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HARBOUR CENTRE DEVELOPMENT LIMITED
(Incorporated in Hong Kong with limited liability)
Stock Code: 51

Interim Results Announcement for the half-year period ended 30 June 2018

HIGHLIGHTS

- Investment Properties (“IP”) reported a firm recovery from the retail sector.
- However, as projected in previous announcements, sharp declines were reported for:
 - o Development Properties (“DP”), as the depleted project pipeline is not replenished; and
 - o Hotel, with early year operating losses from The Murray, Hong Kong.
- Group revenue declined by 72%, operating profit by 89% and core profit by 77%.
- Net cash outflow of HK\$1.6 billion turned a net cash position at period opening into a net debt of HK\$1.2 billion at period end.
- First interim dividend per share is reduced by 50% to HK\$0.07.

GROUP RESULTS

Group core profit decreased by 77% to HK\$122 million (2017: HK\$536 million). Inclusive of a surplus of HK\$236 million on revaluation of IP (2017: HK\$20 million), Group profit attributable to equity shareholders decreased by 36% to HK\$358 million (2017: HK\$556 million). Basic earnings per share were HK\$0.51 (2017: HK\$0.78).

INTERIM DIVIDEND

An interim dividend of HK\$0.07 (2017: HK\$0.14) per share will be paid on 7 September 2018 to Shareholders on record as at 6:00 p.m., 20 August 2018. This will absorb a total amount of HK\$50 million (2017: HK\$99 million).

BUSINESS REVIEW

The DP segment has been the dominant contributor to the Group's revenue and profit since 2012. Completion of the Suzhou Times City project in 2017 substantially depleted the remaining DP land bank.

Consequently, the Group's consolidated revenue during the period under review declined by 72% to HK\$740 million (2017: HK\$2,674 million), and operating profit by 89% to HK\$152 million (2017: HK\$1,392 million). Core profit declined by 77% to HK\$122 million (2017: HK\$536 million).

At the same time, with limited new DP sales, net cash outflow was reported for the period as a result of project expenditure from The Murray, Hong Kong, which soft opened during the period, and Suzhou International Finance Square ("IFS"), scheduled for phased completion in 2019 and 2020. A net debt of HK\$1.2 billion was reported as at the end of the period, compared to net cash of HK\$0.4 billion as at the beginning.

Hong Kong Portfolio

Investment Properties

Hong Kong enjoyed a retail recovery during the period, witnessed by renewed growth in visitor arrivals and strong consumer spending. Revenue and operating profit of the IP segment increased by 23% and 25% respectively. The portfolio was independently revalued as at 30 June 2018, resulting in a net revaluation surplus of HK\$236 million.

Hotel

Marco Polo Hongkong Hotel ("MP Hong Kong") achieved solid occupancy growth on the back of buoyant inbound tourism, despite the temporary reduction of room inventory by capital improvement projects. Revenue and operating profit registered growth rates of 19% and 51% respectively. However, substantial capital expenditure might be required in the coming years to maintain this ageing hotel's competitiveness.

The inauguration of The Murray, Hong Kong in prime Central in December 2017 has renewed this Hong Kong icon under the Government's initiative to conserve the heart of Hong Kong's heritage. This Niccolo hotel becomes fully operational this month and represents a strategic investment of the Group. Early operating losses since soft opening while building business included depreciation of land and building costs.

Redesigned by the renowned Foster + Partners, Murray Building – a fondly memorable Government office building since the 1960s - was redeveloped into a truly modernist landmark. The 25-storey contemporary urban chic hotel along Garden Road and Cotton Tree Drive enjoys unrivalled views of lush greenery of Hong Kong Park and offers a distinct sense of destination to its guests with open space and gardens peppered with contemporary sculptures which make the property a hub for events.

The 336 sophisticated suites and guestrooms are characterised by their spaciousness and minimalism with clean lines and modern fixtures. The hotel also parades a delectable array of dining experiences, including the rooftop Popinjays, Murray Lane lobby bar, Garden Lounge, The Tai Pan and Guo Fu Lou Chinese restaurant.

The Murray, Hong Kong has quickly gained international recognition including “The Hot List 2018” by Condé Nast Traveler, “City Slicker, Big Sleep Awards 2018” by National Geographic Traveller and “The Best New Business Hotel in Asia 2018” by Bloomberg.

China Portfolio

Development Properties

With limited recognition of revenue from the depleted land bank, this segment incurred a small loss during the period. Attributable contracted sales during the period amounted to RMB81 million (2017: RMB0.7 billion). As at 30 June 2018, the Group had an attributable land bank (net of recognised sales) of approximately 0.5 million square metres and the net order book stood at RMB0.2 billion in respect of 9,300 square metres.

The 27%-owned Shanghai South Station project is scheduled for full completion in 2022.

Commercial Complex under Development

Suzhou IFS (80%-owned), ideally located in the new CBD overlooking Jinji Lake and adjacent to Xinghu Street MTR station (Line 1), is a 450-metre landmark, one of the highest in Jiangsu Province.

The commercial complex offers 299,000 square metres of Grade A offices, Niccolo Suzhou (a premium boutique hotel), sky residences and luxury apartments. First phase delivery is scheduled for 2019.

Hotel

Performance at Marco Polo Changzhou (“MP Changzhou”) still reflects the constrained trading conditions. Improvement has been measurable but gradual.

Disposal of Mainland Assets

Disposal of Mainland assets will be carried out in an orderly manner, to enable the Group to concentrate on its business opportunities in Hong Kong.

FINANCIAL REVIEW

(I) Review of 2018 Interim Results

Group core profit decreased by 77% to HK\$122 million (2017: HK\$536 million) mainly due to the anticipated significant decline in profit from DP segment after completion of the last high-margin project Suzhou Times City in 2017, coupled with the initial operating loss from The Murray, Hong Kong.

Revenue and Operating Profit

Group revenue decreased by 72% to HK\$740 million (2017: HK\$2,674 million) and operating profit by 89% to HK\$152 million (2017: HK\$1,392 million).

Hotel revenue increased by 51% to HK\$423 million (2017: HK\$281 million), primarily attributable to a stronger performance from MP Hong Kong and soft opening of The Murray, Hong Kong. However, the segment reported an operating loss of HK\$37 million (2017: profit HK\$59 million). A profit growth of 51% reported by MP Hong Kong was more than offset by the initial operating loss of The Murray, Hong Kong after depreciation on land and building and financing costs.

IP revenue increased by 23% to HK\$192 million (2017: HK\$156 million) and operating profit by 25% to HK\$180 million (2017: HK\$144 million), mainly from the increase in retail rental income from MP Hong Kong.

DP revenue decreased by 97% to HK\$66 million (2017: HK\$2,166 million), resulting in an operating loss of HK\$46 million (2017: profit HK\$1,135 million), due to absence of profit recognition. Including contributions from joint ventures and associates, DP reported a core loss of HK\$9 million (2017: profit HK\$330 million).

Operating profit from Investment and Others segment, comprising of interest and dividend income from surplus cash and investments, decreased by 17% to HK\$59 million (2017: HK\$71 million) following the decline in surplus cash.

Contracted DP Sales

Inclusive of joint ventures and associates on an attributable basis, contracted DP sales shrank to RMB81 million (2017: RMB680 million) in the light of a depleting land bank as previously reported. Net order book was reduced to RMB238 million (December 2017: RMB605 million) for recognition by stages on completion of the remaining DP projects.

Changes in Fair Value of IP

The Group's completed IP were stated at fair value based on independent valuation as at 30 June 2018, resulting in a revaluation surplus of HK\$236 million (2017: HK\$20 million). IP under development was carried at cost less impairment, if any, and would not be stated at fair value until the earlier of its fair value first becoming reliably measurable or the date of completion.

