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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, 2018

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, 2018 (the “Period”) together with the comparative figures for the corresponding period in 2017:-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2018

		Six months ended 30th June,	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	559,741	672,948
Cost of sales		(108,719)	(233,053)
Gross profit		451,022	439,895
Other income	5	51,931	51,681
Investment (expenses) income, net	6	(540,830)	2,095,395
Administrative expenses		(132,115)	(157,782)
Gain on disposals of equipment		1,106	103
Fair value changes on investment properties		(22,755)	247,019
Finance costs	7	(156,166)	(146,978)
Other gains and losses, net	8	(1)	143,401
Share of results of investments accounted for using the equity method		94,293	27,721
(Loss) profit before tax		(253,515)	2,700,455
Income tax expense	9	(65,220)	(100,072)
(Loss) profit for the period	10	(318,735)	2,600,383

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30th June, 2018

		Six months ended 30th June, 2018	2017
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Other comprehensive (expenses) income			
<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		(5,815,551)	3,390,874
Share of other comprehensive income of investments accounted for using the equity method		79	264
		<u>(5,815,472)</u>	<u>3,391,138</u>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(105,340)	241,367
Reclassification adjustment related to foreign operations disposed of		-	409
Share of other comprehensive (expenses) income of investments accounted for using the equity method		(2,462)	6,640
		<u>(107,802)</u>	<u>248,416</u>
Other comprehensive (expenses) income for the period (net of tax)		<u>(5,923,274)</u>	<u>3,639,554</u>
Total comprehensive (expenses) income for the period		<u>(6,242,009)</u>	<u>6,239,937</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(363,534)	2,562,706
Non-controlling interests		44,799	37,677
		<u>(318,735)</u>	<u>2,600,383</u>
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(6,286,808)	6,202,260
Non-controlling interests		44,799	37,677
		<u>(6,242,009)</u>	<u>6,239,937</u>
(Loss) earnings per share (HK\$)	12		
Basic and diluted		<u>(0.191)</u>	<u>1.343</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2018

		30th June, 2018 HK\$'000 (Unaudited)	31st December, 2017 HK\$'000 (Audited)
	Notes		
Non-current assets			
Investment properties		15,427,600	15,649,991
Property, plant and equipment		40,596	43,117
Intangible assets		-	-
Goodwill		322,938	322,938
Investments accounted for using the equity method		2,158,361	2,115,228
Advances to associates		49,373	49,199
Advance to a joint venture		154,218	-
Financial assets measured at fair value through profit or loss	13	1,507,375	2,049,276
Financial assets measured at fair value through other comprehensive income	14	18,326,409	24,141,960
Advances to investee companies		619,739	605,204
Advances to non-controlling shareholders		81,577	14,908
Deferred tax assets		2,154	2,419
Pledged deposits		107,773	90,541
		<u>38,798,113</u>	<u>45,084,781</u>
Current assets			
Stock of properties		225,088	296,513
Financial assets measured at fair value through profit or loss	13	5,912,051	8,759,356
Inventories		2,749	2,660
Debtors, deposits, other receivables and prepayments	15	805,831	916,113
Securities trading receivables and deposits		33,311	112,611
Tax recoverable		1,782	2,155
Pledged deposits		185,950	172,972
Time deposits, bank balances and cash		913,208	659,402
Sales proceeds held by stakeholders		41,231	56,792
		<u>8,121,201</u>	<u>10,978,574</u>
Current liabilities			
Creditors and accruals	16	336,155	345,201
Securities trading and margin payable		9,875	116,983
Deposits and receipts in advance		229,755	241,168
Tax liabilities		190,871	316,502
Borrowings		12,295,437	12,763,546
		<u>13,062,093</u>	<u>13,783,400</u>
Net current liabilities		<u>(4,940,892)</u>	<u>(2,804,826)</u>
Total assets less current liabilities		<u>33,857,221</u>	<u>42,279,955</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 30th June, 2018

	30th June, 2018 HK\$'000 (Unaudited)	31st December, 2017 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	4,388,945	10,204,417
Statutory reserve	668	668
Special reserve	2,499,685	2,499,685
Capital redemption reserve	138,062	138,062
Translation reserve	(416,055)	(308,253)
Retained profits		
- declared/proposed dividend	19,076	190,762
- others	23,090,473	23,469,813
	29,911,616	36,385,916
Non-controlling interests	151,885	107,086
Total equity	30,063,501	36,493,002
Non-current liabilities		
Borrowings	3,526,438	3,709,467
Loan from a director	-	1,835,500
Amounts due to associates	153,919	142,419
Amounts due to investee companies	10,585	-
Amounts due to non-controlling shareholders	49,177	49,202
Deferred tax liabilities	53,601	50,365
	3,793,720	5,786,953
	33,857,221	42,279,955

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30th June, 2018

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”).

The Group incurred a net loss attributable to owners of the Company of approximately HK\$363,534,000 during the Period and, as of 30th June, 2018, the Group’s current liabilities exceeded its current assets by approximately HK\$4,940,892,000 (31st December, 2017: HK\$2,804,826,000). Notwithstanding the above results, 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 is dependent 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, 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, 2018, the Group has 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, 2018 in aggregate of approximately HK\$18,583,148,000 (Note 19), 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, 2018. Based on these 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, 2018. 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, 2017 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 (“2018 new HKFRSs”) issued by the HKICPA, which are effective for the current accounting period of the Group. The 2018 new HKFRSs adopted by the Group in these unaudited condensed consolidated financial statements are set out below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle relating to Amendments to HKFRS 1 First-time Adoption of HKFRSs and Amendments to HKAS 28 Investments in Associates and Joint Ventures
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

2. Principal Accounting Policies (continued)

HKFRS 15 Revenue from Contracts with Customers

Accounting policies applied from 1st January, 2018

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles of HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard superseded the revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it became effective. Amendments to HKFRS 15 address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) would be recognised in retained profits as of 1st January, 2018 and that comparatives have not been restated. The Group assessed the impacts of adopting HKFRS 15 on these unaudited condensed consolidated financial statements. Based on the assessment, the adoption of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group. Furthermore, the Group’s dividend income, interest income and rental income are not within the scope of HKFRS 15. The adoption of HKFRS 15 has no impact on the net cash flow from operating, investing and financing activities in the unaudited condensed consolidated statement of cash flows.

As a result of the adoption of HKFRS 15, change in the Group’s accounting policy is as follows:

- Revenue from sales of properties held for sale is recognised when the legal assignment is completed, which is the point in time when the purchaser has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Save as disclosed above, the application of the 2018 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.

Investments in joint ventures

During the Period, the Group acquired 50% equity interest in a joint venture. Following the acquisition, the Group has applied the following accounting policy on investments in joint ventures.

Accounting policies applied from 1st January, 2018

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Details of the equity method of accounting, impairment assessment and derecognition of investments in joint ventures, which has also been applying to investments in associates of the Group for the current or prior accounting periods, are set out in Note 3(c) to the Group’s consolidated financial statements for the year ended 31st December, 2017.

2. Principal Accounting Policies (continued)

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle ¹
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement ¹
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹

¹ Effective for annual periods beginning on or after 1st January, 2019

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

HKFRS 16 Leases

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

As at 30th June, 2018, the Group has non-cancellable operating lease commitments of approximately HK\$154,168,000. A preliminary assessment indicates that these lease arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise right-of-use assets and corresponding liabilities in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Save as described above, 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, amounts received and receivable from property rental income and interest income from loan financing, are analysed as follows:

	Six months ended 30th June,	
	2018	2017
	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	425,906
Brokerage and cosmetic income	10,730	7,065
	284,719	432,971
Revenue from other sources:		
Property rental income	275,022	239,919
Interest income from loan financing	-	58
	275,022	239,977
	559,741	672,948

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, advances to non-controlling shareholders, deferred tax assets and tax recoverable.

Unallocated corporate liabilities mainly comprised tax liabilities, bank borrowings, amounts due to associates, amounts due to investee companies, amounts due to non-controlling shareholders and deferred tax liabilities (2017: also included loan from a director).

The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from 2017.

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

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

There were two (2017: three) major customers who individually accounted for 10% or more of the Group’s revenue. Revenue of approximately HK\$273,989,000 was derived from a customer in property development and trading segment in Hong Kong and revenue of approximately HK\$93,623,000 was derived from a customer in non-retail property leasing segment in the United Kingdom (2017: HK\$107,693,000 and HK\$75,000,000 were derived from each of the two customers in property development and trading segment in Hong Kong and HK\$84,881,000 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, 2018

	Property development and trading HK\$'000	Property leasing Retail HK\$'000	Property leasing Non-retail HK\$'000	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
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 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					
Assets								
Segment assets								
- Hong Kong	1,673,857	2,125,253	5,293,100	17,150,820	6,011,235	389,534	71,261	32,715,060
- United Kingdom	-	1,681,858	7,686,157	-	-	-	-	9,368,015
- Mainland China	215,624	-	29,485	-	-	6,279	-	251,388
- Other countries	-	-	-	-	1,520,025	587,522	-	2,107,547
Investments accounted for using the equity method								
- Hong Kong	77,788	417,326	1,452,967	-	-	2,152	6,149	1,956,382
- Mainland China	-	142,405	59,574	-	-	-	-	201,979
Advances to associates and a joint venture								
- Hong Kong	1,016	-	154,300	-	-	2	1,160	156,478
- Mainland China	-	33,218	13,895	-	-	-	-	47,113
Reportable segment assets	<u>1,968,285</u>	<u>4,400,060</u>	<u>14,689,478</u>	<u>17,150,820</u>	<u>7,531,260</u>	<u>985,489</u>	<u>78,570</u>	<u>46,803,962</u>
Unallocated corporate assets								<u>115,352</u>
Consolidated total assets								<u>46,919,314</u>
Liabilities								
Segment liabilities								
- Hong Kong	261,383	20,439	64,319	4,675,996	3,898,254	12,407	6,945	8,939,743
- United Kingdom	-	16,516	188,339	-	-	-	-	204,855
- Mainland China	2,114	-	183	-	-	2	-	2,299
- Other countries	-	-	-	-	591,547	5	-	591,552
Reportable segment liabilities	<u>263,497</u>	<u>36,955</u>	<u>252,841</u>	<u>4,675,996</u>	<u>4,489,801</u>	<u>12,414</u>	<u>6,945</u>	<u>9,738,449</u>
Unallocated corporate liabilities								<u>7,117,364</u>
Consolidated total liabilities								<u>16,855,813</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>-</u>	<u>-</u>	<u>2,026</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>14</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	<u>232,380</u>	<u>(71,730)</u>	<u>-</u>	<u>160,650</u>
Depreciation	-	(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	<u>(52,744)</u>	<u>7,945</u>	<u>-</u>	<u>(44,799)</u>

4. Operating Segments (continued)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2017

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

4. Operating Segments (continued)

Condensed Consolidated Statement of Financial Position

At 31st December, 2017

	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	1,527,289	2,113,870	4,765,842	23,110,731	8,683,598	489,120	67,742	40,758,192
- United Kingdom	-	1,684,765	8,174,205	-	-	-	-	9,858,970
- Mainland China	216,054	-	29,510	-	-	2,967	6,023	254,554
- Other countries	-	-	-	-	2,286,336	690,927	-	2,977,263
Investments accounted for using the equity method								
- Hong Kong	100,367	396,709	1,408,461	-	-	2,322	7,404	1,915,263
- Mainland China	-	140,367	59,598	-	-	-	-	199,965
Advances to associates								
- Hong Kong	1,047	-	77	-	-	2	1,151	2,277
- Mainland China	-	32,937	13,985	-	-	-	-	46,922
Reportable segment assets	1,844,757	4,368,648	14,451,678	23,110,731	10,969,934	1,185,338	82,320	56,013,406
Unallocated corporate assets								49,949
Consolidated total assets								56,063,355
Liabilities								
Segment liabilities								
- Hong Kong	266,001	21,705	74,995	4,604,773	4,602,587	119,839	6,552	9,696,452
- United Kingdom	-	15,759	194,798	-	-	-	-	210,557
- Mainland China	407	-	17	-	-	5	80	509
- Other countries	-	-	14	-	669,469	11	-	669,494
Reportable segment liabilities	266,408	37,464	269,824	4,604,773	5,272,056	119,855	6,632	10,577,012
Unallocated corporate liabilities								8,993,341
Consolidated total liabilities								19,570,353
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	1,424	1,783,806	-	-	30	855	

Other Material Items

For the six months ended 30th June, 2017

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

5. Other Income

Included in other income are:

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
Building management fee income	18,897	17,314
Building management fee expenses	(10,944)	(7,970)
	7,953	9,344
Rental services income	3,536	6,870
Property management services, leasing administration services and property administration services income	14,850	28,578
Advisory and consultancy services income	15	14
Asset management and maintenance services income	4	466
Consultancy fee income	13,354	109
Exchange gain, net	3,563	3,311
Reversal of impairment in respect of other receivable and interest thereon	4,884	-

6. Investment (Expenses) Income, Net

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
Financial assets measured at fair value through profit or loss:		
Unrealised (loss) gain arising from change in fair value of bonds	(868,114)	453,355
Realised (loss) gain arising from change in fair value of bonds		
- Change in fair value	(9,850)	166,588
- Exchange component of change	5,271	41,552
Net (loss) gain arising from change in fair value of bonds	(872,693)	661,495
Unrealised gain arising from change in fair value of club debentures, net	5,158	431
Other investment income, net	12,446	13,198
Dividends income on:		
Listed investment	-	163,018
Unlisted investment	-	993
Interest income	314,259	1,256,260
	(540,830)	2,095,395

Interest income mainly included interest income from bonds of approximately HK\$308,842,000 (2017: interest income from bonds of HK\$491,806,000 and imputed interest income from deferred consideration receivables of HK\$761,666,000 of which HK\$620,965,000 was arose from repayment of the deferred consideration receivables before their respective maturity date).

