HK\$1,208.0 million (2018: loss of HK\$583.5 million).

During the Period, the Group did not dispose of any listed investments held-for-trading (2018: no disposal). The realised gain from sales of bonds of HK\$77.1 million (2018: realised loss of HK\$4.6 million) was recognised, mainly comprising the realised gain on bonds in industry of PRC-based real estate of HK\$72.3 million (2018: HK\$9.4 million), and the Group did not dispose of any bonds in industries of overseas financial institutions (2018: realised loss of HK\$11.2 million) and insurance (2018: realised loss of HK\$2.0 million). During the Period, the Group had acquired 11 bonds (2018: 10 bonds including those additions to the existing bonds) in the sum of HK\$2,386.4 million (2018: HK\$2,595.9 million), and disposed of/redeemed 12 bonds (2018: 39 bonds) (including those with partial disposal) with carrying amounts in the sum of HK\$1,533.3 million (2018: HK\$5,122.2 million). Bonds acquired were mainly in the industries of PRC-based real estate of 96.6% (2018: 47.7%) and overseas financial institutions of 3.4% (2018: 50.5%).

Furthermore, the Group recorded an unrealised gain of HK\$810.7 million (2018: unrealised loss of HK\$868.1 million) representing the changes in fair value of bonds, which had no effect on the cash flow of the Group. The unrealised gain (2018: unrealised loss) from changes in fair value of bonds represented 29 bonds (2018: 28 bonds), mainly comprising unrealised gain from industry of overseas financial institutions of HK\$308.7 million or increase in fair value of 8.4% over the Period; and unrealised gain from industry of PRC-based real estate of HK\$467.3 million or increase in fair value of 12.7% over the Period (2018: unrealised loss from industries of overseas financial institutions of HK\$320.9 million or decrease in fair value of 7.5% over the six-month period; and the unrealised loss from industry of PRC-based real estate of HK\$524.7 million or decrease in fair value of 14.9% over the six-month period). The Group believes that the increase in price of bonds in PRC-based real estate sector in the Period, among others, was owing to the pressure from increasing of the United States Federal funds rate was faded out as there was no change in United States Federal funds rate since December 2018 which stimulate the investment market during the Period.

During the Period, interest income from bonds amounted to HK\$350.7 million (2018: HK\$308.8 million), represented 4.2% (2018: 4.3%) (before effect on leverage) return on average market value of bondholding during the Period.

Summing up the realised and unrealised gain/loss and adding the net income from interest income, other investment income and net finance costs of HK\$257.5 million (2018: HK\$236.9 million), the gain recognised from listed securities investments and treasury products was HK\$1,145.3 million (2018: loss of HK\$635.8 million).

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

Listed Investments and Treasury Products at Fair Value Through Profit or Loss

The listed investments and treasury products at FVTPL recorded a profit before and after net finance costs of HK\$1,257.3 million and HK\$1,208.0 million (2018: loss before and after net finance costs of HK\$552.0 million and HK\$583.5 million) respectively for the Period.

Gain from the listed investments and treasury products at FVTPL reflected in the unaudited condensed consolidated statement of comprehensive income for the Period comprised a realised gain on fair value changes of bonds of HK\$77.1 million (2018: realised loss of HK\$4.6 million), an unrealised gain on fair value changes of bonds of HK\$810.7 million (2018: unrealised loss of HK\$868.1 million), interest income of HK\$350.7 million (2018: HK\$308.8 million) and other investment income of HK\$18.8 million (2018: HK\$11.9 million). Net relevant finance costs for the Period was HK\$49.3 million (2018: HK\$31.5 million) including interest expense of HK\$52.0 million (2018: HK\$33.1 million) and exchange gain of HK\$2.7 million (2018: HK\$1.6 million).

The table below summarises the performance of bonds during the Period:

Bond issuers by industry	Realised gain (loss)		Unrealised gain (loss)		Interest income		Total profit (loss)	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Overseas financial institutions	-	(11.2)	308.7	(320.9)	143.0	158.9	451.7	(173.2)
Insurance	-	(2.0)	-	-	-	1.2	-	(0.8)
PRC-based real estate	72.3	9.4	467.3	(524.7)	196.4	136.9	736.0	(378.4)
Others	4.8	(0.8)	34.7	(22.5)	11.3	11.8	50.8	(11.5)
	77.1	(4.6)	810.7	(868.1)	350.7	308.8	1,238.5	(563.9)
Other investment income							18.8	11.9
Profit (loss) before net finance costs							1,257.3	(552.0)
Net finance costs							(49.3)	(31.5)
Profit (loss) after net finance costs							1,208.0	(583.5)