Finance Costs

Net finance costs amounted to HK\$23 million (2017: HK\$21 million) after interest capitalisation of HK\$5 million (2017: HK\$2 million) for the Group's DP projects.

Share of Results (after Tax) of Joint Ventures and Associates

Attributable profit from associate amounted to HK\$48 million (2017: HK\$4 million), mainly from Shanghai South Station project, against a small loss of HK\$6 million (2017: loss HK\$40 million) from joint ventures.

Income Tax

Taxation charge for the period decreased significantly by HK\$659 million to HK\$51 million (2017: HK\$710 million) due to reduction in Mainland DP taxable profit for the period.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period amounted to HK\$358 million (2017: HK\$556 million), representing a decrease of 36%. Core profit, excluding IP revaluation differences, decreased by 77% to HK\$122 million (2017: HK\$536 million).

Earnings per share ("EPS") were HK\$0.51 (2017: HK\$0.78) based on 708.8 million issued shares. Excluding IP revaluation differences, EPS was HK\$0.17 (2017: HK\$0.76).

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

As at 30 June 2018, shareholders' equity decreased to HK\$17,439 million (2017: HK\$17,554 million), equivalent to HK\$24.60 per share (2017: HK\$24.77 per share). The decrease was mainly caused by exchange deficit of HK\$43 million on translation of the Group's Renminbi net assets of RMB4.6 billion and attributable investment revaluation deficit of HK\$33 million. Including non-controlling interests, the Group's total equity amounted to HK\$18,081 million (2017: HK\$18,203 million).

Hotel properties are stated at cost less accumulated depreciation in accordance with prevailing Hong Kong Financial Reporting Standards ("HKFRSs"). Restating these hotel properties based on independent valuation as at 30 June 2018 would give rise to an additional revaluation surplus totalling HK\$4,306 million and increase the Group's shareholders' equity as at 30 June 2018 to HK\$21,745 million, equivalent to HK\$30.68 per share.

Assets and Liabilities

Group total assets were recorded at HK\$25,638 million (2017: HK\$26,896 million). Total business assets, excluding bank deposits and cash, equity investments and deferred tax assets, amounted to HK\$21,155 million (2017: HK\$21,136 million).

Geographically, the Group's business assets in the Mainland decreased by 3% to HK\$7,915 million (2017: HK\$8,119 million) and represented 37% (2017: 38%) of the Group's total business assets.

IP

IP, representing 45% (2017: 44%) of the Group's total business assets, increased by 2% to HK\$9,504 million (2017: HK\$9,300 million) mainly attributable to construction of Suzhou IFS. Hong Kong IP amounted to HK\$5,610 million (2017: HK\$5,374 million), comprising mainly MP Hong Kong's podium valued at HK\$5,010 million. Mainland IP, comprising mainly Suzhou IFS under development, was stated at book cost of HK\$3,894 million (2017: HK\$3,926 million).

Properties for Sale / Interests in Associates and Joint Ventures

DP declined to HK\$93 million (2017: HK\$144 million), reflecting further sales recognition for Changzhou Times Palace and Suzhou Times City. In addition, DP undertaken through associates and joint ventures was reduced to HK\$2,965 million (2017: HK\$3,293 million).

Hotels

Hotel properties included The Murray, Hong Kong, MP Hong Kong and MP Changzhou with total book cost at HK\$7,920 million (2017: HK\$8,028 million).

Net Debt and Gearing

At 30 June 2018, the Group had net debt of HK\$1,175 million (2017: net cash of HK\$397 million), consisting of HK\$1,458 million in cash and HK\$2,633 million in bank borrowings, mainly caused by development expenditure paid for Suzhou IFS.