7. Finance Costs

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	67,087	40,011
Other borrowings	86,178	60,933
Total interest	153,265	100,944
Exchange (gain) loss on translation of foreign currency other borrowings, net	(1,742)	42,703
Other finance costs	4,643	3,471
	156,166	147,118
Less: Interest capitalised to stock of properties under development held for sale	-	(140)
	156,166	146,978

During the six months ended 30th June, 2017, the Group had capitalised borrowing costs at a rate of 2.58% per annum amounting to HK\$140,000 on qualifying assets.

8. Other Gains and Losses, Net

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
Included in other gains and losses, net are:		
Gain on disposal of subsidiaries - Pinecrest Group (note (i))	-	114,446
Gain on disposal of subsidiaries - Win Kings Group (note (ii))	-	28,958

Notes:

- (i) Gain on disposal of subsidiaries arose from the disposal of the Group's entire issued share capital of Pinecrest International Limited, an indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively "Pinecrest Group") ("Pinecrest Disposal") on 10th February, 2017. At the time of disposal, the Pinecrest Group held certain shops of Lowu Commercial Plaza located in Shenzhen, the People's Republic of China ("PRC").
- (ii) Gain on disposal of subsidiaries arose from the disposal of the Group's entire issued share capital of Win Kings Holding Ltd., an indirect wholly-owned subsidiary of the Company, and its subsidiary (collectively "Win Kings Group") ("Win Kings Disposal") on 10th February, 2017. At the time of disposal, the Win Kings Group held a property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong.

9. Income Tax Expense

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	34,639	37,111
Other than Hong Kong	23,621	52,862
	58,260	89,973
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	5,207	(4)
Other than Hong Kong	(2,418)	6,727
	2,789	6,723
Deferred tax:		
Current period charge	4,171	3,376
	65,220	100,072

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the Period. The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2017: 25%). Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. (Loss) Profit for the Period

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(80,887)	(100,600)
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$324,000 (2017: HK\$54,000)	(4,108)	(5,176)
	(84,995)	(105,776)
Auditors' remuneration:		
Auditors of the Company		
- Current period	(1,025)	(1,153)
Other auditors		
- Current period	(249)	(243)
- Underprovision in prior years	(21)	(18)
Depreciation	(3,745)	(4,585)
Cost of trading properties recognised	(71,064)	(176,505)
Cost of cosmetic products recognised	(1,754)	(1,458)
Share of tax of associates	(6,409)	(33,855)
Share of tax of a joint venture	(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)	(6,668)	(33,855)
Gross rental income from investment properties	275,022	239,919
Less: Direct operating expenses from investment properties that generated rental income during the period	(7,665)	(4,142)
Direct operating expenses from investment properties that did not generate rental income during the period	(1,159)	(1,215)
	266,198	234,562

11. Dividends

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
Final dividend for 2017 paid on 6th June, 2018 of HK10 cents (2016: HK1 cent) per share	190,762	19,076
Special interim dividends for 2016 of HK\$1.36 per share and 2017 of HK\$0.64 per share paid on 10th February, 2017 of HK\$2 in aggregate per share	-	3,815,238
Special interim dividend for 2017 paid on 23rd June, 2017 of HK\$2.91 per share	-	5,551,172
Total dividends paid	190,762	9,385,486

Interim dividend for 2018 of HK1 cent (2017: HK20 cents) per share has been declared by the Board after interim period end.

12. (Loss) Earnings per Share

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

	Six months ended 30th June, 2018 HK\$'000	2017 HK\$'000
(Loss) earnings:		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	(363,534)	2,562,706
	Number of shares	
	Six months ended 30th June,	
	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	1,907,619,079	1,907,619,079

Diluted (loss) earnings per share for the six months ended 30th June, 2018 and 2017 were the same as the basic (loss) earnings per share as there were no diluting events during both periods.

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

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Bonds	7,344,379	10,738,743
Club debentures	75,047	69,889
	<u>7,419,426</u>	<u>10,808,632</u>
Analysed for reporting purpose as:		
Non-current	1,507,375	2,049,276
Current	5,912,051	8,759,356
	<u>7,419,426</u>	<u>10,808,632</u>

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

Notional amount	Maturity
US\$12,000,000	2021
US\$149,500,000	2023
US\$237,000,000	2024
US\$59,000,000	2025
US\$9,000,000	2036
US\$21,000,000	2046
US\$488,515,000	Perpetual
GBP25,500,000	Perpetual

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

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Listed investment:		
- Equity securities listed in Hong Kong (<i>note (i)</i>)	17,150,820	23,110,730
Unlisted equity securities:		
- Incorporated in Hong Kong	589,266	344,263
- Incorporated elsewhere (<i>note (ii)</i>)	586,323	686,967
	18,326,409	24,141,960

Notes:

- (i) During the year ended 31st December, 2017, the Group had acquired 857,541,000 shares of China Evergrande Group (Stock Code: 3333) ("China Evergrande") ("Evergrande Shares") at a total consideration (including transaction costs) of HK\$13,182,428,000. There was no purchase or disposal of any shares of China Evergrande during the Period. The unrealised loss on fair value change of the Evergrande Shares of approximately HK\$5,959,910,000 (during the year ended 31st December, 2017: unrealised gain of HK\$9,928,302,000) which was determined based on quoted price in active market, was recorded in financial assets measured at FVTOCI reserve during the Period. The carrying amount of the Evergrande Shares as at 30th June, 2018 was HK\$17,150,820,000 (31st December, 2017: HK\$23,110,730,000).
- (ii) As at 30th June, 2018, 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\$502,361,000 (31st December, 2017: HK\$578,244,000).

15. Debtors, Deposits, Other Receivables and Prepayments

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$3,813,000 (31st December, 2017: HK\$5,487,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from cosmetic business.

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, 2018 HK\$'000	31st December, 2017 HK\$'000
0 - 30 days	1,974	2,505
31 - 60 days	98	998
61 - 90 days	540	391
Over 90 days	1,201	1,593
	3,813	5,487

16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$278,000 (31st December, 2017: HK\$2,549,000).

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

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
0 - 90 days	278	2,539
Over 90 days	-	10
	278	2,549

17. Capital Commitments

	30th June, 2018 HK\$'000	31st December, 2017 HK\$'000
Authorised and contracted for:		
Renovation of properties	1,462	2,111
Capital investment in limited partnership (note)	98,605	119,224
	<u>100,067</u>	<u>121,335</u>

Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to approximately HK\$784,880,000) in the Cayman Islands Partnership. Up to the end of the reporting period, approximately US\$87,437,000 (equivalent to approximately HK\$677,957,000) (31st December, 2017: US\$84,748,000 (equivalent to approximately HK\$656,936,000)) among the contribution has been paid by the Group. The outstanding amount was approximately US\$12,563,000 (equivalent to approximately HK\$98,605,000, after exchange adjustment) (31st December, 2017: US\$15,252,000 (equivalent to approximately HK\$119,224,000, after exchange adjustment)).

18. Contingent Liabilities

	30th June, 2018 HK\$'000	31st December, 2017 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	18,855	5,025
	<u>33,855</u>	<u>20,025</u>

No provision for financial guarantee contracts have been made as at 30th June, 2018 and 31st December, 2017 as the Directors considered the default risk is low.

19. 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\$1,507,375,000 (31st December, 2017: HK\$2,049,276,000) and approximately HK\$18,326,409,000 (31st December, 2017: HK\$24,141,960,000) 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\$18,583,148,000 (31st December, 2017: HK\$25,090,117,000) 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.

20. Further Information on Disposal of a Subsidiary in 2014

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

Subject to completion of the Moon Ocean Disposal on 31st October, 2014, (a) if judgments are made in favour of Moon Ocean in the appeals to its legal case in the Macau Special Administrative Region of the PRC (“Macau”) (“Appeals”) and have become final and the title to the Macau land previously held by Moon Ocean (“Macau Land”) is vested on Moon Ocean again, One Midland shall pay to Data Dynasty the development upside sharing pursuant to the Moon Ocean SP Agreement; or (b) if judgments are made against Moon Ocean in the Appeals and have become final, One Midland shall pay to Data Dynasty the compensation upside sharing pursuant to the Moon Ocean SP Agreement.

20. Further Information on Disposal of a Subsidiary in 2014 *(continued)*

All Appeals were denied up to the end of the reporting period, the development upside sharing was lapsed.

On 22nd July, 2015, Moon Ocean filed a claim against the original owners of the Macau Land for refund of transfer prices, development costs and interests (“Civil Claim”). Further on 13th July, 2016, Moon Ocean filed a claim against the Chief Executive of Macau, the Secretary for Economy and Finance of Macau, the Secretary for Transport and Public Works of Macau, the director of the Economy and Finance Bureau of Macau and the director of the Land, Public Works and Transport Bureau of Macau for refund of land premium paid for revision of the Macau Land in 2011, rents paid, security money paid and interests (“Administrative Claim”). Up to the date of this announcement, the Civil Claim and the Administrative Claim are still in progress. The Directors consider that the compensation upside sharing is remote.

Details of the Moon Ocean Disposal, the development upside sharing and the compensation upside sharing were set out in the announcement of the Company dated 2nd September, 2014, the circular of the Company dated 23rd September, 2014, and in the notes to the consolidated financial statements in the annual report of the Company in 2014, 2015, 2016 and 2017 under the heading “Contingent Assets”.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent per share (2017: HK20 cents 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\$6,286.8 million. As at 30th June, 2018, the Group had an accumulated unrealised reserve on gain on fair value change of listed equity investment in China Evergrande Group (stock code: 3333) of approximately HK\$3,968.4 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 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”).

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 (2017: HK20 cents per share).

Dividend warrants for the Interim Dividend will be posted on or about 17th September, 2018 to shareholders whose names appear on the register of members of the Company on 6th September, 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed on 6th September, 2018. 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 5th September, 2018.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Period amounted to HK\$559.7 million (2017: HK\$672.9 million), a decrease of 16.8% over the same period of last year and comprised gross rental income of HK\$275.0 million (2017: HK\$239.9 million), property sales of HK\$274.0 million (2017: HK\$425.9 million) and others of HK\$10.7 million (2017: HK\$7.1 million). The decline in revenue was mainly due to the decrease in sales of trading properties despite of the increase in gross rental income.

Gross Profit

Gross profit for the Period amounted to HK\$451.0 million (2017: HK\$439.9 million), an increase of 2.5% as compared with the same period of last year which was mainly due to the increase in net rental income of HK\$31.6 million despite of the decrease in profit from property sales of HK\$23.3 million.

Property Leasing

For property leasing, the rental revenue in non-retail section increased by 22.9% to HK\$235.6 million while retail section decreased by 18.3% to HK\$39.4 million during the Period. The total rental income in revenue for the Period recorded an increase of 14.6% to HK\$275.0 million as compared with the same period of last year of HK\$239.9 million.

Together with the attributable rental revenue generated from associates, a joint venture and an investee company of HK\$73.1 million (2017: associates and an investee company of HK\$67.1 million), the total attributable rental revenue to the Group after non-controlling interests amounted to HK\$348.1 million (2017: HK\$306.3 million), which representing an increase of 13.7% over the same period of last year.

Attributable net rental income for the Period showed HK\$318.0 million, an increase of 13.6% over HK\$280.1 million in the same period of last year.

Following the acquisition of a building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, the United Kingdom in May 2017, it has contributed both rental revenue and net rental income of HK\$41.1 million (2017: HK\$12.2 million) during the Period.

Property Development and Trading

During the Period, the attributable property sales revenue from the Group and its associates recorded a decrease of 41.0% to HK\$194.7 million (2017: the Group, its associates and an investee company contributed HK\$330.2 million) and the relevant attributable profit from the Group and its associates recorded a decrease of 18.8% to HK\$128.6 million (2017: HK\$158.5 million).

Sales of 55 Conduit Road in Mid-Levels West (70% interest) contributed an attributable profit to the Group of HK\$126.4 million (2017: sales of One South Lane in the Western District (100% interest) generated profit of HK\$48.6 million; 55 Conduit Road and parking spaces at The Zenith in Wanchai (87.5% interest) contributed attributable profit to the Group of HK\$108.7 million and HK\$0.9 million respectively).

In respect of properties held by associates, 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) generated profit of HK\$1.9 million (2017: nil) and HK\$0.3 million (2017: HK\$0.3 million) respectively, as reflected in the share of results of investments accounted for using the equity method.

In summary, the Group together with its associates and an investee company executed properties sale agreements, including contracted for sales agreements to third parties, recorded an attributable contracted sales of HK\$263.9 million (after cash rebate) (2017: HK\$178.3 million (after cash rebate or discount)) during the Period. Total attributable property sales profit recognised for the Period was HK\$128.6 million (2017: HK\$158.5 million).

Securities Investments

The Group has in the ordinary and normal course of business conducted its securities investment activities, as at 30th June, 2018, comprised of bonds and listed equity investment. During the Period, the loss (excluding gain/loss recognised in financial assets measured at FVTOCI reserve) recognised from listed securities investments and treasury products was HK\$635.8 million (2017: gain of HK\$1,209.6 million), comprised loss on listed equity investments at FVTOCI of HK\$52.3 million (2017: gain of HK\$126.7 million) and loss on listed investments and treasury products at FVTPL of HK\$583.5 million (2017: gain of HK\$1,082.9 million).

During the Period, the Group did not dispose of any listed investments held-for-trading (2017: no disposal). The realised loss from sales of bonds of HK\$4.6 million (2017: realised gain of HK\$208.1 million) was recognised, mainly comprising the realised loss in the industries of overseas financial institutions of HK\$11.2 million (2017: realised gain of HK\$33.7 million), the realised loss in the industries of insurance of HK\$2.0 million (2017: realised gain of HK\$66.2 million), despite the realised gain in the PRC-based real estate companies of HK\$9.4 million (2017: HK\$83.7 million). During the Period, the Group had acquired 10 bonds (2017: 26 bonds) (including those additions to existing bonds) in the sum of HK\$2,595.9 million (2017: HK\$4,405.1 million), and disposed of/redeemed 39 bonds (2017: 70 bonds) (including those with partial disposal) with carrying amounts in the sum of HK\$5,122.2 million (2017: HK\$9,270.2 million). Bonds acquired were mainly in the industries of overseas financial institutions of 50.5% (2017: 40.2%) and PRC-based real estate companies of 47.7% (2017: 58.4%).