Listed Equity Investments at Fair Value Through Other Comprehensive Income

(a) Implication on Profit or Loss for the Period

Dividend income (if any), other investment income and relevant finance costs of holding listed equity investments at FVTOCI were recognised in profit or loss for the Period. During the Period, no dividend income was recorded from holding of 860,000,000 shares of China Evergrande, hence the result from listed equity investments at FVTOCI recorded a net loss of HK\$62.7 million (2018: HK\$52.3 million) represented the entirety of its net relevant finance costs (2018: comprised other investment income of HK\$0.6 million and net relevant finance costs of HK\$52.9 million).

(b) Implication on Other Comprehensive Expenses for the Period

During the Period, the unit share price of China Evergrande had dropped from HK\$23.45 as at 31st December, 2018 to HK\$21.90 as at 28th June, 2019 (being the last trading day for the Period), or 6.6% over the Period, hence an unrealised loss on fair value changes of listed equity investments at FVTOCI of HK\$1,333.0 million (2018: HK\$5,959.9 million) was recognised in other comprehensive expenses. 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 decrease in share price of China Evergrande for the Period, among others, was owing to the unstable business environment in the PRC, and China Evergrande, a PRC-based company with US\$ debt exposure against a weakened Renminbi (“RMB”) currency, was adversely impacted.

The table below summarises the performance of the Evergrande Shares during the Period:

	Number of shares	Closing price (per share) HK\$	Recorded in unaudited condensed consolidated statement of financial position		Recorded in unaudited condensed consolidated statement of comprehensive income	
			Financial assets measured at fair value through other comprehensive income HK\$ million	Financial assets measured at fair value through other comprehensive income reserve HK\$ million	Loss for the Period HK\$ million	Other comprehensive expenses for the Period HK\$ million
At 31st December, 2018	860,000,000	23.45	20,167.0	6,571.0	-	-
Unrealised fair value changes	-	-	(1,333.0)	(1,333.0)	-	(1,333.0)
Net finance costs	-	-	-	-	(62.7)	-
At 30th June, 2019	860,000,000	21.90	18,834.0	5,238.0	(62.7)	(1,333.0)
Percentage to total assets						
At 30th June, 2019			38.7%			
At 31st December, 2018			41.4%			

Other Income and Expenses

Other income for the Period, which mainly came from net building management fee income, rental services income, property management services, leasing administration services and property administration services income and overprovision of costs incurred in prior years in respect of a development project decreased to HK\$30.1 million (2018: also included consultancy fee income, exchange gain, net and reversal of impairment in respect of other receivable and interest thereon of HK\$51.9 million), representing a decrease of 42.1%. The decrease was mainly due to absence of consultancy fee income and reversal of impairment in respect of other receivable and interest thereon for the Period while a total of HK\$18.2 million was recorded in the first half of 2018.

During the Period, administrative expenses increased by 3.8% to HK\$137.1 million (2018: HK\$132.1 million). Finance costs increased by 23.3% to HK\$192.6 million (2018: HK\$156.2 million) during the Period, including exchange gain of HK\$2.9 million (2018: HK\$1.7 million) on translation of foreign currency other borrowings hedged for foreign currency securities investments and exchange gain of HK\$1.5 million (2018: nil) on translation of a foreign currency bank borrowing. The increase in finance costs was mainly due to the increase in interest rates during the Period.

Other gains and losses for the Period recorded a loss on write-down of stock of properties of HK\$0.7 million as compared with the minimal loss of the same period of last year.

Investments Accounted for Using the Equity Method

The share of results of investments accounted for using the equity method for the Period recorded a profit of HK\$95.2 million (2018: HK\$94.3 million), comprised profit from the share of results of associates and a joint venture of HK\$85.0 million (2018: HK\$78.2 million) and HK\$10.2 million (2018: HK\$16.1 million) respectively.

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 30th June, 2019 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. A loss on fair value changes of investment properties of HK\$427.1 million (2018: HK\$22.8 million) was recorded during the Period. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

Profit/Loss, Core Profit/Loss, Dividends, Repurchase, Cash Payment Ratio and Total Comprehensive Expenses

Profit/Loss

Profit for the Period attributable to owners of the Company was HK\$844.9 million as compared with loss of HK\$363.5 million for the same period of last year. The turning from loss to profit for the Period was mainly due to listed investments and treasury products at FVTPL turning to profit of HK\$1,208.0 million as compared with loss of HK\$583.5 million recorded in the first half of 2018 despite of (a) increase in loss on fair value changes of investment properties of HK\$404.3 million; and (b) no attributable property sales profit (2018: HK\$128.6 million) was recognised during the Period. Earnings per share for the Period was HK\$0.44 (2018: loss per share of HK\$0.19).

Core Profit/Loss

If the net loss on the major non-cash items of HK\$358.6 million (2018: net gain of HK\$37.3 million) are excluded, the Group will have a core profit for the Period attributable to owners of the Company of HK\$1,203.5 million (2018: core loss of HK\$400.8 million) and a core profit per share of HK\$0.63 (2018: core loss per share of HK\$0.21).

The major non-cash items represented the attributable net unrealised fair value loss on investment properties together with their respective deferred tax from the Group and its associates and joint venture of HK\$358.6 million (2018: net gain of HK\$37.3 million).

Dividends

Final dividend of HK10 cents (year ended 31st December, 2017: HK10 cents) per share in total amount of HK\$190.8 million for the year ended 31st December, 2018 was paid in cash on 12th June, 2019.

Repurchase

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

Cash Payment Ratio

Based on (a) the core profit for the Period of HK\$1,203.5 million or HK\$0.63 per share (2018: core loss of HK\$400.8 million or HK\$0.21 per share); and (b) cash interim dividend of HK1 cent (2018: HK1 cent) per share declared, the ratio of such cash payment to the core profit is 1.6% (2018: the ratio was undefined as a result of the core loss).

Total Comprehensive Expenses

Total comprehensive expenses for the Period attributable to owners of the Company was HK\$174.3 million or HK\$0.09 per share (2018: HK\$6,286.8 million or HK\$3.30 per share), which comprised (a) profit for the Period attributable to owners of the Company of HK\$844.9 million (2018: loss of HK\$363.5 million); and (b) other comprehensive expenses for the Period attributable to owners of the Company of HK\$1,019.2 million (2018: HK\$5,923.3 million) which mainly included unrealised loss on fair value changes of listed equity investment at FVTOCI of HK\$1,333.0 million (2018: HK\$5,959.9 million), details are disclosed in the sub-paragraph headed “Listed Equity Investments at Fair Value Through Other Comprehensive Income (b) Implication on Other Comprehensive Expenses for the Period” of paragraph headed “Securities Investments” above.

Net Asset Value

As at 30th June, 2019, the Group's net asset value attributable to owners of the Company amounted to HK\$33,697.3 million (31st December, 2018: HK\$34,062.4 million), a decrease of HK\$365.1 million or 1.1% when compared with 31st December, 2018. With the total number of ordinary shares in issue of 1,907,619,079 as at 30th June, 2019 and 31st December, 2018, the net asset value per share attributable to owners of the Company was HK\$17.66 (31st December, 2018: HK\$17.86). The movement in net asset value was mainly due to (a) total comprehensive expenses for the Period attributable to owners of the Company of HK\$174.3 million; and (b) final dividend recognised as distribution during the Period of HK\$190.8 million.

During the Period, loss on fair value changes of the listed equity investment categorised as financial assets measured at FVTOCI of HK\$1,333.0 million (2018: HK\$5,959.9 million) was recorded in other comprehensive expenses. The cumulative amount of gain on fair value changes of listed equity investment included in financial assets measured at FVTOCI reserve was HK\$5,238.0 million as at 30th June, 2019 (31st December, 2018: HK\$6,571.0 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.

Net Current Liabilities

The Group recorded net current liabilities as at 30th June, 2019 of HK\$1,759.2 million (31st December, 2018: HK\$2,749.8 million), of which current assets were HK\$8,563.1 million (31st December, 2018: HK\$7,104.6 million) and current liabilities were HK\$10,322.3 million (31st December, 2018: HK\$9,854.4 million). The position was mainly due to certain of the Group's current liabilities had been utilised to finance the Group's non-current assets.

In the unaudited condensed consolidated statement of financial position and within securities investment activities, which comprised of bonds and listed equity investment, the total carrying amount as at 30th June, 2019 was HK\$27,260.4 million (31st December, 2018: HK\$26,852.5 million). Included in non-current assets were part of the bonds in the sum of HK\$1,551.1 million (31st December, 2018: HK\$1,271.6 million) presented as financial assets measured at FVTPL and listed equity investment in the sum of HK\$18,834.0 million (31st December, 2018: HK\$20,167.0 million) presented as financial assets measured at FVTOCI. Included in current assets were part of the bonds in the sum of HK\$6,875.3 million (31st December, 2018: HK\$5,413.9 million) presented as financial assets measured at FVTPL. Margin loans utilised to finance the securities investments in both non-current and current assets in the sum of HK\$7,917.2 million (31st December, 2018: HK\$7,330.5 million) were presented as borrowings in current liabilities.

If the margin loans of HK\$7,917.2 million (31st December, 2018: HK\$7,330.5 million) were allocated into the securities investments secured according to the respective non-current and current assets presentation, HK\$4,534.7 million (31st December, 2018: HK\$4,240.4 million) and HK\$3,382.5 million (31st December, 2018: HK\$3,090.1 million) were secured by the securities investments in non-current and current assets respectively.

If the margin loans secured by the securities investments in non-current assets of HK\$4,534.7 million (31st December, 2018: HK\$4,240.4 million) were reclassified as non-current liabilities, the net current liabilities position of the Group would become net current assets position as at 30th June, 2019 of HK\$2,775.5 million (31st December, 2018: HK\$1,490.6 million).

The ratio of margin loans against securities investments was loan-to-value ratio, which was 29.0% as at 30th June, 2019 (31st December, 2018: 27.3%). In accordance with the terms and conditions of margin loans facility agreements of the Group with financial institutions, among others, as long as the securities investments maintained market value which is in excess of pre-defined loan-to-value ratios as set out by the financial institutions, the margin loans upon interest payment due date would be roll-overed month-for-month, and repayment of margin loans by the Group to financial institutions would not be required. As such, very often margin loans of the Group which were presented as current liabilities would not be current and would be repayable over one year. In the event that the Group intends to reduce or repay part of the margin loans, the Group might, among others, dispose of some of the securities investments to effect the payment.

Listed securities investments and treasury products of the Group were frequently traded in the market, and formed part of the Group's treasury management. They were presented as non-current assets and current assets according to their intended holding periods.

If the entire listed securities investments and treasury products of the Group as at 30th June, 2019 were presented as current assets, current assets would be increased by HK\$20,385.1 million (31st December, 2018: HK\$21,438.6 million), and net current liabilities position of HK\$1,759.2 million (31st December, 2018: HK\$2,749.8 million) would become net current assets position of HK\$18,625.9 million (31st December, 2018: HK\$18,688.8 million).

The Group believes that the net current liabilities position as at 30th June, 2019 would not have adverse financial effect to the Group's liquidity or gearing position and the Group has ability to continue as a going concern.

Securities Investments

The Group's strategy is to maintain securities investment portfolio for treasury management and invest in listed securities investments and treasury products with attractive yield and good prospect in order to bring stable and satisfactory realised return in long run. During the Period, the Group further diversified the bonds portfolio comprised of the bonds issued by overseas financial institutions and PRC-based real estate companies.

As at 30th June, 2019, the portfolio of listed securities investments and treasury products of HK\$27,260.4 million (31st December, 2018: HK\$26,852.5 million) comprised (a) bonds (financial assets measured at FVTPL (non-current and current assets in aggregate)) of HK\$8,426.4 million (31st December, 2018: HK\$6,685.5 million); and (b) listed equity investment (financial assets measured at FVTOCI) of HK\$18,834.0 million (31st December, 2018: HK\$20,167.0 million), representing 56.0% (31st December, 2018: 55.1%) of total assets.

The respective securities investments under different categories are elaborated below:

Listed Equity Investments at Fair Value Through Other Comprehensive Income

In prior years, the Group had acquired 860,000,000 shares of China Evergrande and recorded as financial assets measured at FVTOCI. During the Period, no acquisition or disposal of shares of China Evergrande. The Group held 860,000,000 shares of China Evergrande, representing approximately 6.6% of the total issued share capital of China Evergrande as at 30th June, 2019.

