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DIRECTORS

Executive directors

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter
(*Deputy Chairman & Managing Director*)
Mr. Tsang Wai Choi (*Deputy Chairman*)
Mr. Wong Chi Keung (*Deputy Chairman*)
Mr. Leung Chun Cheong
Mr. Leung Wai Fai

Independent non-executive directors

Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey (*Chairman*)
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

NOMINATION COMMITTEE

Mr. Cheung Chung Kiu (*Chairman*)
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

REMUNERATION COMMITTEE

Mr. Leung Yu Ming Steven (*Chairman*)
Mr. Cheung Chung Kiu
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Dr. Wong Lung Tak Patrick

AUTHORISED REPRESENTATIVES

Dr. Lam How Mun Peter
Mr. Leung Chun Cheong

COMPANY SECRETARY

Ms. Cheung Fung Yee

WEBSITE

www.ccland.com.hk

STOCK CODE

1224

REGISTERED OFFICE

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Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 3308-10, 33rd Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

Hong Kong
Cheung Tong & Rosa Solicitors

Bermuda
Conyers Dill & Pearman

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08, Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
ING Bank N.V., London Branch
The Bank of East Asia, Limited
Wing Lung Bank Limited

Management Discussion and Analysis

On behalf of the Board of Directors (the “Directors” or the “Board”) of C C Land Holdings Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017.

BUSINESS REVIEW

The year 2017 is a new milestone for the Group.

During the first half of the year, the Group expanded its territory with investments overseas. The Group has completed two significant acquisitions, One Kingdom Street, and, The Leadenhall Building, in London, the United Kingdom. Both assets are located in the heart of London’s business centre with a combined value of approximately GBP1.44 billion. These two acquisitions are considered trophy assets and have greatly enhanced the Group’s profile in the international property scene, and will generate a strong stream of recurring income which will accordingly become a material contributor to the Group’s overall business.

During the period, the Group had participated through several public tenders, bidding for developmental land bank in Hong Kong, but so far had not met with success. The Group will continue to look for opportunities locally, in China, and abroad.

In August 2017, the Group participated in a joint venture with Guangzhou R&F Properties Co., Ltd. to invest in a mixed-use residential-led development project occupying a site of 10.3 acres (4.2 hectares) located at New Covent Garden Market in London, the United Kingdom. The project is planned to provide a gross floor area of circa 2.3 million square feet of residential, office and retail spaces.

For the first half of 2017, the Group recorded a revenue of HK\$61.9 million, a decrease of 92% compared to HK\$752.5 million in the first half of 2016 which was caused by the strategic disposals of property projects in the previous years and the number of properties available for sale was substantially decreased. The net profit was HK\$59.9 million, representing an increase of 84% compared to HK\$32.5 million during the same period in 2016. The increase in profit was mainly attributable to the gain resulting from the rental top up amounting to HK\$101.8 million received from the vendors of The Leadenhall Building which was accounted for as other income in the consolidated statement of profit or loss, and the gain on disposal of a joint venture in the amount of HK\$84.7 million, which was partially offset by the adverse effect of the decrease in the Group’s revenue by 92% to HK\$61.9 million, the losses on disposal of available-for-sale investments of HK\$69 million and the one-off costs of approximately HK\$50 million in relation to the acquisition of the two London properties during the period.

The treasury investment segment recorded fair value losses on equity investments at fair value through profit or loss of HK\$18.5 million and realized losses on disposal of equity investment at fair value through profit or loss of HK\$78.8 million respectively as a result of the volatility in the equity market in Hong Kong during the period, against a net loss of HK\$152.8 million of realized gains and fair value losses in the corresponding period last year.

The profit attributable to shareholders for the period amounted to HK\$59.9 million (six months ended 30 June 2016: HK\$32.5 million), representing an increase of 84% when compared with the same period of last year. The basic earnings per share for the period were HK1.97 cents (six months ended 30 June 2016 restated: HK1.25 cents).

Revenue and Operating Profit

Our financial results during the period reflected the Group’s shift from property development to property investment. The Group’s property business was largely focused on the Western China market in the past. The strategic disposals of the PRC property development projects in the second half of 2016 led to a substantial decline of property sales to HK\$19.7 million from the HK\$594.6 million of the corresponding period last year. The Group’s revenue for the first half of 2017 was HK\$61.9 million, down 92% from the same period in 2016 (six months ended 30 June 2016: HK\$752.5 million).

The property sales revenue was HK\$19.7 million (RMB17.4 million) (six months ended 30 June 2016: HK\$594.6 million (RMB503.0 million)) against a total booked gross floor area sales of 3,900 square meters (six months ended 30 June 2016: 111,500 square meters). Both the revenue from property sales and booked gross floor area represented a decrease of 97% from those of the corresponding period of 2016. The booked gross profit margin for the period was 22% (six months ended 30 June 2016: 16%).

Management Discussion and Analysis

The Group's completed acquisition of One Kingdom Street in January and The Leadenhall Building in May 2017 contributed a significant increase in rental income for the Group, amounting to HK\$94.2 million (six months ended 30 June 2016: nil), and will provide a strong recurring income stream in the years to come.

The operating profit, however, has been adversely affected by the one-off costs of HK\$50 million incurred on the acquisition. Since these costs are not recurring in nature, only the period under review is affected.

Investment Properties

As at 30 June 2017, the Group had acquired two commercial properties in London, the United Kingdom, namely The Leadenhall Building, and One Kingdom Street. The Group holds 100% interest in these two properties. Together, the two commercial properties comprise approximately 875,000 square feet of floor area. Both properties were fully leased out as at 30 June 2017.

During the six months ended 30 June 2017, the Group generated rental income of HK\$94.2 million (six months ended 30 June 2016: nil) from its newly acquired investment properties in the United Kingdom. As the acquisition of The Leadenhall Building was only completed on 25 May 2017, the majority of rental income is from One Kingdom Street during the period.

The Leadenhall Building

Acquisition of the building was completed on 25 May 2017, marking a new milestone for the Group in its effort to expand into the global real estate market. The Leadenhall Building is an iconic award-winning building situated in the prime financial and insurance districts of London. Completed in 2014, The Leadenhall Building is a world class skyscraper and office tower boasting an impressive lease portfolio commanding strong recurring rentals and will be held by the Group as an investment property for long term capital growth. It is a commercial tower with over 46 floors, comprising approximately 610,000 square feet of office and retail space and is fully multi-let with a weighted average unexpired lease term of approximately 13 years with over 10 years on a term-certain basis. The building's tenant base includes a number of major international insurance companies alongside other financial institutions, technology, and professional service businesses. The property occupies a site of 0.94 acres (0.38 hectares) and extends to 736 feet in height. The current annual rental income of The Leadenhall Building is in the region of GBP40.2 million. As at 30 June 2017, all of the office space was leased. The rental yield is approximately 3.5% per annum. Given the building's list of reputable tenants and nature of the leases, a strong recurring rental income is guaranteed for the Group, as well as presenting great potentials for long term capital growth. This acquisition forms a solid base for the Group's property investment in the United Kingdom, affirms the Group's presence in the international property markets, and helps boost the chances of potential investments of the Group in other major global cosmopolitan cities. It is in line with the business strategy of the Group in investing in quality property projects in mature cities globally.

One Kingdom Street

The acquisition of the building was completed on 27 January 2017. One Kingdom Street is located in the Paddington area. It provides approximately 265,000 square feet of Grade A office accommodation and some parking spaces, with a current annual rental income of approximately GBP14.5 million, equivalent to an initial annual yield of 5%. The building is fully leased to reputable major tenants.

One Kingdom Street is positioned between a railway line, a major thorough road, and two bridges with high traffic volume, and is within a few minutes' walking distance from the Paddington Station in Central London. With the coming of the Crossrail System, the Paddington area will be an important hub in London's West End.

The building forms part of the Paddington Central Redevelopment Scheme. The area is currently undergoing renovation, with many new developments springing up alongside the railway and canal, reviving the surrounding areas.

Treasury Investment Business

The treasury investment recorded a loss of HK\$139.7 million (six months ended 30 June 2016: a profit of HK\$5.6 million). The dividends and interests earned from investment and loan receivables totalled HK\$26.7 million (six months ended 30 June 2016: HK\$152.4 million, the majority of which were dividends and interest received from a listed equity investment and a perpetual security, both of which have been disposed of or redeemed). The realized and unrealized losses on equity investments at fair value through profit or loss amounted to HK\$78.8 million and HK\$18.5 million respectively (six months ended 30 June 2016: realized gains and unrealized losses on equity investments at fair value through profit or loss amounted to HK\$5.4 million and HK\$158.2 million respectively). A net loss of HK\$69 million (six months ended 30 June 2016: nil) was realized on the disposal of available-for-sale investments.

CORPORATE STRATEGY AND OUTLOOK

There will continue to be uncertainty in the United Kingdom's economic outlook as a result of the uncertainty over Brexit. However, since the European Union referendum, the United Kingdom economy has not shown signs of deterioration.

The Group is well placed not only in terms of the quality of its property portfolio, but also its sound financial base. The Group's United Kingdom's real estate portfolio has many significant benefits as an asset class. It provides an attractive and sustainable income stream with its existing tenancy leases which are over 10 years in length, thus reducing volatility. The strong balance sheet and low gearing of the Group will allow the Group to add more acquisitions to its portfolio.

The Group also intends, whether on its own or in partnership with other developers, to acquire land available for development in China, Hong Kong and mature cities globally.

FINANCIAL REVIEW

Investments

The Group invested surplus cash in a diversified portfolio of listed equity securities, unlisted investment funds and debt investment. As at 30 June 2017, the portfolio of investments comprised of listed equity securities, unlisted investment funds and debt investment with an aggregate carrying value of HK\$2,552.7 million (31 December 2016: HK\$3,545.0 million) which is listed in the table below:

	30 June 2017 HK\$ million	31 December 2016 HK\$ million
Equity investments at fair value through profit or loss		
Listed equity securities	336.8	581.3
Available-for-sale investments		
Listed equity securities	385.3	433.4
Perpetual security	–	930.0
Debt investment	189.8	–
Unlisted investment funds	1,640.8	1,600.3
	2,215.9	2,963.7
Total	2,552.7	3,545.0

The carrying principal amount of the perpetual security of US\$120 million was fully redeemed by China Evergrande Group, a leading PRC property developer listed on the main board of the Stock Exchange in January 2017.

In terms of performance, the Group recognized from its portfolio of investments during the period unrealized fair value losses of HK\$18.5 million (six months ended 30 June 2016: unrealized loss of HK\$158.2 million) in the consolidated statement of profit or loss and unrealized fair value gain of HK\$59.2 million (six months ended 30 June 2016: unrealized fair value losses of HK\$693.3 million) in the consolidated statement of other comprehensive income. The realized losses on the portfolio of investments for the period was HK\$147.7 million (six months ended 30 June 2016: realized gains of HK\$5.4 million), whereas the amount of dividends and interest income from investments for the period was HK\$10.6 million (six months ended 30 June 2016: HK\$142.5 million). In terms of future prospects of the Group's investments, the performance of the listed equity securities and unlisted investment funds held is to a large extent subject to the corresponding performances of the relevant financial markets.

Management Discussion and Analysis

The Group will continuously adopt a prudent and cautious investment strategy and will from time to time assess the performance of its portfolio of investments and make timely and appropriate adjustments to fine-tune its investments holding with a view to generating favorable returns for its shareholders.

Liquidity and Gearing

At 30 June 2017, the Group had bank borrowings amounting to HK\$10.7 billion with the maturity profile spreading over a period of 5 years, with HK\$4.4 billion repayable within one year and HK\$6.3 billion repayable beyond three years. In terms of currency, 95% of the bank borrowings are denominated in GBP with the remaining 5% denominated in Hong Kong dollars.

The Group's net gearing ratio at the interim period end date was approximately 13% (31 December 2016: nil) calculated by total borrowings less cash and bank balances divided by owners' equity.

As at 30 June 2017, cash and bank balances held at major banks and financial institutions totalled HK\$8.7 billion as compared to HK\$7.5 billion as at 31 December 2016. About 78% of the Group's cash and bank balances were denominated in Hong Kong dollars, 16% in United States dollars, and 6% in GBP and Renminbi. With much available cash on hand as well as undrawn banking facilities and a portfolio of listed equity investments amounting to HK\$5.3 billion, the Group's liquidity position remains strong and the Group has sufficient financial resources to fund its working capital requirements, further acquisitions and investment needs.

Financing Activities

The Group had the following major financing activities during the period under review:

1. The Group completed the Rights Issue on 28 April 2017 for one right share for every two shares then held at a price of HK\$2 per rights share, raising a net proceeds of about HK\$2.58 billion.
2. The Group established a new five-year term facility amounting to GBP622.2 million with a syndicate of financial institutions for refinancing part of the acquisition cost of The Leadenhall Building. The term facility is secured by a charge over The Leadenhall Building and bears a favourable interest rate. The Group has entered into interest rate swaps over the loan tenor to effectively hedge 80% of the loan principal to exchange the variable LIBOR for a fixed rate of 0.72%. The Group is therefore well protected from the risk in the upward trend of the global interest rate in the coming years.

Contingent Liabilities/Financial Guarantee

At 30 June 2017, the Group does not have any contingent liabilities/financial guarantee granted to third parties (31 December 2016: HK\$339.6 million).

Pledge of Assets

As at 30 June 2017, investment property, bank deposits, and property and equipment in the respective amounts of HK\$11.7 billion, HK\$4.0 billion and HK\$83.5 million have been pledged as securities for banking facilities granted to the Group.

Exchange Risks and Hedging

We hedge our foreign currency assets with a combination of bank borrowings in identical currency and with forward foreign exchange contracts. These arrangements do not subject us to material balance sheet risk due to exchange rate movements, as revaluation gains and losses on the bank borrowings and foreign exchange contracts are intended to offset against the translation losses and gains on the assets being hedged.

As at 30 June 2017, the Group's outstanding consideration receivables from the disposal of subsidiaries denominated in RMB amounted to RMB474 million. To the extent this portion of consideration receivables may be converted into Hong Kong dollars or other currencies, there is exposure to fluctuations in foreign exchange rates.

EMPLOYEES

As at 30 June 2017, the Group had a total of 90 employees in Hong Kong and China and incurred employee costs in the amount of approximately HK\$48 million for the first half of 2017. The Group remunerates its staff based on their merit, qualifications, performance, competence and the prevailing market wage level. In order to attract, retain and motivate employees, an incentive bonus scheme has been established to reward employees based on their performance. Employees are also eligible to be granted share options under the Company's share option scheme at the discretion of the Board. For the six months ended 30 June 2017 and 30 June 2016, no equity-settled share option expense was charged off to the consolidated statement of profit or loss. Other benefits include contributions of mandatory provident funds, medical insurance, on-the-job training and external seminars organized by professional bodies.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2017, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Interests in shares of the Company (long positions)

Name of directors	Interests in shares		Interests in underlying shares pursuant to share options granted by the Company ³	Aggregate interests	Approximate percentage ⁴
	Personal interests	Corporate interests			
Cheung Chung Kiu	–	2,249,284,465 ^{1&2}	–	2,249,284,465	57.94
Lam How Mun Peter	486,753	–	43,667,369	44,154,122	1.14
Tsang Wai Choi	3,394,242	–	–	3,394,242	0.09
Leung Chun Cheong	667,000	–	1,521,900	2,188,900	0.06
Leung Wai Fai	–	–	3,043,800	3,043,800	0.08

Notes:

- 1,606,215,346 of such shares were held through Thrivetrade Limited ("Thrivetrade"), a company wholly-owned by Mr. Cheung Chung Kiu ("Mr. Cheung"). Accordingly, Mr. Cheung was deemed to be interested in the same number of shares held through Thrivetrade.

350,873,560 of such shares were held through Fame Seeker Holdings Limited ("Fame Seeker"), a company wholly-owned by Mr. Cheung. Accordingly, Mr. Cheung was deemed to be interested in the same number of shares held through Fame Seeker.
- 292,195,559 of such shares were held through Regulator Holdings Limited ("Regulator"), a direct wholly-owned subsidiary of Yugang International (B.V.I.) Limited ("Yugang-BVI"), which is in turn a direct wholly-owned subsidiary of Yugang International Limited ("Yugang"). Yugang was owned by Chongqing Industrial Limited ("CIL"), Timmex Investment Limited ("Timmex") and Mr. Cheung as to approximately 44.06% in aggregate. CIL was owned as to 35%, 30%, 5% and 30% by Mr. Cheung, Peking Palace Limited ("Peking Palace"), Miraculous Services Limited ("Miraculous Services") and Prize Winner Limited ("Prize Winner") respectively. Mr. Cheung had 100% beneficial interest in Timmex. Prize Winner was beneficially owned by Mr. Cheung and his associates. Peking Palace and Miraculous Services were held by Palin Holdings Limited ("Palin") as the trustee for Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family. Accordingly, Mr. Cheung was also deemed to be interested in the same number of shares held through Regulator.
- Details of the directors' interests in the underlying shares of the Company pursuant to share options granted by the Company are set out in the section headed "Share Options" below.
- Approximate percentage refers to the aggregate interests of a director in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company adopted a share option scheme on 29 April 2005 (“2005 Scheme”), which expired on 29 April 2015. Details of the 2005 Scheme were disclosed in the Company’s circular dated 13 April 2005 and are set out in note 18 to the condensed consolidated financial statements. Details of movements of the 2005 Scheme during the period from 1 January 2017 to 30 June 2017 were set out below:

Name or category of participants	Number of share options						At 30 June 2017	Date of grant ¹ (dd-mm-yyyy)	Exercise period (dd-mm-yyyy)	Exercise price ² HK\$ per share	Closing price immediately before date of grant HK\$ per share
	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Adjusted during the period ³					
Directors											
Lam How Mun Peter	17,500,000	-	-	-	-	255,500	17,755,500	07-05-2009	07-05-2009 to 06-05-2019	3.2229	3.47
	21,539,000	-	-	-	-	314,469	21,853,469	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	4,000,000	-	-	-	-	58,400	4,058,400	03-09-2010	01-01-2011 to 02-09-2020	3.2624	3.19
	43,039,000	-	-	-	-	628,369	43,667,369				
Leung Chun Cheong	1,500,000	-	-	-	-	21,900	1,521,900	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
Leung Wai Fai	3,000,000	-	-	-	-	43,800	3,043,800	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	47,539,000	-	-	-	-	694,069	48,233,069				
Employees	10,100,000	-	-	-	-	147,460	10,247,460	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	800,000	-	-	-	-	11,680	811,680	03-09-2010	01-01-2011 to 02-09-2020	3.2624	3.19
	10,900,000	-	-	-	-	159,140	11,059,140				
Others	4,800,000	-	-	-	-	70,080	4,870,080	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
Total	63,239,000	-	-	-	-	923,289	64,162,289				

Notes:

- Adjustments have been made to the number of outstanding share options and their exercise prices immediately upon the completion of the rights issue on 28 April 2017.
- Certain share options granted are subject to a vesting period beginning from the date of grant until the commencement of the exercise period.
- The number and the exercise price of the share options are subject to adjustment in case of any rights issues or bonus issues, or any other changes in the Company’s share capital.

On 21 May 2015, the Company adopted a share option scheme (“2015 Scheme”), details of which were disclosed in the Company’s circular dated 16 April 2015. No share options have been granted under the 2015 Scheme since its adoption and up to 30 June 2017.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2017, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held	Approximate percentage ³
Thrivetrade	Beneficial owner	1,606,215,346 ¹	41.37
Fame Seeker	Beneficial owner	350,873,560 ¹	9.04
Regulator	Beneficial owner	292,195,559 ²	7.53
Yugang-BVI	Interest of controlled corporation	292,195,559 ²	7.53
Yugang	Interest of controlled corporation	292,195,559 ²	7.53
CIL	Interest of controlled corporation	292,195,559 ²	7.53
Palin	Interest of controlled corporation	292,195,559 ²	7.53

Notes:

- These shares were included in the interests of Mr. Cheung in the shares of the Company as disclosed under the paragraph “Interests in shares of the Company (long positions)” of the section headed “Directors’ and Chief Executive’s Interests and Short Positions” above.
- The interests held by Regulator, Yugang-BVI, Yugang, CIL and Palin respectively as shown above refer to interests in the same block of shares. The said shares were also included in the interests of Mr. Cheung in the shares of the Company as disclosed under the paragraph “Interests in shares of the Company (long positions)” of the section headed “Directors’ and Chief Executive’s Interests and Short Positions” above.
- Approximate percentage refers to the aggregate interest which the shareholder held or had short positions in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 30 June 2017.
- All of the interests disclosed above represent long positions.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

Other Information

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made on all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

UPDATE ON DIRECTORS' INFORMATION

Dr. Wong Lung Tak Patrick retired as an Independent Non-executive Director of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, the shares of which are listed on the Stock Exchange, from 23 June 2017.

Mr. Lam Kin Fung Jeffrey ceased to be the Chairman of Mega Events Funds Assessment Committee from 1 July 2017.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017.

APPRECIATION

On behalf of the Board, I would like to express our sincere appreciation to the Group's management and staff for their diligence, loyalty and dedication. We are also grateful to our shareholders, strategic partners and bankers for their support and trust which have contributed towards the Group's success.

By order of the Board

Lam How Mun Peter

Deputy Chairman & Managing Director

Hong Kong, 25 August 2017

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	3, 4	61,923	752,463
Cost of sales		(15,356)	(498,722)
Gross profit		46,567	253,741
Other income and gains	4	298,719	82,995
Selling and distribution expenses		(713)	(10,747)
Administrative expenses		(131,555)	(96,399)
Other expenses		(91,307)	(158,235)
Finance costs		(33,151)	(9,193)
Share of profits and losses of:			
Joint ventures		(12,214)	(15,817)
Associates		1,685	478
PROFIT BEFORE TAX	5	78,031	46,823
Income tax expense	6	(18,152)	(14,328)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		59,879	32,495
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		(Restated)
Basic and diluted		HK1.97 cents	HK1.25 cents

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	59,879	32,495
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investments:		
Changes in fair value	(942)	(693,289)
Reclassification adjustment for a loss on disposal included in the consolidated statement of profit or loss	68,962	–
	68,020	(693,289)
Exchange fluctuation reserve:		
Release upon disposal of a subsidiary	1,748	–
Exchange differences on translation of foreign operations	27,083	(10,444)
	28,831	(10,444)
Share of other comprehensive income of joint ventures	(331)	(4,429)
Share of other comprehensive income of associates	1,215	(1,060)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	97,735	(709,222)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	97,735	(709,222)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	157,614	(676,727)

Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property and equipment	9	101,372	103,837
Investment properties	9	14,659,372	–
Golf club membership		10,540	10,540
Investments in joint ventures		227,893	319,907
Investments in associates		95,153	142,666
Available-for-sale investments		2,215,894	2,963,697
Total non-current assets		17,310,224	3,540,647
CURRENT ASSETS			
Properties under development	9	–	246,595
Completed properties held for sale		–	306,947
Loan and interest receivables	10	221,605	237,522
Prepayments, deposits and other receivables		1,236,250	1,982,375
Equity investments at fair value through profit or loss		336,850	581,295
Derivative financial instruments		42,981	–
Prepaid income tax and land appreciation tax		780	22,328
Deposits with brokerage companies		2,951	168,989
Pledged deposits		3,964,740	–
Restricted bank balances		118,942	38,926
Cash and cash equivalents		4,583,378	7,510,847
Total current assets		10,508,477	11,095,824
CURRENT LIABILITIES			
Trade payables	11	–	116,352
Other payables and accruals		160,392	222,704
Derivative financial instruments		10,639	–
Interest-bearing bank and other borrowings	12	4,464,740	112,208
Tax payable		890,072	892,523
Total current liabilities		5,525,843	1,343,787
NET CURRENT ASSETS		4,982,634	9,752,037
TOTAL ASSETS LESS CURRENT LIABILITIES		22,292,858	13,292,684
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	6,284,493	–
Deferred tax liabilities		297	23,896
Total non-current liabilities		6,284,790	23,896
Net assets		16,008,068	13,268,788
EQUITY			
Issued capital	13	388,233	258,822
Reserves		15,619,835	13,009,966
Total equity		16,008,068	13,268,788

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to equity owners of the Company								
	Note	Issued capital	Share premium account	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Capital reserve	Retained profits	Share option reserve	Total equity
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2017		258,822	9,524,823*	(604)*	(5,838)*	-*	3,326,313*	165,272*	13,268,788
Profit for the period		-	-	-	-	-	59,879	-	59,879
Other comprehensive income for the period:									
Available-for-sale investments									
Changes in fair value		-	-	-	(942)	-	-	-	(942)
Reclassification adjustment for a loss on disposal included in the consolidated statement of profit or loss		-	-	-	68,962	-	-	-	68,962
Share of other comprehensive income of joint ventures		-	-	(331)	-	-	-	-	(331)
Share of other comprehensive income of associates		-	-	1,215	-	-	-	-	1,215
Release of reserve upon disposal of a subsidiary		-	-	1,748	-	-	-	-	1,748
Exchange differences on translation of foreign operations		-	-	27,083	-	-	-	-	27,083
Total comprehensive income for the period		-	-	29,715	68,020	-	59,879	-	157,614
Rights Issue	13	129,411	2,458,812	-	-	-	-	-	2,588,223
Share issue expenses	13	-	(6,557)	-	-	-	-	-	(6,557)
At 30 June 2017		388,233	11,977,078*	29,111*	62,182*	-*	3,386,192*	165,272*	16,008,068
At 1 January 2016		258,822	9,524,823	2,426	352,272	2,166	3,825,421	165,272	14,131,202
Profit for the period		-	-	-	-	-	32,495	-	32,495
Other comprehensive income for the period:									
Changes in fair value of available-for-sale investments		-	-	-	(693,289)	-	-	-	(693,289)
Share of other comprehensive income of joint ventures		-	-	(4,429)	-	-	-	-	(4,429)
Share of other comprehensive income of associates		-	-	(1,060)	-	-	-	-	(1,060)
Exchange differences on translation of foreign operations		-	-	(10,444)	-	-	-	-	(10,444)
Total comprehensive income for the period		-	-	(15,933)	(693,289)	-	32,495	-	(676,727)
Final 2015 dividend approved		-	-	-	-	-	(142,352)	-	(142,352)
At 30 June 2016		258,822	9,524,823	(13,507)	(341,017)	2,166	3,715,564	165,272	13,312,123

* These reserve accounts comprise the consolidated reserves of HK\$15,619,835,000 (31 December 2016: HK\$13,009,966,000) in the consolidated statement of financial position.

** The capital reserve in the prior period represented the Group's share of capital reserve of an associate arising from its capital injection.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		181,897	(1,071,974)
Tax paid, net		(2,744)	(18,864)
Interest paid		(32,696)	(14,924)
Net cash flows generated from operating activities		146,457	(1,105,762)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of subsidiaries	14	(14,192,455)	–
Loans to joint ventures		(131,960)	(5,657)
Proceeds from disposal of subsidiaries		1,026,969	5,034,808
Proceed from disposal of a joint venture		296,150	–
Purchases of available-for-sale investments		(191,813)	(115,115)
Proceed from disposal of available-for-sale investments		967,364	–
Decrease/(increase) in pledged deposits		(3,964,740)	305,311
Other cash flows arising from investing activities		56,010	83,009
Net cash flows from/(used in) investing activities		(16,134,475)	5,302,356
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceed from issue of rights shares	13	2,581,666	–
Dividends paid	7	–	(142,352)
New bank borrowings		12,470,188	–
Repayment of bank and other borrowings		(1,927,901)	(800,000)
Other cash flows arising from financing activities		(74,160)	–
Net cash flows from/(used in) financing activities		13,049,793	(942,352)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(2,938,225)	3,254,242
Cash and cash equivalents at beginning of period		7,510,847	2,774,285
Effect of foreign exchange rate changes, net		10,756	(5,489)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		4,583,378	6,023,038
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		4,283,378	5,824,538
Non-pledged time deposits with original maturity of less than three months when acquired		300,000	198,500
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		4,583,378	6,023,038

Notes to Condensed Consolidated Financial Statements

30 June 2017

1. BASIS OF PREPARATION

C C Land Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are described in note 3 to the condensed consolidated financial statements.

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the revised HKFRSs as disclosed in note 2 to the condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amendments to HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interest in Other Entities</i>
<i>included in Annual Improvements 2014-2016 Cycle</i>	

The adoption of these HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

Property development and investment segment	–	Development and investment of properties
Treasury investment segment	–	Investments in securities and notes receivables, and provision of financial services

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group’s profit before tax except that finance costs and head office and corporate income and expenses are excluded from such measurement.

Notes to Condensed Consolidated Financial Statements

30 June 2017

3. OPERATING SEGMENT INFORMATION *(continued)*

Information regarding these reportable segments is presented below.

Reportable segment information

For the six months ended 30 June (Unaudited)

	Property development and investment		Treasury investment		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Segment revenue						
Sales to external customers	113,941	594,621	(52,018)	157,842	61,923	752,463
Segment results	275,762	73,843	(139,834)	(712)	135,928	73,131
Corporate and unallocated expenses					(24,746)	(17,115)
Finance costs					(33,151)	(9,193)
Profit before tax					78,031	46,823

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue		
Sale of properties	19,700	594,621
Gross rental income	94,241	–
Gains/(losses) on disposal of equity investments at fair value through profit or loss, net	(78,754)	5,449
Dividend income from listed equity investments	8,121	81,931
Interest income from debt investments	2,464	60,605
Interest income from loans receivable	16,151	9,857
	61,923	752,463
Other income and gains		
Bank interest income	5,934	13,346
Other interest income	24,838	27,463
Exchange gains, net	38,064	38,765
Gains on bargain purchase on acquisition of subsidiaries	102,147	–
Gain on disposal of a joint venture	84,720	–
Fair value gains on derivative financial instruments	42,981	–
Others	35	3,421
	298,719	82,995

Notes to Condensed Consolidated Financial Statements

30 June 2017

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cost of properties sold	15,356	498,722
Depreciation	1,417	2,206
Less: Amount capitalised	(25)	(226)
	1,392	1,980
Fair value losses on equity investments at fair value through profit or loss, net	18,456	158,234
Interest on bank and other borrowings	33,151	14,924
Less: Interest capitalised	–	(5,731)
	33,151	9,193
Employee benefit expense (including directors' remuneration):		
Wages and salaries	45,672	46,550
Pension scheme contributions	2,217	2,086
Less: Amount capitalised	(534)	(3,833)
	47,355	44,803

6. INCOME TAX

Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period ended 30 June 2017. No provision for Hong Kong profits tax had been made for the prior period as the Group did not generate any assessable profit arising in Hong Kong during the period ended 30 June 2016. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current charge for the period		
Hong Kong	3,049	–
Mainland China	603	18,453
United Kingdom	17,569	–
Underprovision in prior periods		
Mainland China	149	354
Land appreciation tax credit for the period	–	(14,492)
Deferred tax	(3,218)	10,013
Total tax charge for the period	18,152	14,328

7. DIVIDENDS

No final dividend was declared in respect of the year ended 31 December 2016.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

During the six months ended 30 June 2016, the Company declared a final dividend of HK\$0.055 per ordinary share amounting to HK\$142,352,000 for the year ended 31 December 2015 which was paid on 8 June 2016.

Notes to Condensed Consolidated Financial Statements

30 June 2017

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for both periods has been adjusted retrospectively to reflect the impact of the Rights Issue (as defined in note 13 to the condensed consolidated financial statements) completed on 28 April 2017.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2017 and 2016 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share presented.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	59,879	32,495
	Number of shares Six months ended 30 June 2017	2016 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	3,044,246,982	2,596,793,387

9. ADDITIONS TO PROPERTY AND EQUIPMENT/PROPERTIES UNDER DEVELOPMENT/ INVESTMENT PROPERTIES

During the six months ended 30 June 2017, the Group incurred HK\$353,000 (six months ended 30 June 2016: HK\$1,796,000) on the additions of items of property and equipment.

During the six months ended 30 June 2017, the Group incurred HK\$7,211,000 (six months ended 30 June 2016: HK\$235,493,000) on the additions of properties under development.

During the six months ended 30 June 2017, the Group acquired two investment properties through two business combinations. Please refer to notes 14(a) and (b) to the condensed consolidated financial statements for details.

10. LOANS AND INTEREST RECEIVABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Loans and interest receivables, secured	119,600	136,503
Loans and interest receivables, unsecured	102,005	101,019
	221,605	237,522

Notes to Condensed Consolidated Financial Statements

30 June 2017

10. LOANS AND INTEREST RECEIVABLES (continued)

Note:

These loans receivable are stated at amortised cost at effective interest rates ranging from 12% to 18% per annum. The credit terms of these loans receivable range from 6 months to 12 months. As these loans receivable relate to a number of different borrowers, the directors are of the opinion that there is no concentration of credit risk over these loans receivable. The carrying amounts of these loans receivable approximate to their fair values.

At 30 June 2017, all the loans and interest receivables are not past due or impaired, except for a balance of HK\$102,005,000 which has been past due for 2 months but was not impaired. Receivables that were neither past due nor impaired relate to a number of independent borrowers for whom there was no recent history of default. The receivable that was past due but not impaired relates to an independent party that has a good track record with the Group.

At 31 December 2016, all the loans and interest receivables were not past due, and not individually nor collectively considered to be impaired, and related to a number of independent loan borrowers for whom there was no recent history of default. These balances were aged within 6 months as at the end of the reporting period.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 1 year	–	116,352

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2017 (Unaudited)			31 December 2016 (Audited)		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
Current						
Bank loans – secured	LIBOR + 0.5%	2017	3,964,740	N/A	N/A	–
Bank loan – unsecured	HIBOR + 1.6%	2017	500,000	N/A	N/A	–
Other loan – unsecured	N/A	N/A	–	12%	2017	112,208
			<u>4,464,740</u>			<u>112,208</u>
Non-current						
Bank loans – secured	HIBOR + 1%/ LIBOR + 1.5%/ fixed rate of 2.2%	2019 – 2022	6,284,493	N/A	N/A	–
			<u>10,749,233</u>			<u>112,208</u>
Analysed into:						
Bank and other borrowings repayable:						
Within one year or on demand			4,464,740			112,208
In the second year			1,750			–
In the third to fifth years, inclusive			6,282,743			–
			<u>10,749,233</u>			<u>112,208</u>

Notes to Condensed Consolidated Financial Statements

30 June 2017

12. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

- (a) Certain of the Group's bank borrowings are secured by certain of the Group's assets with aggregate carrying amounts as listed below:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Investment property	11,690,900	–
Pledged deposits	3,964,740	–
Property and equipment	83,528	–

- (b) As at 30 June 2017, all bank borrowings bear interest at floating interest rate, except for bank borrowings with an aggregate amount of HK\$5,062,668,000 on which the Group has entered into interest rate swaps contracts to convert the floating interest rate of LIBOR + 1.5% into fixed interest rate of 2.2%. As at 31 December 2016, other borrowing bore interest at a fixed interest rate.

- (c) The carrying amounts of the Group's bank and other borrowings which are denominated in the following currencies are as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
HK\$	535,000	–
GBP	10,214,233	–
RMB	–	112,208
	10,749,233	112,208

13. SHARE CAPITAL

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Authorised: 5,000,000,000 (31 December 2016: 5,000,000,000) ordinary shares of HK\$0.10 (31 December 2016: HK\$0.10) each	500,000	500,000
Issued and fully paid: 3,882,334,668 (31 December 2016: 2,588,223,112) ordinary shares of HK\$0.10 (31 December 2016: HK\$0.10) each	388,233	258,822

A summary of the transactions in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2016, 31 December 2016 and 1 January 2017	2,588,223,112	258,822	9,524,823	9,783,645
Issue of rights shares (Note)	1,294,111,556	129,411	2,458,812	2,588,223
Share issue expenses	–	–	(6,557)	(6,557)
At 30 June 2017	3,882,334,668	388,233	11,977,078	12,365,311

Notes to Condensed Consolidated Financial Statements

30 June 2017

13. SHARE CAPITAL (continued)

Note:

On 28 April 2017, the Company completed a rights issue of one rights share for every two shares of the Company then held by qualifying shareholders at an issue price of HK\$2.00 per rights share (the "Rights Issue") and a total of 1,294,111,556 rights shares were issued at a total cash consideration, before expenses, of HK\$2,588,223,000.

As a result of the Rights Issue, the issued share capital of the Company increased from 2,588,223,112 shares of HK\$0.10 each to 3,882,334,668 shares of HK\$0.10 each. Details of the Rights Issue were disclosed in the Company's announcement dated 14 March 2017 and prospectus dated 3 April 2017.

14. BUSINESS COMBINATIONS

For the six months ended 30 June 2017

- (a) On 27 January 2017, the Group acquired the entire 100% equity interest in KS Leasehold S.à r.l. ("KS Leasehold") and the 100% issued units in Paddington Central III Unit Trust ("Unit Trust"), which are engaged in property investment in the United Kingdom. The total consideration of GBP290,028,000 (equivalent to HK\$2,832,268,000) (the "Cash Consideration") for the acquisitions was in the form of cash and was paid on 27 January 2017.

Pursuant to the relevant sale and purchase agreements, the Cash Consideration was adjusted to GBP290,162,000 (equivalent to HK\$2,833,566,000) based on the net assets value of KS Leasehold and Unit Trust as at 27 January 2017 (the date of completion).

The provisional fair values of the identifiable assets and liabilities of KS Leasehold and Unit Trust as at the date of acquisition were as follows:

	KS Leasehold HK\$'000	Unit Trust HK\$'000	Total HK\$'000
Investment property	1,397,443	1,454,083	2,851,526
Prepayments, deposits and other receivables	10,247	2,378	12,625
Cash and cash equivalents	860	–	860
Other payables and accruals	(16,904)	(12,460)	(29,364)
Tax payables	(1,698)	–	(1,698)
Total identifiable net assets at fair value	1,389,948	1,444,001	2,833,949
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	52	(435)	(383)
Satisfied by cash	1,390,000	1,443,566	2,833,566

The Group incurred transaction costs of HK\$15,918,000 for this acquisition. These transaction costs have been expensed off and are included in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of KS Leasehold and Unit Trust is as follows:

	KS Leasehold HK\$'000	Unit Trust HK\$'000	Total HK\$'000
Cash consideration	1,390,000	1,443,566	2,833,566
Cash and cash equivalents acquired	(860)	–	(860)
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,389,140	1,443,566	2,832,706
Transaction costs of the acquisition included in cash flows from operating activities	7,959	7,959	15,918
	1,397,099	1,451,525	2,848,624

Notes to Condensed Consolidated Financial Statements

30 June 2017

14. BUSINESS COMBINATIONS (continued)

For the six months ended 30 June 2017 (continued)

(a) (continued)

Since the acquisition, KS Leasehold and Unit Trust contributed HK\$61,492,000 to the Group's revenue and HK\$46,571,000 to the consolidated profit for the six months ended 30 June 2017.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been HK\$72,627,000 and HK\$70,063,000, respectively.

- (b) On 1 March 2017, the Group entered into an acquisition agreement (the "Acquisition Agreement") with two independent parties to acquire the 100% equity interests in Leadenhall Holding Co (Jersey) Ltd ("Leadenhall Holding") and its subsidiary, Leadenhall Property Co (Jersey) Ltd ("Leadenhall Property") (collectively the "Leadenhall Group"), together with the related shareholders' loans, for an aggregate consideration of GBP1,135,004,000 (equivalent to HK\$11,009,539,000). Leadenhall Holding is an investment holding company and Leadenhall Property is principally engaged in property investment and is the beneficial owner of a commercial property located at 122 Leadenhall Street, London EC3V 4PE.

Pursuant to the Acquisition Agreement, the aggregate consideration will be subsequently adjusted based on the final completion accounts of the Leadenhall Group as at 25 May 2017, the date of completion (the "Final Completion Accounts"). As at the date of this report, the Final Completion Accounts are subject to finalisation and agreement by both the Group and the vendors. Based on the draft Final Completion Accounts, the consideration was adjusted to GBP1,137,793,000 (equivalent to HK\$11,369,923,000).

The provisional fair values of the identifiable assets and liabilities of Leadenhall Group as at the date of acquisition were as follows:

	HK\$'000
Investment property	11,491,950
Prepayment, deposits and other receivables	1,528
Cash and cash equivalents	10,174
Other payables	(27,047)
Tax payables	(4,918)
Total identifiable net assets at fair value	11,471,687
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	(101,764)
Satisfied by cash	11,369,923

The Group incurred transaction costs of HK\$33,644,000 for this acquisition. These transaction costs have been expensed off and are included in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of the Leadenhall Group is as follows:

	HK\$'000
Cash consideration	11,369,923
Cash and cash equivalents acquired	(10,174)
Net outflow of cash and cash equivalents included in cash flows from investing activities	11,359,749
Transaction costs of the acquisition included in cash flows from operating activities	33,644
	11,393,393

Since the acquisition, the Leadenhall Group contributed HK\$32,748,000 to the Group's revenue and HK\$26,514,000 to the consolidated profit for the six months ended 30 June 2017.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been HK\$190,719,000 and HK\$141,228,000, respectively.

Notes to Condensed Consolidated Financial Statements

30 June 2017

15. DISPOSAL OF A SUBSIDIARY

For the six months ended 30 June 2017

On 21 February 2017, the Group entered into a sale and purchase agreement to dispose of its entire 100% equity interest in Good Wave International Limited (“Good Wave”, together with its subsidiaries, the “Good Wave Group”), a wholly-owned subsidiary of the Group as at 31 December 2016, to an independent third party for a total consideration of RMB186,000,000 (equivalent to HK\$208,500,000). The disposal of Good Wave Group was completed on 10 March 2017.

Details of the net assets of the Good Wave Group disposed of and their financial impacts are summarised below:

	HK\$'000
Net assets disposed of:	
Property and equipment	1,436
Property under development	258,290
Completed properties held for sale	297,177
Prepayments, deposits and other receivables	15,576
Restricted bank balances	54,854
Cash and cash equivalents	66,525
Trade payables	(113,102)
Other payables and accruals	(231,022)
Other borrowing	(112,208)
Tax payable	(6,146)
Deferred tax liabilities	(20,752)
	210,628
Exchange fluctuation reserve released upon disposal	1,748
Loss on disposal of a subsidiary	(3,876)
Satisfied by cash	208,500

An analysis of the net outflow of cash and cash equivalents for the period in respect of the disposal of Good Wave Group is as follows:

	HK\$'000
Cash consideration	208,500
Consideration receivables	(160,299)
Cash and cash equivalents disposed of	(66,525)
Net outflow of cash and cash equivalents	(18,324)

16. COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Contracted, but not provided for		
Property development expenditure	–	66,241
Investment in privately-offered fund	285,232	275,763
	285,232	342,004

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17. FINANCIAL GUARANTEES

At the end of the reporting period, the Group had the following financial guarantees:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Guarantees in respect of mortgage facilities provided for certain customers	–	83,345

The Group have arranged bank financing for certain purchasers of their property units and provided guarantees to secure the obligations of these purchasers for repayments. The guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificates which will generally be available within one year upon the completion of guarantee registration; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks and the banks are entitled to take over the legal titles and possession of the related properties. The guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the fair value of the guarantees is not significant and in the case of default on payments, the net realisable value of the related properties will exceed the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision has been made in the financial statements for the guarantees.

18. SHARE-BASED PAYMENTS

The following share options were outstanding during the period:

Date of grant of share options*	Number of share options						Adjusted during the period [#]	At 30 June 2017	Exercise period of share options (dd-mm-yyyy)	Adjusted exercise price of share options [#] HK\$ per share
	At 1 January 2017	Granted during the period	Exercise during the period	Cancelled during the period	Lapsed during the period					
07-05-2009	17,500,000	–	–	–	–	255,500	17,755,500	07-05-2009 to 06-05-2019	3.2229	
03-09-2010	40,939,000	–	–	–	–	597,709	41,536,709	03-09-2010 to 02-09-2020	3.2624	
03-09-2010	4,800,000	–	–	–	–	70,080	4,870,080	01-01-2011 to 02-09-2020	3.2624	
	63,239,000	–	–	–	–	923,289	64,162,289			

Notes:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

The numbers and exercise prices of the share options were adjusted immediately upon the completion of the Rights Issue.

No share option expense was recognised by the Group during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

19. CONTINGENT LIABILITIES

As at 31 December 2016, the Group had given guarantee to a bank in connection with a facility granted to a joint venture up to HK\$256,250,000, and the banking facilities guaranteed by the Group to the joint venture were utilized to the extent of HK\$206,250,000. The guarantee had been released through the disposal of the relevant joint venture in January 2017.

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20. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 12 to the condensed consolidated financial statements.

21. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Loans to joint ventures	166,619	247,244
Due to an associate	162,737	112,323

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	12,450	11,030
Post-employment benefits	608	513
Total compensation paid to key management personnel	13,058	11,543

22. FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, deposits with brokerage companies, trade payables, financial assets included in loan and interest receivables, prepayments, deposits and other receivables, financial liabilities included in trade payables, other payables and accruals, amounts due from/to joint ventures and associates and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the director and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the director. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used to estimate the fair values are summarised below.

The fair values of listed available-for-sale equity and debt investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments are derived from the net asset value per share of the investments. The fair value of perpetual security was valued by an independent professionally qualified valuer. The fair values of derivative financial instruments are measured using valuation technique similar to forward pricing and swap models, using present value calculations. The directors believe that the estimated fair values resulting from the valuation, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

22. FAIR VALUE MEASUREMENT *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2017 (Unaudited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investments:				
Equity investments	385,285	1,640,813	–	2,026,098
Debt investments	–	189,796	–	189,796
Equity investments at fair value through profit or loss	336,850	–	–	336,850
Derivative financial instruments	–	42,981	–	42,981
	722,135	1,873,590	–	2,595,725

As at 31 December 2016 (Audited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investments:				
Equity investments	433,354	1,600,343	–	2,033,697
Debt investments	–	930,000	–	930,000
Equity investments at fair value through profit or loss	581,295	–	–	581,295
	1,014,649	2,530,343	–	3,544,992

Liabilities measured at fair value:

As at 30 June 2017 (Unaudited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial instruments	–	10,639	–	10,639

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22. FAIR VALUE MEASUREMENT *(continued)*

Fair value hierarchy *(continued)*

The Group did not have any financial liabilities measured at fair value as at 31 December 2016.

During the six months ended 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2016: Nil).

At 30 June 2017, bank borrowings in the amount of GBP390,000,000 and a forward contract with a notional amount of GBP215,000,000 are designated as hedge of the net investments in certain subsidiaries in the United Kingdom, whose functional currency is in GBP. During the six months ended 30 June 2017, the translation of these bank borrowings and fair value change of this forward contract were included in other comprehensive income as exchange differences on translation of foreign operations. There is no ineffectiveness for the six months ended 30 June 2017.

23. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 25 August 2017.