Furthermore, the Group recorded an unrealised loss of HK\$868.1 million (2017: unrealised gain of HK\$453.4 million) representing the changes in fair value of bonds, which had no effect on the cash flow of the Group. The unrealised loss (2017: net unrealised gain) from changes in fair value of bonds represented 28 bonds (2017: 44 bonds), mainly comprising 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 unrealised loss from PRC-based real estate companies of HK\$524.7 million or decrease in fair value of 14.9% over the six-month period (2017: unrealised gain from

industries of overseas financial institutions of HK\$430.5 million or increase in fair value of 7.2% over the six-month period; despite of unrealised loss from PRC-based real estate companies of HK\$9.2 million or decrease in fair value of 0.3% over the six-month period). The Group believes that the decrease in price of bonds in PRC-based real estate sector in the Period, among others, was owing to the PRC property sector has been facing a huge bond maturity repayment pressure in 2018 and combined with restrictive refinancing channels which could lead to tight liquidity while the decrease in overseas financial institutions sector during the Period, among others, was owing to increase in United States Federal funds rate of 0.25% in March 2018 and 0.25% in June 2018.

During the Period, interest income from bonds amounted to HK\$308.8 million (2017: HK\$491.8 million), represented 4.3% (2017: 3.9%) (before effect on leverage) over the six-month period 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\$236.9 million (2017: net dividend income, interest income, other net investment income and finance costs HK\$548.1 million), the loss recognised from listed securities investments and treasury products was HK\$635.8 million (2017: gain of HK\$1,209.6 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 loss before and after net finance costs of HK\$552.0 million and HK\$583.5 million (2017: profit before and after finance costs of HK\$1,166.5 million and HK\$1,082.9 million) respectively for the Period.

Loss 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 loss on bonds of HK\$4.6 million (2017: realised gain of HK\$208.1 million), an unrealised loss on fair value changes of bonds of HK\$868.1 million (2017: unrealised gain of HK\$453.4 million) and interest income and other investment income of HK\$320.7 million (2017: interest income and other net investment income of HK\$505.0 million). Net relevant finance costs for the Period was HK\$31.5 million (2017: relevant finance costs of HK\$83.6 million) including interest expense of HK\$33.1 million (2017: HK\$42.5 million) and exchange gain of HK\$1.6 million (2017: exchange loss of HK\$41.1 million).

Listed Equity Investments at Fair Value Through Other Comprehensive Income

(a) Implication on Profit or Loss for the Period

Dividend income (if any) and finance costs on holding of 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 the Evergrande Shares, hence the result from listed equity investments at FVTOCI recorded a net loss of HK\$52.3 million (2017: net gain of HK\$126.7 million) comprised net relevant finance costs of HK\$52.9 million (2017: relevant finance costs of HK\$20.0 million) and other investment income of HK\$0.6 million (2017: net dividend income of HK\$146.7 million from 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) (“SJB Shares”)).

(b) Implication on Other Comprehensive Expenses/Income for the Period

During the Period, the unit share price of China Evergrande had been dropped from HK\$26.95 as at 29th December, 2017 (being the last trading day for the year ended 31st December, 2017) to HK\$20.00 as at 29th June, 2018 (being the last trading day in the Period), or 25.8% over a six-month period, hence an unrealised loss on fair value changes of listed equity investments at FVTOCI of HK\$5,959.9 million was recognised in other comprehensive expenses (2017: realised gain on fair value change of the SJB Shares of HK\$2,126.0 million and unrealised gain on fair value change of the Evergrande Shares of HK\$1,219.1 million were recognised in other comprehensive income). 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 poor market sentiment on PRC-based companies with US\$ debt exposure against a weakened Renminbi (“RMB”) currency.

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, consultancy fee income, exchange gain, net and reversal of impairment in respect of other receivable and interest thereon, maintained stable at HK\$51.9 million (2017: HK\$51.7 million).

During the Period, administrative expenses decreased by 16.3% to HK\$132.1 million (2017: HK\$157.8 million). The decrease in administrative expenses was mainly due to the decrease in staff costs. Finance costs increased by 6.3% to HK\$156.2 million (2017: HK\$147.0 million) during the Period, including exchange gain of HK\$1.7 million (2017: exchange loss of HK\$42.7 million) on translation of foreign currency other borrowings hedged for foreign currency securities investments. The increase in finance costs was mainly due to the increase in interest rates and average balance of interest-bearing borrowings during the Period.

Other gains and losses for the Period recorded a minimal loss as compared with the same period of last year of net gain of HK\$143.4 million, which mainly comprised gains on the Pinecrest Disposal and the Win Kings Disposal of HK\$143.4 million in total.

Investments Accounted for Using the Equity Method

The share of results of investments accounted for using the equity method recorded a profit of HK\$94.3 million (2017: HK\$27.7 million).

The share of results of associates for the Period was a profit of HK\$78.2 million as compared to HK\$27.7 million for the same period of last year. The increase was mainly due to the increase in fair value gain of investment properties held by an associate compared with the same period of last year and an under-provision of tax in prior years of an associate was recognised in the first half of 2017.

During the Period, the Group acquired 50% equity interest in a joint venture holding a property located at Nos. 14-18 Ma Kok Street (known as Possehl Building) in Tsuen Wan. The share of results of a joint venture for the Period was a profit of HK\$16.1 million (2017: nil).

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 30th June, 2018 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\$22.8 million (2017: gain of HK\$247.0 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.

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

Loss/Profit

Loss for the Period attributable to owners of the Company was HK\$363.5 million as compared to profit of HK\$2,562.7 million for the same period of last year. The turning from profit to loss for the Period was mainly due to (i) no imputed interest income from deferred consideration receivables was recognised during the Period as compared with HK\$761.7 million recorded in the first half of 2017; (ii) no gain on disposal of subsidiary was recorded during the Period as compared with gains on disposals of subsidiaries of HK\$143.4 million in the first half of 2017; (iii) loss from listed securities investments and treasury products of HK\$635.8 million was recorded during the Period as compared with gain of HK\$1,209.6 million for the same period of last year; (iv) loss on fair value changes on investment properties of HK\$22.8 million was recorded during the Period as compared with gain of HK\$247.0 million for the same period of last year; and (v) decrease in attributable property sales profit; despite (vi) increase in attributable net rental income. Loss per share for the Period was HK\$0.191 (2017: earnings per share of HK\$1.343).

Core Loss/Profit

During the first half of 2017, the Group disposed of certain investment properties through disposals of subsidiaries, of which their costs were stated at fair value, and the Group disposed of stock of properties which were classified as investment properties and/or land and building in prior years. Before disposal, such gain/loss on fair value change was unrealised and recognised at the end of each reporting period, but excluded from core profit as non-cash items. In the period of disposal, such unrealised gain/loss had become realised; and in computing core profit, accumulated fair value gain/loss from prior years and current period were included as cash items.

If the net gain on the major non-cash items of HK\$37.3 million (2017: HK\$277.7 million) are excluded, the Group will have a core loss for the Period attributable to owners of the Company of HK\$400.8 million (2017: core profit of HK\$2,621.2 million including the accumulated net realised fair value gain together with their respective deferred tax on disposals of investment properties and stock of properties from the Group recognised in prior years of HK\$336.2 million (including those recognised in properties revaluation reserve)) and a core loss per share of HK\$0.210 (2017: core earnings per share of HK\$1.374).

The major non-cash items represented the attributable net unrealised fair value gain on investment properties together with their respective deferred tax from the Group, its associates and a joint venture of HK\$37.3 million (2017: the Group and its associates of HK\$277.7 million).

Dividends

Final dividend of HK10 cents (year ended 31st December, 2016: HK1 cent) per share in total amount of HK\$190.8 million for the year ended 31st December, 2017 was paid in cash on 6th June, 2018.

No special interim dividend was paid for the Period. In the first half of 2017, special interim dividends of HK\$2 in aggregate per share in total amount of HK\$3,815.2 million and HK\$2.91 per share in total amount of HK\$5,551.2 million were paid in cash on 10th February, 2017 and 23rd June, 2017 respectively.

Repurchase

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

Cash Payment Ratio

Based on (a) the core loss for the Period of HK\$400.8 million or HK\$0.210 per share (2017: core profit of HK\$2,621.2 million or HK\$1.374 per share); (b) cash interim dividend of HK1 cent (2017: HK20 cents) per share declared; and (c) no special interim dividend declared (2017: cash special interim dividends of HK\$3.55 in aggregate per share paid), the ratio of such cash payment to the core profit was undefined as a result of the core loss for the Period (2017: 272.9%).

Total Comprehensive Expenses/Income

Total comprehensive expenses for the Period attributable to owners of the Company was HK\$6,286.8 million or HK\$3.30 per share (2017: total comprehensive income of HK\$6,202.3 million or HK\$3.25 per share), which comprised (a) loss for the Period attributable to owners of the Company of HK\$363.5 million (2017: profit of HK\$2,562.7 million); and (b) other comprehensive expenses for the Period attributable to owners of the Company of HK\$5,923.3 million (2017: other comprehensive income of HK\$3,639.6 million) which mainly included loss on fair value changes of listed equity investment(s) at FVTOCI of HK\$5,959.9 million (2017: gain of HK\$3,345.1 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/Income for the Period" of paragraph headed "Securities Investments" above.

Net Asset Value

As at 30th June, 2018, the Group's net asset attributable to owners of the Company amounted to HK\$29,911.6 million (31st December, 2017: HK\$36,385.9 million), a decrease of HK\$6,474.3 million or 17.8% when compared with 31st December, 2017. With the total number of ordinary shares in issue of 1,907,619,079 as at 30th June, 2018 and 31st December, 2017, the net asset value per share attributable to owners of the Company was HK\$15.68 (31st December, 2017: HK\$19.07). 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\$6,286.8 million; (b) final dividend recognised as distribution during the Period of HK\$190.8 million; and (c) forfeiture of unclaimed dividends recorded in retained profits of HK\$3.3 million.

During the Period, loss on fair value changes of the listed equity investments categorised as financial assets measured at FVTOCI of HK\$5,959.9 million (2017: gain of HK\$3,345.1 million, as well as the transaction costs of the disposal of the Group's entire issued share capital of Great Captain Limited, an indirect wholly-owned subsidiary of the Company, of HK\$1.7 million) was recorded in other comprehensive expenses/income. The cumulative amount of the gain on fair value change of listed equity investment included in financial assets measured at FVTOCI reserve was HK\$3,968.4 million as at 30th June, 2018 (31st December, 2017: HK\$9,928.3 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, 2018 of HK\$4,940.9 million (31st December, 2017: HK\$2,804.8 million), of which current assets were HK\$8,121.2 million (31st December, 2017: HK\$10,978.6 million) and current liabilities were HK\$13,062.1 million (31st December, 2017: HK\$13,783.4 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, 2018 was HK\$24,495.2 million (31st December, 2017: HK\$33,849.5 million). Included in non-current assets were part of the bonds in the sum of HK\$1,432.3 million (31st December, 2017: HK\$1,979.4 million) presented as financial assets measured at FVTPL and listed equity investment in the sum of HK\$17,150.8 million (31st December, 2017: HK\$23,110.7 million) presented as financial assets measured at FVTOCI. Included in current assets were part of the bonds in the sum of HK\$5,912.1 million (31st December, 2017: HK\$8,759.4 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\$9,162.7 million (31st December, 2017: HK\$9,873.7 million) were presented as borrowings in current liabilities.

If the margin loans of HK\$9,162.7 million (31st December, 2017: HK\$9,873.7 million) were allocated into the securities investments secured according to the respective non-current and current assets presentation, HK\$5,265.1 million (31st December, 2017: HK\$5,221.0 million) and HK\$3,897.6 million (31st December, 2017: HK\$4,652.7 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\$5,265.1 million (31st December, 2017: HK\$5,221.0 million) were reclassified as non-current liabilities, the net current liabilities position of the Group would become net current assets position of HK\$324.2 million as at 30th June, 2018 (31st December, 2017: HK\$2,416.2 million).

The ratio of margin loans against securities investments was loan-to-value ratio, which was 37.4% as at 30th June, 2018 (31st December, 2017: 29.2%). 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, 2018 were presented as current assets, current assets would be increased by HK\$18,583.1 million (31st December, 2017: HK\$25,090.1 million), and net current liabilities position of HK\$4,940.9 million (31st December, 2017: HK\$2,804.8 million) would become net current assets position of HK\$13,642.2 million (31st December, 2017: HK\$22,285.3 million).

The Group believes that the net current liabilities position as at 30th June, 2018 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 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, 2018, the portfolio of listed securities investments and treasury products of HK\$24,495.2 million (31st December, 2017: HK\$33,849.5 million) comprised (a) bonds (financial assets measured at FVTPL (non-current and current assets in aggregate)) of HK\$7,344.4 million (31st December, 2017: HK\$10,738.8 million); and (b) listed equity investment (financial assets measured at FVTOCI) of HK\$17,150.8 million (31st December, 2017: HK\$23,110.7 million), representing 52.2% (31st December, 2017: 60.4%) of total assets.

The respective securities investments under different categories are elaborated below.

Listed Equity Investments at Fair Value Through Other Comprehensive Income

During the year ended 31st December, 2017, the Group had acquired 857,541,000 shares of China Evergrande at a total consideration (including transaction costs) of HK\$13,182.4 million, representing approximately 6.5% of the total issued share capital of China Evergrande as at 30th June, 2018 and the Evergrande Shares were recorded as financial assets measured at FVTOCI. During the Period, the Group had not acquired or disposed of any shares of China Evergrande and continued to hold 857,541,000 shares of China Evergrande.

After adding the unrealised fair value gain of HK\$9,928.3 million for 2017, the carrying amount of the Evergrande Shares as at 31st December, 2017 was HK\$23,110.7 million, and after deducting the unrealised fair value loss of HK\$5,959.9 million for the Period, the carrying amount of the Evergrande Shares as at 30th June, 2018 was HK\$17,150.8 million. The cumulative unrealised gain on fair value change of the Evergrande Shares was reduced from HK\$9,928.3 million at the end of year 2017 to HK\$3,968.4 million as at 30th June, 2018, 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 is principally engaged in development of large scale residential properties and integrated commercial properties in the PRC. According to the audited financial statements of China Evergrande for the years ended 31st December, 2017 and 2016, the revenue and profit attributable to shareholders were RMB311.0 billion (2016: RMB211.4 billion) and RMB24.4 billion (2016: RMB5.1 billion) respectively; while the total assets and total equity were RMB1,761.8 billion (2016: RMB1,350.9 billion) and RMB242.2 billion (2016: RMB192.5 billion) respectively, the net debt was RMB444.9 billion (2016: RMB230.7 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, 2017, the carrying amounts of the bonds presented as financial assets measured at FVTPL was HK\$10,738.8 million. During the Period, the bonds portfolio was decreased by a net disposal of HK\$2,526.3 million. After deducting the fair value loss of HK\$868.1 million, the bonds portfolio of the Group became HK\$7,344.4 million as at 30th June, 2018, which formed part of the Group's cash management activities.

As at 30th June, 2018, the bonds portfolio comprised of bonds issued by overseas financial institutions of 54.2%, PRC-based real estate companies of 40.8% and other industries of 5.0%. They are denominated in different currencies with 96.4% in US\$ and 3.6% in GBP. The bonds denominated in US\$ carry at fixed rate range from 4.750% to 9.375% per annum of which notional amount of US\$934.0 million are callable, the bonds denominated in GBP carry at fixed rate range from 5.875% to 7.250% per annum of which notional amount of GBP25.5 million are callable. As at 30th June, 2018, the bonds portfolio comprised of 28 bonds (31st December, 2017: 39 bonds); in terms of credit rating, investment grade, non-investment grade and unrated were 7 bonds, 17 bonds and 4 bonds (31st December, 2017: 10 bonds, 22 bonds and 7 bonds) respectively. In terms of maturity, 17 bonds (31st December, 2017: 27 bonds) were contingent convertible bonds issued by overseas financial institutions of which 17 bonds (31st December, 2017: 25 bonds) were perpetual and no fixed tenor bond (31st December, 2017: 2 bonds would be matured in 2023). 11 bonds (31st December, 2017: 12 bonds) were issued by issuers other than overseas financial institutions of which 3 bonds (31st December, 2017: 4 bonds) were perpetual and the remaining 8 bonds (31st December, 2017: 8 bonds) will be matured between 2021 to 2046 (31st December, 2017: between 2018 to 2046).

Unlisted Securities Investments

The Group had made a capital contribution of US\$84.7 million (equivalent to approximately HK\$656.9 million) in the Cayman Islands Partnership as at 31st December, 2017 and the carrying amount was HK\$578.2 million. During the Period, the Group has contributed US\$2.7 million (equivalent to approximately HK\$21.0 million) and received distribution of US\$2.7 million (equivalent to approximately HK\$21.0 million) (which was included in financial assets measured at FVTOCI), after deducting the fair value loss for the Period of HK\$75.8 million (which was recognised in financial assets measured at FVTOCI reserve), the carrying amount was HK\$502.4 million as at 30th June, 2018, representing 1.1% (31st December, 2017: 1.0%) 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, 2018 and 31st December, 2017 were 1,907,619,079.

Debt and Gearing

As at 30th June, 2018, the Group's bank and other borrowings amounted to HK\$15,821.9 million (31st December, 2017: HK\$18,308.5 million (including loan from a director)). Cash and deposits at banks amounted to HK\$913.2 million (31st December, 2017: HK\$659.4 million), pledged deposits amounted to HK\$293.7 million (31st December, 2017: HK\$263.5 million) and net borrowings amounted to HK\$14,615.0 million (31st December, 2017: HK\$17,385.6 million).

Total debt to equity ratio was 52.6% (31st December, 2017: 50.2%) and net debt to equity ratio was 48.6% (31st December, 2017: 47.6%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$30,063.5 million (31st December, 2017: HK\$36,493.0 million). The increase in both ratios was mainly due to decrease in total equity during the Period.

If the listed securities investments and treasury products of HK\$24,495.2 million (31st December, 2017: HK\$33,849.5 million) are included, there would be a net cash position of HK\$9,880.2 million (31st December, 2017: HK\$16,463.9 million).

As at 30th June, 2018, the Group's bank and other borrowings of HK\$15,821.9 million, 77.7%, 0.7%, 14.4% and 7.2% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. Of which the Group's bank and other borrowings were denominated in HK\$ (62.5%), GBP (28.1%) and US\$ (9.4%). HK\$, GBP and US\$ securities investments were hedged by HK\$, GBP and US\$ borrowings. The Group's bank borrowings in HK\$ and GBP were carried at interest rates calculated with reference to Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate respectively; other borrowings were carried at interest rates calculated mainly with reference to cost of funds and HIBOR. As at 30th June, 2018, all the Group's borrowings were on floating rate basis. No hedging for interest rate is subsisted at the end of the reporting period.

Pledge of Assets

As at 30th June, 2018, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of HK\$14,055.4 million (31st December, 2017: HK\$14,234.3 million) and bank deposits of HK\$288.7 million (31st December, 2017: HK\$209.7 million) were pledged to the banks of the Group to secure general banking and loan facilities granted to the Group.
- (b) The Group's bonds and listed equity investments with carrying amounts of HK\$24,456.9 million (31st December, 2017: HK\$33,176.6 million) and cash deposits of HK\$5.0 million (31st December, 2017: HK\$53.8 million) were pledged to the financial institutions of the Group to secure margin and securities facilities granted to the Group in respect of securities transactions, of which HK\$9,162.7 million (31st December, 2017: HK\$9,873.7 million) was utilised as at 30th June, 2018 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, investment income and other income (2017: revenue and investment income). Interest income for the Period was HK\$316.8 million, representing a decrease of 74.8% over the same period of last year of HK\$1,256.7 million, mainly due to no imputed interest income from deferred consideration receivable was recognised during the Period (2017: HK\$761.7 million).

Finance costs included interest expenses on bank and other borrowings; exchange difference on translation of foreign currency other borrowings; and arrangement fee and facility and commitment fee expenses. Interest expenses for the Period amounted to HK\$153.3 million, representing an increase of 52.0% over the same period of last year of HK\$100.8 million. No interest was capitalised for the Period (2017: HK\$0.1 million). The increase in interest expenses was mainly due to the increase in interest rates and average balance of interest-bearing borrowings during the Period. The average interest rate over the period under review was 2.01% (2017: 1.53%), which was expressed as a percentage of total interest paid over the average total interest-bearing borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 30th June, 2018, the Group employed a total of 493 staff (31st December, 2017: 528 staff) in Hong Kong including about 248 staff (31st December, 2017: 254 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. The Share Award Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Share Award Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the Share Award Scheme during the Period.

United Kingdom and Mainland China

As at 30th June, 2018, the Group's investment properties in the United Kingdom with carrying amount of GBP852.7 million (equivalent to approximately HK\$8,755.8 million) (31st December, 2017: GBP878.3 million (equivalent to approximately HK\$9,231.2 million)) incurred a net loss of HK\$164.8 million (2017: net profit of HK\$104.5 million) to the Group for the Period, the loss (2017: profit) 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\$102.2 million (2017: exchange gain of HK\$231.9 million included in other comprehensive income). As at 30th June, 2018, the Group's net investment in the United Kingdom amounted to HK\$4,828.2 million (31st December, 2017: HK\$5,095.2 million) representing 16.1% (31st December, 2017: 14.0%) of the Group's total equity.

Profit contribution from the Group's investment in Mainland China (mainly included in other income, share of results of associates and taxation) for the Period amounted to HK\$8.0 million (2017: HK\$64.3 million mainly included in gross profit, fair value changes on investment properties, gain on disposal of subsidiaries, share of results of associates and taxation). RMB exchange loss of foreign operations included in other comprehensive expenses (including share of an associate) for the Period amounted to HK\$5.6 million (2017: exchange gain of HK\$16.1 million included in other comprehensive income). The Group's net investment in Mainland China as at 30th June, 2018 amounted to HK\$533.1 million (31st December, 2017: HK\$533.3 million) representing 1.8% (31st December, 2017: 1.5%) 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, 2018 and 31st December, 2017 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, 2018 and 31st December, 2017 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 2018 interim results.

The Group's investment properties were valued at HK\$15,427.6 million (31st December, 2017: HK\$15,650.0 million), a 0.1% decrease over 2017 after adjusted for the exchange adjustments of investment properties during the Period. The decrease in fair value of HK\$22.8 million was recognised in the unaudited condensed consolidated statement of comprehensive income for the Period. The Group also shared an increase in fair value of investment properties of associates and a joint venture of HK\$60.8 million in total for the Period.

The decrease in fair value of HK\$22.8 million was mainly derived from decrease in fair value of River Court located in London, the United Kingdom while increase in fair value of Harcourt House. The fair value change is a non-cash item and will not affect the cash flow of the Group.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income.

During the Period, the average occupancy rate of the shops of Causeway Place was approximately 88.06%.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, the average occupancy rate was approximately 98.46% during the Period.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the average occupancy rate was approximately 67.40% during the Period.

During the Period, the average occupancy rate for the Group's office property, Harcourt House was approximately 91.49%.

In March 2018, the Group through acquisition of 50% equity interest in a joint venture, invested in a 8-storey industrial building located at Nos. 14-18 Ma Kok Street (known as Possehl Building) in Tsuen Wan (50% interest). Its current total gross floor area is approximately 120,000 square feet and it was fully let as at 30th June, 2018. Building plan of the proposed alteration and addition works in relation to the conversion of the building into a 16-storey industrial building with a total gross floor area of approximately 190,000 square feet has been submitted and approved by Buildings Department and relevant alteration and addition works is expected to be commenced in the second quarter of 2019.

Hong Kong Property Development

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

55 Conduit Road (70% interest) is a luxury residential development in Mid-levels West with total residential gross floor area of around 87,800 square feet which provides 35 residential units. As at 30th June, 2018, all residential units were sold and handed over to purchasers.

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, 2018, 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, 2018, 99.86% of total units were sold.

Kwun Tong Town Centre Project (Development Areas 2 and 3) (10% interest) is a joint venture development project of the Group awarded by the Urban Renewal Authority. Its total site area is approximately 234,160 square feet. Total gross floor area of around 1,853,561 square feet will be developed. 4 residential tower blocks with 1,999 residential units in aggregate will be built and will be launched in two phases. Superstructure works are in progress. As at 30th June, 2018, the presale consent applications of both phases were pending for approval. It is expected that the presale of first phase, namely Grand Central will be launched in the third quarter of 2018 and the whole project will be completed in the first quarter of 2021.

Mainland China Property Investment

Hilton Beijing (50% interest), a five-star international hotel having 502 rooms, average occupancy rate was approximately 71.53% for the Period.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 93.60% for the Period.

Overseas Property Investment

During the Period, the overall occupancy rate of the Group's investment property portfolio in the United Kingdom was approximately 99.50%.

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 (odd) Oxford Street and 11-14 Soho Street" is a mixed use freehold building located in London, United Kingdom, comprising approximately 55,162 square feet in aggregate. The building provides retails, office and residential accommodation, occupying approximately 33,850 square feet, 13,735 square feet and 7,577 square feet respectively, over lower ground, ground and six upper floors. 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 floors. Its average occupancy rate was approximately 96.31% during the Period.

Securities Investments

The Group's strategy is to maintain securities investment portfolio for treasury management. As at 30th June, 2018, 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 loss recognised on securities investments for the Period was approximately HK\$635.8 million. Details of the performance of securities investments are disclosed under "Financial Operation Review" of this announcement.

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

PROSPECTS

The US-China trade war is expected to continue and raise external uncertainties. The geopolitical risks in the United States and the Mainland China will be increased as trade war escalates, coupled with the uncertainties over political and financial.

In Hong Kong, demand for quality office space has been very robust, especially for those in core area; while retail premises have also seen rental up running in core areas on the back of increased tourists numbers and strong local employment rate. All these have benefited our existing investment properties. Furthermore, the Group also explores property investment opportunities. In March 2018, the Group acquired 50% interest in an industrial building located in Tsuen Wan for asset enhancement.

In the United Kingdom, following the decision of Brexit, pound sterling has depreciated, inflation and interest rate have increased, slowing the economic growth of the United Kingdom. In spite of the potential uncertainties in the United Kingdom economy after votes for Brexit, the Group remains optimistic about its core businesses. The Group's investment properties in London are quality investments with strong tenant base. As demand for office space continues to outstrip supply on the prime locations in London, it is expected that the business of property leasing in the United Kingdom will continue to bring stable and attractive income to the Group.

As concerns with the onset of trade war gathers, Chinese stocks have already taken a hit in the first half of 2018. Although the performance of the Group's securities investments is to a large extent subject to the performance of the relevant financial markets, the Group is well positioned to ride out market volatilities with its strong financial backing and solid investment experience.

Looking ahead, the Group will continue to cast close attention to the uncertainties in the global market conditions and capture good opportunities for expanding its property and securities investment portfolio.

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 – Independent Non-executive Directors and Non-executive Directors Attending General Meetings

Mr. Lau, Ming-wai, a Non-executive Director (“NED”), was unable to attend the annual general meeting of the Company held on 18th May, 2018 (“AGM”) as he had business engagement. Ms. Amy Lau, Yuk-wai, another NED, was also unable to attend the AGM as she was not in Hong Kong on that day.

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 the Nomination Committee, Ms. Phillis Loh, Lai-ping had attended the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code and the said code of conduct during the Period.

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

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

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

APPRECIATION

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

On behalf of the Board
Lau, Ming-wai
Chairman

Hong Kong, 23rd August, 2018

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 23rd August, 2018.