As at 31st December, 2018, the cumulative unrealised gain on fair value change of the Evergrande Shares was HK\$6,571.0 million and the carrying amount of the Evergrande Shares was HK\$20,167.0 million. After deducting the unrealised fair value loss of HK\$1,333.0 million for the Period, the carrying amount of the Evergrande Shares as at 30th June, 2019 was HK\$18,834.0 million, representing 38.7% (31st December, 2018: 41.4%) of total assets. The cumulative unrealised gain on fair value change of the Evergrande Shares was reduced from HK\$6,571.0 million as at 31st December, 2018 to HK\$5,238.0 million as at 30th June, 2019, which was recorded in the financial assets measured at FVTOCI reserve. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

China Evergrande group is principally engaged in the property development, property investment, property management, hotel operations, finance business, internet business and health industry business in the PRC. According to the audited consolidated financial statements of China Evergrande for the years ended 31st December, 2018 and 2017, the revenue and profit attributable to shareholders were RMB466.2 billion (2017: RMB311.0 billion) and RMB37.4 billion (2017: RMB24.4 billion) respectively; while the total assets and total equity were RMB1,880.0 billion (2017: RMB1,761.8 billion) and RMB308.6 billion (2017: RMB242.2 billion) respectively, the net debt was RMB468.9 billion (2017: RMB444.9 billion). Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash.

Listed Investments and Treasury Products at Fair Value Through Profit or Loss

As at 31st December, 2018, the carrying amounts of the bonds presented as financial assets measured at FVTPL was HK\$6,685.5 million. During the Period, the bonds portfolio was increased by a net acquisition of HK\$853.1 million. After adding the fair value gain of HK\$887.8 million, the bonds portfolio of the Group became HK\$8,426.4 million as at 30th June, 2019, representing 17.3% (31st December, 2018: 13.7%) of total assets, which formed part of the Group's cash management activities.

As at 30th June, 2019, the bonds portfolio comprised of bonds issued by overseas financial institutions of 47.2% (31st December, 2018: 53.7%), PRC-based real estate companies of 49.2% (31st December, 2018: 41.6%) and other industries of 3.6% (31st December, 2018: 4.7%). They are denominated in different currencies with 97.0% (31st December, 2018: 96.7%) in US\$ and 3.0% (31st December, 2018: 3.3%) in GBP. The bonds denominated in US\$ carry at fixed rate range from 4.750% to 13.000% (31st December, 2018: 4.750% to 9.375%) per annum of which

notional amount of US\$1,007.4 million (31st December, 2018: US\$911.4 million) are callable, all bonds denominated in GBP carry at fixed rate range from 5.875% to 7.250% (31st December, 2018: 5.875% to 7.250%) per annum of notional amount of GBP25.5 million (31st December, 2018: GBP22.5 million) are callable. As at 30th June, 2019, the bonds portfolio comprised of 29 bonds (31st December, 2018: 25 bonds); in terms of credit rating, investment grade, non-investment grade and unrated were 5 bonds, 22 bonds and 2 bonds (31st December, 2018: 5 bonds, 16 bonds and 4 bonds) respectively. In terms of maturity, 16 bonds (31st December, 2018: 14 bonds) were contingent convertible bonds issued by overseas financial institutions which were perpetual with no fixed tenor. 13 bonds (31st December, 2018: 11 bonds) were issued by issuers other than overseas financial institutions will be matured between 2021 to 2046 and no perpetual bond (31st December, 2018: 8 bonds will be matured between 2021 to 2046 and the remaining 3 bonds were perpetual).

Details and movement of the bonds portfolio at the end of the reporting period are set out below:

Movement of bonds portfolio	Overseas	PRC-based	Others	Total
	financial institutions HK\$ million	real estate HK\$ million	HK\$ million	HK\$ million
Carrying amounts				
At 31st December, 2018	3,588.3	2,780.9	316.3	6,685.5
Purchases	80.5	2,305.9	-	2,386.4
Disposals	-	(1,480.4)	(52.9)	(1,533.3)
Fair value changes	308.7	539.6	39.5	887.8
At 30th June, 2019	3,977.5	4,146.0	302.9	8,426.4
Percentage to total assets				
At 30th June, 2019	8.2%	8.5%	0.6%	17.3%
At 31st December, 2018	7.4%	5.7%	0.6%	13.7%

Bond issuers by industry	At 30th June, 2019		At 31st December, 2018	
	HK\$ million	Percentage to total	HK\$ million	Percentage to total
Carrying amounts				
Overseas financial institutions	3,977.5	47.2%	3,588.3	53.7%
PRC-based real estate	4,146.0	49.2%	2,780.9	41.6%
Others	302.9	3.6%	316.3	4.7%
	8,426.4	100.0%	6,685.5	100.0%

Bonds by currency	At 30th June, 2019			At 31st December, 2018		
	Coupon rate (per annum)	HK\$ million	Percentage to total	Coupon rate (per annum)	HK\$ million	Percentage to total
Carrying amounts						
US\$	4.750% to 13.000%	8,172.0	97.0%	4.750% to 9.375%	6,466.6	96.7%
GBP	5.875% to 7.250%	254.4	3.0%	5.875% to 7.250%	218.9	3.3%
		8,426.4	100.0%		6,685.5	100.0%

Unlisted Securities Investments

The Group invested in the Cayman Islands Partnership and the carrying amount was HK\$408.1 million as at 31st December, 2018. During the Period, the Group has contributed US\$2.6 million (equivalent to approximately HK\$20.0 million) and received distribution of US\$2.6 million (equivalent to approximately HK\$20.0 million) (which was included in financial assets measured at FVTOCI), after adding the fair value gain for the Period of HK\$24.6 million (which was recognised in financial assets measured at FVTOCI reserve), the carrying amount was HK\$432.7 million as at 30th June, 2019, representing 0.9% (31st December, 2018: 0.8%) 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, 2019 and 31st December, 2018 were 1,907,619,079.

Debt and Gearing

As at 30th June, 2019, the Group's total debt amounted to HK\$14,259.9 million (31st December, 2018: HK\$13,747.7 million), comprised bank and other borrowings of HK\$14,221.7 million (31st December, 2018: HK\$13,747.7 million) and lease liabilities of HK\$38.2 million (31st December, 2018: nil). Cash and deposits at banks amounted to HK\$870.9 million (31st December, 2018: HK\$714.6 million), pledged deposits amounted to HK\$243.9 million (31st December, 2018: HK\$237.4 million) and net debt (including lease liabilities) amounted to HK\$13,145.1 million (31st December, 2018: HK\$12,795.7 million). Upon the initial application of HKFRS 16 on 1st January, 2019 (details are set out in Note 2 "Principal Accounting Policies" to the unaudited condensed consolidated financial statements), recognition of lease liabilities gave rise to increase in total debt and net debt of the Group.

Total debt to equity ratio (including lease liabilities) was 42.3% (31st December, 2018: 40.3%) and net debt to equity ratio (including lease liabilities) was 39.0% (31st December, 2018: 37.5%), which are expressed as a percentage of total debt, and net debt, respectively, over the total equity of HK\$33,729.9 million (31st December, 2018: HK\$34,143.6 million). The increase in both ratios was mainly due to increase in total debt and net debt as well as decrease in total equity.

If the listed securities investments and treasury products of HK\$27,260.4 million (31st December, 2018: HK\$26,852.5 million) are included, there would be a net cash position of HK\$14,115.3 million (31st December, 2018: HK\$14,056.8 million).

As at 30th June, 2019, the Group's bank and other borrowings of HK\$14,221.7 million, 69.4%, 8.1% and 22.5% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. Of which the Group's bank and other borrowings were denominated in HK\$ (52.2%), GBP (28.5%) and US\$ (19.3%) before entering the cross currency swap. HK\$, GBP and US\$ securities investments were hedged by HK\$, GBP and US\$ borrowings. During the Period, the Group has entered into short term US\$/HK\$ cross currency swap to enhance interest payable on borrowing, and as at 30th June, 2019, notional amount of approximately US\$158.6 million was outstanding. The Group's bank borrowings were carried at interest rates calculated with reference to cost of funds, Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate; other borrowings were carried at interest rates calculated with reference to cost of funds or HIBOR. As at 30th June, 2019, all the Group's borrowings were on floating rate basis. Except as disclosed, no hedging for interest rate is subsisted at the end of the reporting period.

Pledge of Assets

As at 30th June, 2019, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of HK\$12,362.5 million (31st December, 2018: HK\$12,770.6 million) and bank deposits of HK\$228.8 million (31st December, 2018: HK\$208.6 million) were pledged to the banks to secure general banking and loan facilities granted to the Group.
- (b) The Group's bonds and listed equity investment with carrying amounts of HK\$27,260.4 million (31st December, 2018: HK\$25,445.5 million) and cash deposits of HK\$15.1 million (31st December, 2018: HK\$28.8 million) were pledged to the financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which HK\$7,917.2 million (31st December, 2018: HK\$7,330.5 million) was utilised as at 30th June, 2019 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 (2018: revenue, investment income and other income). Interest income for the Period was HK\$355.6 million, representing an increase of 12.3% over the same period of last year of HK\$316.8 million, mainly due to increase in bond interest income during the Period.

Finance costs included interest expenses on bank and other borrowings and lease liabilities (2018: 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 (excluding interest expenses on lease liabilities) for the Period amounted to HK\$193.1 million, representing an increase of 26.0% over the same period of last year of HK\$153.3 million and the increase was mainly due to the increase in interest rates during the Period. The average interest rate over the period under review was 2.63% (2018: 2.01%), which was expressed as a percentage of total interest paid (excluding interest on lease liabilities) over the average total interest-bearing borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 30th June, 2019, the Group employed a total of 474 staff (31st December, 2018: 476 staff) including about 233 staff (31st December, 2018: 237 staff) employed under the estate management company in Hong Kong.

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

The Company had adopted a share award scheme ("Share Award Scheme") in 2009 which was valid and effective until 13th January, 2019 ("Expiry"). The Share Award Scheme was 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 were set out in "Share Award Scheme" in the section headed "Directors' Report" of the Company's 2018 annual report. No share was granted under the Share Award Scheme during the period from 1st January, 2019 to the Expiry and during the life of the Share Award Scheme.

United Kingdom and Mainland China

As at 30th June, 2019, the Group's investment properties in the United Kingdom with carrying amount of GBP813.6 million (equivalent to approximately HK\$8,062.1 million) (31st December, 2018: GBP855.4 million (equivalent to approximately HK\$8,501.5 million)) incurred a net loss of HK\$334.4 million (2018: HK\$164.8 million) to the Group for the Period, the loss mainly included in gross profit, fair value changes on investment properties, finance costs and taxation. GBP exchange loss of foreign operations included in other comprehensive expenses for the Period amounted to HK\$5.1 million (2018: HK\$102.2 million). As at 30th June, 2019, the Group's net investment in the United Kingdom amounted to HK\$4,488.5 million (31st December, 2018: HK\$4,826.2 million) representing 13.3% (31st December, 2018: 14.1%) of the Group's total equity.

Loss incurred by the Group's investment in Mainland China (mainly included in other income, share of results of investments accounted for using the equity method and taxation) for the Period amounted to HK\$5.9 million (2018: profit of HK\$8.0 million). RMB exchange loss of foreign operations included in other comprehensive expenses (including share of investments accounted for using the equity method) for the Period amounted to HK\$1.8 million (2018: HK\$5.6 million). The Group's net investment in Mainland China as at 30th June, 2019 amounted to HK\$566.2 million (31st December, 2018: HK\$574.1 million) representing 1.7% (31st December, 2018: 1.7%) of the Group's total equity.

Property Valuation

Property valuations in respect of the Group's investment properties in Hong Kong and Mainland China as at 30th June, 2019 and 31st December, 2018 were carried out by B.I. Appraisals, independent qualified professional valuer. For the investment properties in the United Kingdom, the property valuations as at 30th June, 2019 and 31st December, 2018 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 2019 interim results.

The Group's investment properties were valued at HK\$14,840.2 million (31st December, 2018: HK\$15,280.8 million), a 2.8% decrease over 2018 after adjusted for the additions and exchange adjustments of investment properties during the Period. The decrease in fair value of HK\$427.1 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 held by associates and a joint venture of HK\$70.3 million in total for the Period.

The decrease in fair value of HK\$427.1 million was mainly derived from decrease in fair value of investment properties located in the United Kingdom. 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.

As at 30th June, 2019, the occupancy rate of the shops of Causeway Place was approximately 97.27%.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, the occupancy rate was approximately 95.07% as at 30th June, 2019.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the occupancy rate was approximately 87.35% as at 30th June, 2019.

As at 30th June, 2019, the occupancy rate of the Group's office property, Harcourt House was approximately 91.28%.

No. 1 Hung To Road (33.33% interest), a 33-storey industrial building in Kwun Tong, the average occupancy rate was approximately 89.58% during the Period.

Nos. 14-18 Ma Kok Street (50% interest), an industrial building in Tsuen Wan was fully let during January to March 2019. It is planned to be redeveloped into a 23-storey (including G/F and 2 levels of basement) industrial building with a total gross floor area of approximately 228,000 square feet. Section 16 Planning Application for minor relaxation of plot ratio restriction has been submitted to the Town Planning Board in February 2019.

Hong Kong Property Development

The Hermitage (25% interest) is one of the Group's joint venture development projects in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. As at 30th June, 2019, 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, 2019, 99.86% of total units were sold.

Grand Central (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. 4 residential tower blocks with 1,999 residential units in aggregate will be built in two phases. Presale consent applications of both phases were approved in 2018. Since the presales commenced in December 2018, 863 units of first phase and 767 units of second phase were presold up to 30th June, 2019. Superstructure works of both phases are in progress, the whole project will be completed in the first half of 2021.

Mainland China Property Investment

Hilton Beijing (50% interest) is a five-star international hotel consists of 506 rooms. During the Period, 15th to 25th Floors of the main tower were under renovation. As at 30th June, 2019, the occupancy rate of Hilton Beijing was approximately 53.35%.

Oriental Place (50% interest) is a 10-storey office building next to Hilton Beijing. Its average occupancy rate was approximately 80.30% during the Period.

Overseas Property Investment

Overall, approximately 99.13% of the Group's investment property portfolio in the United Kingdom has been let out during the Period.

River Court is 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. During the Period, River Court was fully let.

“14 St George Street” is 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. It was fully let during the Period.

“61-67 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. It was fully let during the Period.

“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 office accommodation arranged over lower ground, ground and six upper floor, approximately 93.26% had been let out during the Period on average.

Securities Investments

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

The Group’s strategy is to maintain securities investment portfolio for treasury management. As at 30th June, 2019, the Group’s securities investment portfolio comprised of bonds and listed equity investments. 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 to minimise risks with attractive yield, good liquidity and issuers from reputable entities, so as to maintain a healthy financial status and grasp every good investment chance. No investments are made for speculative purposes.

The gain recognised from securities investments for the Period was approximately HK\$1,145.3 million. Details of the performance of securities investments are disclosed in the “Financial Operation Review” of this 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

Change of Address of Registered Office in Bermuda

As announced on 15th July, 2019, the address of the Company’s registered office in Bermuda has been changed to Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda with effect from 15th July, 2019.

Change of Address of Principal Registrar and Transfer Office in Bermuda

As announced on 19th July, 2019, the address of MUFG Fund Services (Bermuda) Limited, the Company’s principal registrar and transfer office in Bermuda, has been changed to 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda with effect from 19th July, 2019.

PROSPECTS

The 2019 global economic outlook remains clouded in the face of various external headwinds in 2019. There have been growing uncertainties between China and the United States over the past few months. The market consensus is that such growing uncertainties will be among one of the impediments to resolving the US-China trade disputes in any near future. There are also signs showing that the disputes are spreading towards areas outside of the remits of trades, such as technologies and national defense. Stock markets have lost directions and momentum because of the prolonged US-China trade war; as well as the waits on interest rates movements across the United States and Asian countries.

On the local front, the once proposed extradition bill sparked a series of protests and demonstrations, social atmosphere has turned tense. Local retail consumption and tourist arrivals are already experiencing downward trends, which may bring challenge to our retail properties in the short term. Meanwhile, the less optimistic investment sentiment has prompted corporations to cut cost on office accommodation, leading many of them decentralizing from core Central District. Harcourt House, which is located in the proximity, but at the fringe of core Central District, is expected to see its rental well upheld as a result.

In the United Kingdom, the Brexit issues are still unresolved, and unexpected news on Brexit issues might continue to unfold during the course of this year. Nevertheless, the Group takes a long term view for the United Kingdom, and is optimistic in her economy in the long run. The Group continuously strives to enhance the values of our properties through asset enhancement works during which rental income will be significantly affected. We believe that our expertise experience in asset upgrade will enhance the yields and values of our London properties.

The Asian stock markets are relatively volatile due to the persistent drag of the trade war, along with many Asian countries having reduced interest rates ahead of the United States in order to maintain competitive for their exports. In respect of the securities investments, the Group stays confident and believes the investment in reputable issuers' securities will continue to provide stable returns for shareholders.

Looking ahead, the Group will remain watchful in light of the lingering uncertainty. We will continue to look for quality investments so as to enhance shareholders' value 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, 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 – Non-executive Director Attending General Meeting

Mr. Lau, Ming-wai, a Non-executive Director, was unable to attend the annual general meeting of the Company held on 24th May, 2019 (“AGM”) as he had business engagement.

Code Provision E.1.2 – Chairman Attending Annual General Meeting

Mr. Lau, Ming-wai, 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. The chairman of Nomination Committee, Ms. Phillis Loh, Lai-ping had also 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, 2nd August, 2019

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.

Website: <http://www.chineseestates.com>

This results announcement is published on the website of the Company (<http://www.chineseestates.com>) and the HKEXnews website (<http://www.hkexnews.hk>).

Results Highlights will also be posted on the Company's website on 2nd August, 2019.