Finance and Availability of Facilities and Funds

As at 30 June 2018, the Group's available loan facilities amounted to HK\$5,748 million, of which HK\$2,633 million were utilised. Certain banking facilities were secured by mortgage over the Group's IP under development with total carrying value of HK\$3,894 million (31 December 2017: HK\$3,926 million).

The Group's debts were principally denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB") at floating rates.

The use of derivative financial instruments is strictly controlled. Instruments entered into by the Group are mainly used for managing and hedging interest rate and currency exposures.

The Group continued to maintain a reasonable level of surplus cash denominated principally in HKD and RMB to facilitate business and investment activities. As at 30 June 2018, the Group also maintained a portfolio of equity investments mainly consisting of blue chip listed securities with an aggregate market value of HK\$2,675 million (2017: HK\$2,708 million), which is available for liquidation to meet needs if they arise. The performance of the portfolio was largely in line with the general market.

Net Cash Flows for Operating and Investing Activities

For the period under review, the Group recorded a net cash outflow from operating activities of HK\$1,475 million (2017: inflow HK\$99 million), mainly attributable to construction cost payments and tax payments for the Mainland DP projects. For investing activities, the Group generated a net cash inflow of HK\$322 million (2017: outflow of HK\$1,121 million) due to the decrease in amount due from an associate.

Commitments to Capital and Development Expenditure

As at 30 June 2018, major capital and development expenditure in the forthcoming years totalled HK\$6.5 billion, of which HK\$1.4 billion was committed primarily for Mainland IP. Uncommitted expenditure of HK\$5.1 billion is mainly for the existing Mainland IP and DP to be incurred by stage in the coming years.

The above expenditures will be funded by internal financial resources, including cash currently on hand, as well as bank loans. Other available resources include equity investments that can be liquidated when in need.

(III) Human Resources

The Group had approximately 1,200 employees as at 30 June 2018. 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 2018 - Unaudited

		Six months ended 30 June	
		2018	2017
	Note	HK\$ Million	HK\$ Million
Revenue	2	740	2,674
Direct costs and operating expenses		(398)	(1,167)
Selling and marketing expenses		(58)	(53)
Administrative and corporate expenses		(29)	(41)
Operating profit before depreciation, interest and tax		255	1,413
Depreciation		(103)	(21)
Operating profit	2 & 3	152	1,392
Changes in fair value of investment properties		236	20
Other net income	4	2	6
Finance costs	5	390	1,418
Share of results after tax of:		(23)	(21)
Joint ventures		(6)	(40)
Associates		48	4
Profit before taxation		409	1,361
Income tax	6(a)	(51)	(710)
Profit for the period		358	651
Profit attributable to:			
Equity shareholders		358	556
Non-controlling interests		-	95
		358	651
Earnings per share	7		
Basic		HK\$0.51	HK\$0.78
Diluted		HK\$0.51	HK\$0.78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018 - Unaudited

	Six months ended 30 June	
	2018	2017
	HK\$ Million	HK\$ Million
Profit for the period	358	651
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the operations of:	(50)	148
- subsidiaries	(39)	116
- joint ventures/associates	(11)	32
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	(33)	414
Other comprehensive income for the period	(83)	562
Total comprehensive income for the period	275	1,213
Total comprehensive income attributable to:		
Equity shareholders	282	1,101
Non-controlling interests	(7)	112
	275	1,213

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018 – Unaudited

		30 June 2018	31 December 2017
	Note	HK\$ Million	HK\$ Million
Non-current assets			
Investment properties		9,504	9,300
Hotel properties, plant and equipment		8,016	8,088
Interest in associates		1,280	1,599
Interest in joint ventures		1,685	1,694
Equity investments		2,675	2,708
Deferred tax assets		350	353
Other non-current assets		27	28
		23,537	23,770
Current assets			
Properties for sale		93	144
Inventories		5	4
Trade and other receivables	9	483	255
Prepaid tax		62	24
Bank deposits and cash		1,458	2,699
		2,101	3,126
Total assets		25,638	26,896
Non-current liabilities			
Deferred tax liabilities		(384)	(377)
Bank loans		(2,163)	(1,502)
		(2,547)	(1,879)
Current liabilities			
Trade and other payables	10	(2,919)	(3,723)
Pre-sale deposits and proceeds		(9)	(13)
Taxation payable		(1,612)	(2,278)
Bank loans		(470)	(800)
		(5,010)	(6,814)
Total liabilities		(7,557)	(8,693)
NET ASSETS		18,081	18,203
Capital and reserves			
Share capital		3,641	3,641
Reserves		13,798	13,913
Shareholders' equity		17,439	17,554
Non-controlling interests		642	649
TOTAL EQUITY		18,081	18,203

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

This unaudited interim financial information has 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 (“HKICPA”) 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 unaudited interim financial information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2017. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017 except for the changes mentioned below.

The HKICPA has issued a number of new standards and amendments to HKFRSs which are first effective for the current accounting period of the group. Of these, the following developments are relevant to the group’s financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

Except for HKFRS 9 which has been early adopted in the year ended 31 December 2016, none of these developments has had a significant impact on the Group’s results and financial position for the current and prior periods have been prepared or presented.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method for the adoption of HKFRS 15 and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by HKFRS 15, the Group applied the new requirements only to contracts that were not completed before 1 January 2018. Since the number of “open” contracts for sales of development properties at 31 December 2017 is immaterial, there was no material impact for the Group’s result and financial position.

Further details of the nature and effect of the changes on accounting policies are set out below:

(a) Timing of revenue recognition

The new revenue standard does not have significant impact on how the Group recognises revenue from rental income from investment properties and income from hotels operation. However, revenue recognition for sales of development properties is affected. Previously the Group’s property development activities are carried out in the Mainland China only. Taking into account the contract terms, the Group’s business practice and the legal and regulatory environment of the Mainland China, the Group assessed that its property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to recognise at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in the current standard revenue from property sales was recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. This would result in revenue being recognised later than the time recognised under the previous standard.

(b) Significant financing component

The Group did not apply such a policy when payments were received in advance, which was not common in the Group’s arrangements with its customers.

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

The financial information relating to the financial year ended 31 December 2017 that is included in the unaudited interim financial information as comparative information does not constitute the Company’s statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. SEGMENT INFORMATION

The Group manages 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 hotel, investment property and development property. No operating segment has been aggregated to form reportable segments.

Hotel segment represents the operations of The Murray, Hong Kong, MP Hong Kong and MP Changzhou.

Investment property 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.

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

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, equity investments and deferred tax assets.

Revenue and expenses are allocated with reference to income 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 HK\$ Million	Changes in fair value of investment properties HK\$ Million	Other net income HK\$ Million	Finance costs HK\$ Million	Joint ventures HK\$ Million	Associates HK\$ Million	Profit before taxation HK\$ Million
30 June 2018								
Hotel	423	(37)	-	-	(15)	-	-	(52)
Investment property	192	180	236	-	(6)	-	-	410
Development property	66	(46)	-	(1)	(2)	(6)	48	(7)
Segment total	681	97	236	(1)	(23)	(6)	48	351
Investment and others	59	59	-	3	-	-	-	62
Corporate expenses	-	(4)	-	-	-	-	-	(4)
Group total	740	152	236	2	(23)	(6)	48	409
30 June 2017								
Hotel	281	59	-	-	(1)	-	-	58
Investment property	156	144	20	-	(5)	-	-	159
Development property	2,166	1,135	-	-	(2)	(40)	4	1,097
Segment total	2,603	1,338	20	-	(8)	(40)	4	1,314
Investment and others	71	71	-	6	(13)	-	-	64
Corporate expenses	-	(17)	-	-	-	-	-	(17)
Group total	2,674	1,392	20	6	(21)	(40)	4	1,361

- (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 2018 HK\$ Million	2017 HK\$ Million
After charging/(crediting) :		
Depreciation	103	21
Staff costs (Note i)	173	102
Cost of trading properties for recognised sales	96	999
Rental charges under operating leases	8	11
Gross rental revenue from investment properties (Note ii)	(192)	(156)
Direct operating expenses of investment properties	6	8
Interest income	(13)	(27)
Dividend income from equity investments	(46)	(44)

Notes:

- (i) Staff costs included defined contribution pension schemes costs HK\$7 million (2017: HK\$4 million).
- (ii) Rental income included contingent rentals of HK\$53 million (2017: HK\$22 million).

4. OTHER NET INCOME

	Six months ended 30 June 2018 HK\$ Million	2017 HK\$ Million
Net exchange gain	2	6

5. FINANCE COSTS

	Six months ended 30 June 2018 HK\$ Million	2017 HK\$ Million
Interest on bank borrowings	23	16
Other finance costs	5	7
	28	23
Less: Amount capitalised	(5)	(2)
Total	23	21

6. INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
- provision for the period	46	35
Mainland China		
- provision for the period	(3)	237
	43	272
Land appreciation tax (“LAT”) (Note (d))	2	433
Deferred tax		
Origination and reversal of temporary differences	6	5
Total	51	710

- (b) The provision for Hong Kong profits tax is at the rate of 16.5% (2017: 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% (2017: 25%) and China withholding 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) Tax attributable to joint ventures and associates for the six months ended 30 June 2018 of HK\$43 million (2017: tax credit HK\$9 million) is included in the share of results of joint ventures and associates.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders for the period of HK\$358 million (2017: HK\$556 million) and the weighted average of 709 million ordinary shares (2017: 709 million ordinary shares) in issue during the period.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2018	2018	2017	2017
	HK\$	HK\$	HK\$	HK\$
	Per share	Million	Per share	Million
First interim dividend declared after the end of the reporting period	0.07	50	0.14	99

- (a) The first interim dividend based on 709 million issued ordinary shares (2017: 709 million ordinary shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- (b) The second interim dividend of HK\$397 million for 2017 was approved and paid in 2018.

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 2018 as follows:

	30 June 2018 HK\$ Million	31 December 2017 HK\$ Million
Trade receivables		
0 - 30 days	52	59
31 - 60 days	4	1
Over 60 days	6	7
	62	67
Prepayments	74	103
Other receivables	258	50
Amounts due from fellow subsidiaries	89	35
	483	255

The Group has established 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. All the trade and other receivables are expected to be recoverable within one year.

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice date as at 30 June 2018 as follows:

	30 June 2018 HK\$ Million	31 December 2017 HK\$ Million
Trade payables		
0 - 30 days	83	18
31 - 60 days	7	6
61 - 90 days	1	-
Over 90 days	2	-
	93	24
Other payables and provisions	475	949
Construction costs payable	666	1,189
Amounts due to fellow subsidiaries	74	47
Amounts due to joint ventures	1,611	1,514
	2,919	3,723

11. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2018 has 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, with the exception of Code Provision A.2.1 providing for the roles of chairman and chief executive to be performed by different individuals.

It 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 half of them being Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

RELEVANT DATES FOR INTERIM DIVIDEND

Interim Dividend

Ex-entitlement date	17 August 2018 (Fri)
Latest time to lodge share transfer	4:30 p.m., 20 August 2018 (Mon)
Record date/time	6:00 p.m., 20 August 2018 (Mon)
Payment Date	7 September 2018 (Fri)

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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 20 August 2018.

By Order of the Board

Kevin C. Y. Hui

Director and Company Secretary

Hong Kong, 3 August 2018

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Hon. Frankie C. M. Yick, Mr. Kevin C. Y. Hui and Mr. Peter Z. K. Pao, together with four Independent Non-executive Directors, namely, Dr. Joseph M. K. Chow, Mr. Roger K. H. Luk, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang.