

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

Interim Results Announcement for the six months ended 30 June 2013

HIGHLIGHTS

- Core profit increased more than five-fold from the same period 2 years ago and was more than double the 5-year average.
- This follows an exceptionally strong 2012 and confirms a sustainable and solid foundation.
- The rights issues in 2008 & 2009 raised a total of HK\$3 billion from Shareholders. Since then, Shareholders have earned over HK\$1.5 billion of dividends and seen the market value of their shares doubling to over HK\$10 billion.
- The new equity capital raised was invested to build the China property business, which accounted for 80% of revenue and 49% of core profit in the first half of 2013 (2008: Nil).
- The first rights issue was undertaken in the first half of 2008, when core profit was HK\$173 million. Five years later, core profit has risen by 3.6 times to HK\$798 million for the first half of 2013. China property alone accounted for 63% of that increase.
- Interim dividend for the first half of 2013 is more than the combined total for the corresponding period in the 6 years from 2006 to 2011. It is also more than the full year dividend for 2011.
- In the first half of 2013, new sales contracted for China property was HK\$2.9 billion and sales order recognition was HK\$2.7 billion. Net sales order book as at 30 June 2013 was RMB5.4 billion.
- Foundation works at Suzhou International Finance Square started during the period.

- Net cash and the market value of listed securities as at 30 June 2013 totaled HK\$5.7 billion. This places the Group well to meet upcoming capital commitments (including RMB4 billion to complete the construction of Suzhou International Finance Square) as well as to make new investments when suitable opportunities arise.

GROUP RESULTS

The unaudited Group profit attributable to equity shareholders for the six months ended 30 June 2013 amounted to HK\$1,009.1 million, representing a decrease of 41% as compared with the corresponding period last year (2012: HK\$1,698.6 million). Earnings per share were HK\$1.42 (2012: HK\$2.40) based on 708.8 million issued shares.

The Group's profit included an investment property revaluation surplus of HK\$211.0 million (2012: HK\$586.0 million). Excluding this, profit for the period under review was HK\$798.1 million (2012: HK\$1,112.6 million) representing a decrease of 28%.

INTERIM/SPECIAL INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.12 (2012: HK\$0.12) per share, absorbing a total amount of HK\$85.1 million (2012: HK\$85.1 million). In addition, the Board has also declared a special non-recurrent interim dividend of HK\$0.18 (2012: HK\$0.36) per share. Both such dividends will be payable on 27 September 2013 to Shareholders on record as at 19 September 2013. Total dividend distributions for the six-month period under review will amount to HK\$0.30 (2012: HK\$0.48) per share, absorbing a total amount of HK\$212.6 million (2012: HK\$340.2 million).

BUSINESS REVIEW

The Group's core profit for the period under review increased by 547% from the first half of 2011 and exceeded its past 5-year average by 138%. This followed an exceptionally strong 2012 and confirms a sustainable and solid foundation.

The rights issues undertaken by the Group in 2008 and 2009 raised a total of HK\$3 billion from Shareholders. Since then, Shareholders have earned over HK\$1.5 billion of dividends and witnessed the market value of their shares doubling to over HK\$10 billion. The new equity capital raised was invested to build the Group's China property business, which accounted for 80% of revenue and 49% of core profit during the first half of 2013 (2008: Nil). This new core business, established since 2007, has turned a new page for the Group. Core profit has risen by HK\$625 million or 3.6 times to HK\$798 million for the period since the first half of 2008 (when the first of the aforesaid rights issues was undertaken). China property alone accounted for 63% of that five-year growth.

2012 had been an exceptional year as completion of high-margin Xiyuan in Shanghai sparked a stellar interim result for the Group. Lower sales recognition during the first half of 2013 reduced core profit to HK\$798.1 million. That said, core earnings still increased more than five-fold when compared to the first half of 2011, before the exceptional contribution from Xiyuan. China property business will continue to bear fruit in the years to come.

China Portfolio

Development Properties

In the absence of a significant contribution from Xiyuan in Shanghai, revenue and operating profit for the segment decreased to HK\$2,088 million and HK\$477 million respectively. Profit recognized mainly included contributions from Suzhou Times City and Changzhou Times Palace. On the other hand, completion of additional phases of Chongqing U World boosted contributions from the joint venture.

Contracted sales continued to gain pace notwithstanding tepid economic growth and the challenges of the property market in the Mainland.

As at 30 June 2013, the Group had an attributable land bank of 1.7 million square metres of development properties at a book value of HK\$11 billion, which represented 63% of the Group's business assets.

Sales

The rising middle class aspiring to modern urban living sparked the solid demand for quality residences. The Group's projects, leveraging on Wharf's respected brand in the development of quality residences in sought after locations, have met with good demand.

Including the attributable share in the jointly-controlled project, over 1,300 residences with a total GFA of 174,700 square metres were contracted for sale for RMB2.3 billion (i.e. HK\$2.9 billion), 10% higher than in the first half of 2012.

The net order book as at the end of June 2013 was RMB5.4 billion for 4,300 residences with a total GFA of 514,000 square metres. In the first half of 2013, sales order recognition was about HK\$2.7 billion.

Initial phases of retail units and additional phases of residential units of Suzhou Times City were launched for pre-sale during the period. 76,000 square metres were sold or pre-sold at an average price of RMB12,700 per square metre for residential and RMB26,400 per square metre for retail. Total proceeds amounted to RMB1,014 million. The cumulative GFA sold/pre-sold represents 39% of the project total.

Changzhou Times Palace launched additional phases for pre-sale and sold or pre-sold 71,700 square metres, 30% higher than in the first half of 2012, at an average price of RMB7,600 per square metre. Contracted sales proceeds increased by 58% to RMB554 million. The cumulative GFA sold/pre-sold represents 52% of the project total.

Additional phases of residential units of Chongqing U World were launched for pre-sale during the period. On an attributable basis, 21,800 square metres were sold or pre-sold at an average price of RMB18,300 per square metre for residential and RMB40,900 per square metre for retail. Total proceeds amounted to RMB425 million. The cumulative GFA sold/pre-sold represents 40% of the project total.

Shanghai Xiyuan sold a further 5,200 square metres at an average price of RMB50,700 per square metre for proceeds of RMB335 million. The cumulative GFA sold represents 94% of the project total.

Development Progress

Changzhou Times Palace comprises residential towers and car parks, semi-detached houses and villas, a State Guest House, a five-star Marco Polo hotel and serviced apartments with a total GFA of 800,000 square metres. Six residential high-rise towers were completed in June 2013. Construction of the remaining residential towers is underway, with full completion scheduled for 2016.

Chongqing U World, among the few residential developments in the new Jiangbei CBD, is a 55%-owned jointly-controlled residential and commercial development with China Overseas Land & Investment. It offers an attributable GFA of 235,000 square metres with most of the residences enjoying a panoramic river view from different angles and is adjacent to the Grand Theatre, Chongqing Science and Technology Museum and the Central Park. The development is also in close proximity to the future Chongqing International Finance Square. Additional phases of residential units were completed during the period. Construction of the remaining residential towers is underway, with full completion scheduled for 2015.

Suzhou Times City, with a residential GFA of 907,000 square metres, is located along the main east-west thoroughfare of Xiandai Da Dao and near a future metro station. It is a joint venture owned 80:20 between the Group and a unit of the local government. Initial phases were completed in June 2013. Construction of the remaining towers is underway, with full completion scheduled for 2018.

Shanghai South Station is a 493,000-square metre commercial development in Shanghai Xuhui District, in which the Group owns a 27% interest (attributable 133,000 square metres), led by major Mainland developer China Vanke Co. Limited with a 51% interest. It is situated next to Shanghai South Railway Station and well connected to the existing Metro Line 1, Line 3 and future Line 15 stations. Design planning is underway.

Property Investment

Suzhou International Finance Square (80% attributable to the Group) is a 450-metre landmark commercial development in the new CBD of Suzhou overlooking Jinji Lake, and will be comparable in height to the tallest buildings in Hong Kong. It is designed by the internationally renowned architect, Kohn Pederson Fox and will be directly connected to the future metro station. With a total GFA of 278,000 square metres, the development consists of international Grade A office, luxurious apartments plus a 96-room premium sky hotel with full scenery of Suzhou. Construction is underway at total estimated cost of RMB5 billion, with full completion scheduled for 2016. Foundation works started earlier this year.

Hotel

In Changzhou, the 32-suite State Guest House, the 271-room five-star hotel and 139-unit serviced apartments will be completed in stages between the third quarter of 2013 and 2014. The hotel is part of the State Guest House complex with vast garden space for major events and weddings. Pre-operating expenses incurred during the period weighed on the Hotel segment's results.

In Suzhou, a 96-room premium sky hotel with full scenery of the city is under development.

Hong Kong Portfolio

Property Investment

Thanks to resilient local and international consumption demand, the Property Investment Segment (mainly comprising prime Canton Road retail properties) performed solidly, with a 20% increase in revenue and a 21% increase in operating profit. The Group's property investment portfolio was independently revalued as at 30 June 2013, which gave rise to a net revaluation surplus of HK\$211 million for the period.

Hotel

While the favourable location of Marco Polo Hongkong Hotel ("MPHK Hotel") in Harbour City continued to provide convenience for discerning travelers, business travellers' spending was tightened amid uncertain global environment. Higher depreciation charges weighed on the hotel's results. Nevertheless, on the back of solid hotel room demand, the average room rate at MPHK Hotel increased by 4% while average occupancy was maintained at 88% during the period under review.

FINANCIAL REVIEW

(I) Review of 2013 Interim Results

In the first half of 2013, the Group delivered a solid core profit of HK\$798.1 million, which was largely in line with expectation. Compared to the corresponding period in previous years, this core profit represents a 28% decrease from 2012, but an increase of 547% from 2011 or 138% from the average for the past 5 years. An exceptionally large contribution in revenue and profit after tax from the Shanghai Xiyuan project had been recognised in 2012.

Including profit from investment property revaluation, the profit attributable to shareholders decreased by 41% to HK\$1,009.1 million.

Revenue

Group revenue decreased year-on-year by 43% to HK\$2,619.5 million (2012: HK\$4,554.9 million).

Property Development recognised property sales of HK\$2,087.9 million (2012: HK\$4,078.5 million) from phased completion of Changzhou Times Palace and Suzhou Times City and the remaining Shanghai Xiyuan units.

During the first half of 2013, inclusive of joint ventures on an attributable basis, the Group recorded total contracted sales of RMB2,327.6 million (2012: RMB2,096.3 million). As at 30 June 2013, the net order book amounted to RMB5,375.9 million, which is available for recognition as revenue on completion of the respective properties by stages.

Property Investment revenue increased by 20% to HK\$145.5 million (2012: HK\$121.4 million), reflecting primarily the higher rental income from the retail areas of MPHK Hotel.

Hotel revenue increased by 3% to HK\$302.2 million (2012: HK\$292.5 million) in a softening market, mainly benefited from MPMK Hotel's improved average room rate.

Investment and Other Income comprising interest and dividend from the Group's surplus cash and investments increased by 34% to HK\$83.9 million (2012: HK\$62.5 million).

Operating Profit

Group operating profit decreased by 58% to HK\$773.9 million (2012: HK\$1,832.1 million).

Property Development's profit decreased to HK\$476.5 million (2012: HK\$1,620.7 million) for an operating margin of 23%, from recognition of Changzhou Times Palace, Suzhou Times City and Shanghai Xiyuan units.

Property Investment profit increased by 21% to HK\$130.5 million (2012: HK\$107.7 million) but Hotel profit decreased by 5% to HK\$94.0 million (2012: HK\$99.4 million) mainly due to increase in depreciation and the pre-operating expenses incurred by Changzhou Marco Polo Hotel. Profit from Investment and Others increased by 34% to HK\$83.9 million (2012: HK\$62.5 million).

Increase in Fair Value of Investment Properties

The Group's completed investment properties were stated at the valuations carried out by an independent valuer as at 30 June 2013 resulting in a valuation gain of HK\$211.0 million (2012: HK\$586.0 million). Investment properties under development are carried at cost and will not be carried at fair value until the earlier of their fair values first becoming reliably measurable or the dates of completion.

Other Net Income

Other net income of HK\$168.5 million for the period mainly included foreign exchange gain of HK\$146.9 million (2012: HK\$35.0 million).

Finance Costs

Net finance costs for the period were HK\$32.6 million (2012: HK\$11.3 million). The charge was after capitalisation of HK\$1.9 million (2012: HK\$15.4 million) for the Group's Mainland projects.

Share of Results after Tax of Joint Ventures

The share of profit of joint ventures after tax amounted to HK\$146.2 million (2012: loss of HK\$10.4 million) with contribution primarily from the recognition of revenue and profit from the Chongqing U World development project in the Mainland.

Income Tax

The taxation charge for the period decreased to HK\$235.0 million (2012: HK\$734.9 million) as a result of decrease in profit.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period ended 30 June 2013 amounted to HK\$1,009.1 million (2012: HK\$1,698.6 million), representing a decrease of 41%. Earnings per share were HK\$1.42 (2012: HK\$2.40) based on 708.8 million issued shares.

Excluding the investment property revaluation surplus of HK\$211.0 million (2012: HK\$586.0 million), the Group's core profit attributable to shareholders for the period was HK\$798.1 million (2012: HK\$1,112.6 million), representing a decrease of 28%. Core earnings per share were HK\$1.13 (2012: HK\$1.57) based on 708.8 million issued shares.

(II) Liquidity, Financial Resources and Commitments**Shareholders' and Total Equity**

As at 30 June 2013, the Group's shareholders' equity increased by 5% to HK\$15,364.5 million (31/12/2012: HK\$14,591.3 million), equivalent to HK\$21.68 per share (31/12/2012: HK\$20.59 per share). Including the non-controlling interests, the Group's total equity stood at HK\$16,376.9 million (31/12/2012: HK\$15,563.4 million).

MPHK Hotel is stated at cost less accumulated depreciation according to the prevailing Hong Kong Financial Reporting Standards. Restating the hotel property based on the valuation as at 30 June 2013 carried out by an independent valuer would give rise to an additional revaluation surplus of HK\$4,281.0 million and increase the Group's shareholders' equity as at 30 June 2013 to HK\$19,645.5 million, equivalent to HK\$27.72 per share.

Total Assets

The Group's total assets increased by 3% to HK\$27,514.0 million (31/12/2012: HK\$26,782.7 million), including HK\$17,938.9 million of business assets, HK\$7,956.8 million of bank deposits and cash and HK\$1,532.9 million of available-for-sale investments.

The Group's major business assets included properties for sale of HK\$7,110.7 million, interest held through joint ventures of HK\$2,267.0 million and investment properties of HK\$5,820.2 million. Geographically, HK\$12,641.5 million or 70% of the Group's total business assets were located in Mainland.

Debt/Cash

As at 30 June 2013, the Group had net cash of HK\$4,156.8 million (31/12/2012: HK\$4,580.5 million), which was made up of HK\$7,956.8 million of cash and HK\$3,800.0 million of bank borrowings in various currencies.

Finance and Availability of Facilities and Funds

As at 30 June 2013, the Group's available loan facilities amounted to HK\$4,936.8 million, of which HK\$3,800.0 million was drawn. Certain banking facilities were secured by mortgage over the Group's certain properties under development for sale with total carrying value of HK\$211.5 million (31/12/2012: HK\$963.5 million).

The Group's debts were denominated in HKD, USD and RMB. Further borrowings will be sourced to finance the Mainland projects.

The use of derivative financial instruments was strictly controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and currency exposures.

The Group maintained a reasonable level of surplus cash, which was denominated principally in HKD and RMB, to facilitate the Group's business and investment activities. As at 30 June 2013, the Group also maintained a portfolio of investments primarily consisting of blue chip listed securities, with an aggregate market value of HK\$1,532.9 million (31/12/2012: HK\$1,541.6 million), which is available for liquidation to meet the Group's needs if necessary. The performance of the portfolio was largely in line with the general stock market.

Net Cash Flows for Operating and Investing Activities

For the period under review, the Group generated HK\$534.2 million of net cash inflow from operating activities (2012: HK\$778.1 million), primarily from pre-sales proceeds net of construction cost payment for the Group's Mainland development projects. For investing activities, the net cash outflow was HK\$738.9 million (2012: inflow HK\$127.3 million), mainly representing addition of interests for Shanghai South Station project.

Commitments

As at 30 June 2013, the Group's total authorised and contracted for commitments amounted to HK\$3.3 billion which was mainly related to Mainland development projects. Apart from that, the Group also plans to invest HK\$12.6 billion on the existing Mainland development property projects, including land cost of HK\$1.0 billion, which will be carried out by stages in the forthcoming years and funded by internal financial resources, proceeds from property pre-sales and bank loans.

(III) Human Resources

The Group had approximately 720 employees as at 30 June 2013. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013 - Unaudited

		Six months ended 30 June	
		2013	2012
	Note	HK\$ Million	HK\$ Million
Revenue	2	2,619.5	4,554.9
Direct costs and operating expenses		(1,711.9)	(2,520.4)
Selling and marketing expenses		(77.1)	(155.7)
Administrative and corporate expenses		(31.0)	(27.0)
Operating profit before depreciation, interest and tax		799.5	1,851.8
Depreciation		(25.6)	(19.7)
Operating profit	3	773.9	1,832.1
Increase in fair value of investment properties		211.0	586.0
Other net income	4	168.5	28.4
		1,153.4	2,446.5
Finance costs	5	(32.6)	(11.3)
Share of results after tax of joint ventures		146.2	(10.4)
Profit before taxation		1,267.0	2,424.8
Income tax	6(a)	(235.0)	(734.9)
Profit for the period		1,032.0	1,689.9
Profit attributable to:			
Equity shareholders		1,009.1	1,698.6
Non-controlling interests		22.9	(8.7)
		1,032.0	1,689.9
Earnings per share	7		
Basic		HK\$1.42	HK\$2.40
Diluted		HK\$1.42	HK\$2.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 - Unaudited

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
Profit for the period	1,032.0	1,689.9
Other comprehensive income for the period :		
Items that may be reclassified subsequently to profit or loss :		
Exchange differences on translation of overseas operations:	218.2	(54.2)
- subsidiaries	179.7	(44.7)
- joint ventures	38.5	(9.5)
Fair value changes on available-for-sale investments :	(96.5)	238.3
- (deficit)/surplus on revaluation	(61.9)	216.0
- transferred to consolidated income statement on disposal	(34.6)	22.3
Other comprehensive income for the period	121.7	184.1
Total comprehensive income for the period	1,153.7	1,874.0
Total comprehensive income attributable to :		
Equity shareholders	1,113.4	1,887.2
Non-controlling interests	40.3	(13.2)
	1,153.7	1,874.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013 - Unaudited

		30 June 2013 HK\$ Million	31 December 2012 HK\$ Million
	Note		
Non-current assets			
Investment properties		5,820.2	5,565.9
Fixed assets		725.1	649.8
Interest in associates		925.4	0.1
Interest in joint ventures		2,267.0	2,082.3
Available-for-sale investments		1,532.9	1,541.6
Deferred tax assets		33.0	44.0
Other non-current assets		12.4	375.9
		11,316.0	10,259.6
Current assets			
Properties for sale		7,110.7	7,822.2
Inventories		2.0	2.0
Trade and other receivables	9	986.0	750.7
Prepaid tax		90.1	122.7
Derivative financial assets		52.4	95.0
Bank deposits and cash		7,956.8	7,730.5
		16,198.0	16,523.1
Current liabilities			
Trade and other payables	10	(1,421.2)	(1,791.2)
Pre-sale deposits and proceeds		(5,627.2)	(5,700.4)
Derivative financial liabilities		-	(9.3)
Bank loans		-	(800.0)
Taxation payable		(205.1)	(488.9)
		(7,253.5)	(8,789.8)
Net current assets		8,944.5	7,733.3
Total assets less current liabilities		20,260.5	17,992.9
Non-current liabilities			
Bank loans		(3,800.0)	(2,350.0)
Deferred tax liabilities		(83.6)	(79.5)
		(3,883.6)	(2,429.5)
NET ASSETS		16,376.9	15,563.4
Capital and reserves			
Share capital		354.4	354.4
Reserves		15,010.1	14,236.9
Shareholders' equity		15,364.5	14,591.3
Non-controlling interests		1,012.4	972.1
TOTAL EQUITY		16,376.9	15,563.4

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except for the changes mentioned below.

With effect from 1 January 2013, the Group has adopted the below new, revised and amendment to Hong Kong Financial Reporting Standards (“HKFRSs”), which are relevant to the Group’s financial statements:

Amendments to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (Revised)	Employee benefits

The amendments to HKAS 1 require companies to classify items within other comprehensive income under two categories: (i) items which may be reclassified to profit or loss in the future if certain conditions are met and (ii) items which would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in these financial statements has been modified accordingly.

Amendments to HKFRS 7 requires new disclosures for all recognised financial instruments that are set off in accordance with HKAS 32, Financial Instruments: Presentation. The adoption of the amendments does not have an impact on the Group’s interim financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, based on the concept of power over the investee, exposure or rights to variability of returns and the ability to use power to affect the amount of returns. This replaces the previous approach which emphasised legal control under HKAS 27 (Revised) (for companies) or exposure to risks and rewards under HK(SIC)-INT 12 (for special purpose entities). The adoption of HKFRS 10 does not have any financial impact on the Group as all subsidiaries within the Group satisfy the requirements for control under HKFRS 10 as at 1 January 2013.

HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and are required to be accounted for using the equity method in the Group's consolidated financial statements. HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. Unlike HKAS 31, proportional consolidation of joint ventures is no longer allowed. It is not expected that this new standard will have a significant impact on the results and financial position of the Group.

HKFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions. HKFRS 13 contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of these disclosures are specifically required in interim financial statements for financial instruments and accordingly, the Group provides additional disclosures in the interim report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. SEGMENT INFORMATION

The Group managed its diversified businesses according to the nature of services and products provided. Management has determined three reportable operating segments for measuring performance and allocating resources. The segments are property development, property investment and hotel. No operating segment has been aggregated to form the following reportable segments.

Property development segment encompasses activities relating to the acquisition, development, design, marketing and sale of trading properties primarily in Mainland China.

Property investment segment primarily represents the property leasing of the Group's investment properties in Hong Kong. Some of the Group's development projects in Mainland China include properties which are intended to be held for investment purposes on completion.

Hotel segment represents the operations of Marco Polo Hongkong Hotel. Some of the Group's development projects in Mainland China include hotel properties.

Management evaluates performance based on operating profit as well as the equity share of results of associates and joint ventures of each segment.

Segment business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, available-for-sale investments, derivative financial instruments and deferred tax assets.

Revenue and expenses are allocated with reference to sales generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

Analysis of segment revenue and results

Six months ended	Revenue HK\$ Million	Operating profit /(loss) HK\$ Million	Increase in fair value of investment properties HK\$ Million	Other net income HK\$ Million	Finance costs HK\$ Million	Joint ventures HK\$ Million	Profit before taxation HK\$ Million
30 June 2013							
Property development	2,087.9	476.5	-	(6.5)	-	146.2	616.2
Property investment	145.5	130.5	211.0	-	-	-	341.5
Hotel	302.2	94.0	-	-	(9.0)	-	85.0
Segment total	2,535.6	701.0	211.0	(6.5)	(9.0)	146.2	1,042.7
Investment and others	83.9	83.9	-	175.0	(23.6)	-	235.3
Corporate expenses	-	(11.0)	-	-	-	-	(11.0)
Group total	2,619.5	773.9	211.0	168.5	(32.6)	146.2	1,267.0
30 June 2012							
Property development	4,078.5	1,620.7	-	(0.5)	-	(10.4)	1,609.8
Property investment	121.4	107.7	586.0	-	-	-	693.7
Hotel	292.5	99.4	-	0.7	(5.4)	-	94.7
Segment total	4,492.4	1,827.8	586.0	0.2	(5.4)	(10.4)	2,398.2
Investment and others	62.5	62.5	-	28.2	(5.9)	-	84.8
Corporate expenses	-	(58.2)	-	-	-	-	(58.2)
Group total	4,554.9	1,832.1	586.0	28.4	(11.3)	(10.4)	2,424.8

- (i) Substantially all depreciation was attributable to the Hotel Segment.
- (ii) No inter-segment revenue has been recorded during the current and prior periods.

3. OPERATING PROFIT

Operating profit is arrived at:

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
After charging/(crediting):		
Depreciation	25.6	19.7
Staff costs (Note i)	108.3	90.1
Auditors' remuneration	0.5	0.5
Cost of trading properties sold during the period	1,532.3	2,355.0
Rental charges under operating leases	9.8	5.0
Rental income less direct outgoings (Note ii)	(135.4)	(111.1)
Interest income on bank deposits	(61.5)	(40.3)
Dividend income from listed investments	(22.4)	(22.2)

Notes:

- (i) Staff costs included defined contribution pension schemes costs HK\$4.1 million (2012: HK\$3.7 million).
- (ii) Rental income included contingent rentals of HK\$49.5 million (2012: HK\$44.4 million).

4. OTHER NET INCOME

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
Profit/(loss) on disposal of available-for-sale investments, including revaluation surplus of HK\$34.6 million (2012: deficit of HK\$22.3 million) transferred from the investments revaluation reserve	38.6	(6.8)
Net exchange gain, including the impact of forward foreign exchange contracts	129.9	35.2
	168.5	28.4

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
Interest on bank borrowings wholly repayable within five years	32.1	17.4
Other finance costs	11.7	3.9
	43.8	21.3
Less: Amount capitalised	(1.9)	(15.4)
	41.9	5.9
Fair value changes on cross currency interest rate swaps	(9.3)	5.4
	32.6	11.3

6. INCOME TAX

(a) Taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
- provision for the period	36.6	31.8
Mainland China		
- provision for the period	97.8	373.6
	134.4	405.4
Land appreciation tax ("LAT") (Note (d))	85.4	275.3
Deferred tax		
Origination and reversal of temporary differences	5.0	54.2
Withholding tax on undistributed retained profits of Mainland China subsidiaries (Note (e))	10.2	-
	15.2	54.2
Total	235.0	734.9

(b) The provision for Hong Kong profits tax is at the rate of 16.5% (2012: 16.5%) of the estimated assessable profits for the period.

(c) Income tax on profit assessable in Mainland China are China corporate income tax calculated at a rate of 25% and China withholding income tax at a rate of up to 10%.

- (d) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- (e) The China tax law also imposes a withholding tax at 10% unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China.
- (f) Tax attributable to joint ventures for the six months ended 30 June 2013 of HK\$140.6 million (2012: HK\$Nil) is included in the share of results of joint ventures.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period attributable to equity shareholders of HK\$1,009.1 million (2012: HK\$1,698.6 million) and 708.8 million (2012: 708.8 million) ordinary shares.

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2013 and 2012.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June	
	2013	2012
	HK\$ Million	HK\$ Million
Dividends declared after the end of the reporting period:		
First interim dividend of 12 cents (2012: 12 cents) per share	85.1	85.1
Special interim dividend of 18 cents (2012: 36 cents) per share	127.5	255.1
	212.6	340.2

- (a) The first interim dividend and special interim dividend declared after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.
- (b) The second interim dividend of HK\$340.2 million for 2012 was approved and paid in 2013.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for doubtful debts) with an ageing analysis based on invoice date as at 30 June 2013 as follows:

	30 June 2013 HK\$ Million	31 December 2012 HK\$ Million
Trade receivables		
0 - 30 days	67.7	117.6
31 - 60 days	0.7	1.0
61 - 90 days	0.2	0.1
Over 90 days	0.2	0.1
	68.8	118.8
Prepayments	430.8	424.7
Other receivables	470.1	191.7
Amounts due from fellow subsidiaries	16.3	15.5
	986.0	750.7

The Group has defined credit policies for each of its core business. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. The amounts due from fellow subsidiaries are unsecured, interest free and recoverable on demand. All the receivables are expected to be virtually recoverable within one year.

10. TRADE AND OTHER PAYABLES

Included in this item are trade creditors with an ageing analysis as at 30 June 2013 as follows:

	30 June 2013 HK\$ Million	31 December 2012 HK\$ Million
Trade creditors		
0 - 30 days	12.8	15.6
31 - 60 days	-	0.1
61 - 90 days	-	0.1
Over 90 days	0.3	0.3
	13.1	16.1
Other payables and provisions	188.9	226.5
Construction costs payable	663.4	973.1
Amounts due to fellow subsidiaries	23.3	37.5
Amounts due to an associate	1.3	1.3
Amounts due to joint ventures	531.2	536.7
	1,421.2	1,791.2

11. REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements for the six months ended 30 June 2013 have been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, except in respect of one code provision (viz. Code Provision A.2.1) providing for the roles of the chairman and chief executive to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

BOOK CLOSURE

The Register of Members will be closed from Tuesday, 17 September 2013 to Thursday, 19 September 2013, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 16 September 2013.

By Order of the Board

H. O. Hung

Company Secretary

Hong Kong, 16 August 2013

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. Kevin K. P. Chan, Mr. Paul Y. C. Tsui and Hon. Frankie C. M. Yick, together with five Independent Non-executive Directors, namely, Dr. Joseph M. K. Chow, Mr. H. M. V. de Lacy Staunton, Hon. Andrew K. Y. Leung, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang.