



新鴻基地產發展有限公司
Sun Hung Kai Properties Limited

Customer Focus 以客為先

Premium Brand 品牌卓越

Solid Foundations 實力雄厚



INTERIM REPORT 2019/20 中期報告

Stock Code 股份代號 : 16



1. ICC in West Kowloon, Hong Kong
香港西九龍環球貿易廣場
2. IFC in Central, Hong Kong
香港中環國際金融中心
3. ALVA Hotel by Royal in Sha Tin, Hong Kong
香港沙田帝逸酒店
4. Nanjing IFC, Nanjing
南京市南京國金中心
5. Cullinan West in West Kowloon, Hong Kong
香港西九龍匯璽

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Board of Directors and Committees

BOARD OF DIRECTORS

Executive Directors Kwok Ping-luen, Raymond (*Chairman & Managing Director*)
Wong Chik-wing, Mike (*Deputy Managing Director*)
Lui Ting, Victor (*Deputy Managing Director*)
Kwok Kai-fai, Adam
Kwok Kai-wang, Christopher
Kwong Chun
Tung Chi-ho, Eric
Fung Yuk-lun, Allen
Kwok Ho-lai, Edward (*Alternate Director to Kwok Ping-luen, Raymond*)

Non-Executive Directors Lee Shau-kee (*Vice Chairman*)
Kwan Cheuk-yin, William
Kwok Kai-chun, Geoffrey

Independent Non-Executive Directors Yip Dicky Peter
Wong Yue-chim, Richard
Li Ka-cheung, Eric
Fung Kwok-lun, William
Leung Nai-pang, Norman
Leung Kui-king, Donald
Leung Ko May-yee, Margaret
Fan Hung-ling, Henry
Wu Xiang-dong

COMMITTEES

Executive Committee Kwok Ping-luen, Raymond
Wong Chik-wing, Mike
Lui Ting, Victor
Kwok Kai-fai, Adam
Kwok Kai-wang, Christopher
Kwong Chun
Tung Chi-ho, Eric
Fung Yuk-lun, Allen
Chow Kwok-yin, Eric
Yung Sheung-tat, Sandy
Li Ching-kam, Frederick
Fung Sau-yim, Maureen
Chan Hong-ki, Robert
Lam Ka-keung, Henry

Audit and Risk Management Committee Li Ka-cheung, Eric*
Yip Dicky Peter
Leung Kui-king, Donald
Leung Nai-pang, Norman

Remuneration Committee Wong Yue-chim, Richard*
Li Ka-cheung, Eric
Kwan Cheuk-yin, William
Leung Nai-pang, Norman

Nomination Committee Wong Yue-chim, Richard*
Kwan Cheuk-yin, William
Yip Dicky Peter
Leung Nai-pang, Norman

* *Committee Chairman*

Financial Highlights and Corporate Information

FINANCIAL HIGHLIGHTS

For the six months ended 31 December	2019	2018	Change (%)
Financial Highlights (HK\$ million)			
Revenue	38,711	37,112	+4.3
Profit attributable to the Company's shareholders			
— Reported	15,419	20,469	-24.7
— Underlying ⁽¹⁾	13,422	13,733	-2.3
Gross rental income ⁽²⁾	12,713	12,286	+3.5
Net rental income ⁽²⁾	9,669	9,508	+1.7
Financial Information per Share (HK\$)			
Basic earnings per share for profit attributable to the Company's shareholders			
— Reported	5.32	7.07	-24.7
— Underlying ⁽¹⁾	4.63	4.74	-2.3
Interim dividends	1.25	1.25	—

Notes:

(1) Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties

(2) Including contributions from joint ventures and associates

CORPORATE INFORMATION

Company Secretary

Yung Sheung-tat, Sandy

Auditor

Deloitte Touche Tohmatsu

Registered Office

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Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Solicitors

Woo Kwan Lee & Lo
Mayer Brown
Clifford Chance

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Mizuho Bank, Ltd.
Hang Seng Bank Limited
Industrial and Commercial Bank of China
(Asia) Limited
Sumitomo Mitsui Banking Corporation
DBS Bank Ltd.
MUFG Bank, Ltd.
Agricultural Bank of China Limited
Oversea-Chinese Banking Corporation
Limited

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

This interim report is now available in printed form in English and in Chinese, and on the website of the Company.

If (i) shareholders, who have received or chosen to receive or are deemed to have consented to receive this interim report by electronic means, wish to receive printed copies; or (ii) shareholders for any reason have difficulty in receiving or gaining access to this interim report on the Company's website, they may obtain printed copies free of charge by sending a request to the Company c/o the Share Registrar, Computershare Hong Kong Investor Services Limited, by post to 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at shkp@computershare.com.hk.

For shareholders who wish to change their choice of language or means of receipt of the Company's future corporate communications free of charge, they may at any time notify the Company by giving reasonable notice (of not less than 7 days) to the Company c/o the Share Registrar by post or by email or by completing and returning the accompanying Change Request Form.

Chairman's Statement

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the six months ended 31 December 2019, excluding the effect of fair-value changes on investment properties, amounted to HK\$13,422 million, compared to HK\$13,733 million for the corresponding period last year. Underlying earnings per share were HK\$4.63, compared to HK\$4.74 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$15,419 million and HK\$5.32 respectively, compared to HK\$20,469 million and HK\$7.07 for the corresponding period last year. The reported profit for the period included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK\$2,046 million, compared to HK\$6,938 million for the same period last year.

DIVIDEND

The directors have declared an interim dividend payment of HK\$1.25 per share for the six months ended 31 December 2019, the same as the corresponding period last year. The dividend will be payable on 19 March 2020.

BUSINESS REVIEW

Property Sales and Rental Income

Property Sales

Revenue from property sales for the period under review as recorded in the financial statements, including revenue from joint-venture projects, was HK\$16,208 million. Profit generated from property sales was HK\$6,850 million, as compared to HK\$6,694 million for the corresponding period last year. Contracted sales during the period reached an approximate HK\$21,600 million in attributable terms.

Rental Income

Gross rental income, including contributions from joint-venture projects, registered an increase of 3% year-on-year to HK\$12,713 million and net rental income increased by 2% year-on-year to HK\$9,669 million during the period under review. The increase was mainly driven by new rental properties, both in Hong Kong and on the mainland.

However, the operating environment in Hong Kong, in particular retail leasing and hotel operations, has weakened since mid 2019 impacted by local social incidents. In the short term, it will be further hit by the outbreak of a novel coronavirus early this year.

Chairman's Statement

Property Business – Hong Kong

Land Bank

In November 2019, the Group acquired through a government tender a prime mega commercial site on and adjoining the High Speed Rail West Kowloon Terminus with a developable gross floor area of 3.16 million square feet. Situated in a strategic location in West Kowloon, the site will be developed into an office-cum-retail landmark of international standards. The new development is expected to create excellent synergy with the Group's neighbouring ICC office, two five-star hotels and the West Kowloon Cultural District, an international cultural centre under development, elevating West Kowloon's status as a key business hub in Hong Kong.

The Group intends to invite long-term strategic investors to participate in the development of this prime site, so that the parties can pool their expertise, resources and strength together to undertake this mega project. In mid December 2019, the Kwok Family Companies acquired a 25% stake in the office portion of the proposed development and is now a long-term strategic investor in the project. Discussions are under way in relation to another strategic investor in the office portion. It is the intention of the Group to maintain a 100% ownership in the retail portion of the project. As in the case of the IFC development in Central and ICC in West Kowloon, this mega landmark project will represent another key milestone of the Group's development and its long-term commitment to Hong Kong.

Together with the above acquisition, the Group's land bank in Hong Kong amounted to an approximate 58.9 million square feet of attributable gross floor area as at the end of December 2019. This consists of about 25.8 million square feet of properties under development for various usages and about 33.1 million square feet of completed properties, an overwhelming majority of which are for long-term investment. The Group will continue to adhere to its land bank replenishment policy, including active land use conversions of its agricultural land.

Property Development

Affected by lingering local social incidents, Hong Kong's residential market has been in a mode of correction since mid 2019 with softening prices and reductions in the volume of transactions. Property sales have further slowed following the outbreak of a new strain of the coronavirus, though end-user demand has remained for small- to medium-sized units.

During the period, the Group achieved contracted sales of about HK\$17,900 million in attributable terms in Hong Kong. Major contributors included residential developments Cullinan West III in West Kowloon, Crown of St. Barths in Ma On Shan and PARK YOHO Napoli in Yuen Long. Wetland Seasons Park near Hong Kong Wetland Park was put on the market in early January 2020 and the first phase has nearly sold out.

The Group is committed to offering premium units and delivering attentive services to meet the expectations of its different customers. A number of projects, including Cullinan West II in West Kowloon, were handed over to buyers during the period with high acclaim for its building quality and workmanship. Such recognitions have helped reinforce the Group's market position despite the challenging operating environment.

Chairman's Statement

During the period under review, five projects in Hong Kong comprising a total of about 1.8 million square feet of attributable gross floor area were completed, of which three residential projects comprising about 1.4 million square feet were ready for handover. Details of these projects are shown in the table below. In the second half of this financial year, an approximate 1.7 million square feet of attributable gross floor area is scheduled for completion, including about 1.6 million square feet of residential premises.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Wings at Sea	1 Lohas Park Road, Tseung Kwan O	Residential	JV	693,000
PARK YOHO Napoli	18 Castle Peak Road Tam Mi, Yuen Long	Residential	100	543,000
ALVA Hotel by Royal	1 Yuen Hong Street, Sha Tin	Hotel	100	344,000
Phase 1 of Central Peak Development	18 Stubbs Road, Mid-levels East	Residential	100	122,000
Citygate (Extension)	16 Tat Tung Road, Tung Chung	Shopping Centre	20	68,000
Total				1,770,000

Property Investment

For the period under review, the overall occupancy of the Group's diversified property investment portfolio stayed at around 93%. Inclusive of contributions from joint-venture projects, the Group's gross rental income from Hong Kong registered a slower increase of 3% to HK\$9,941 million.

The overall leasing market in Hong Kong has been clouded by social incidents in the territory, uncertainties over Sino-US trade conflicts and sluggish domestic economic growth. The social incidents, in particular, have created an unprecedented challenge for the retail sector in Hong Kong with downward pressure on retail rental resulting from tumbling tenants' sales, especially for shops and malls in tourist areas. While the agreement of the first-phase Sino-US trade deal in January this year should help to improve overall business sentiment, the prevailing coronavirus epidemic has further hit both domestic and tourist spending.

During the period, the Group's retail portfolio was inevitably affected to a varying degree due to local social incidents. Despite short-term pressure on renewals and new leases, this quality portfolio achieved healthy occupancy. The Group endeavours to maintain the smooth operation of its malls and boost consumer spending. Appropriate measures were taken to help tenants tide over this difficult time, including the provision of immediate maintenance support to restore business operations, and the implementation of multifaceted strategies of spending boost and relief measures on top of traditional marketing campaigns. The Point by SHKP under the SHKP Malls App, the Group's integrated loyalty programme, has been well received since its launch. Encouraging customers to spend and shop more in the Group's malls under its extensive network, the programme has put together attractive offerings and helped benefit the Group's tenants and its diverse businesses, including hotels. In addition, relief initiatives were offered to tenants in the affected malls in light of unforeseen closure amid local social incidents in the latter part of last year. Owing to the recent epidemic outbreak, the Group granted rent concessions in February this year to a majority of tenants in its shopping malls, particularly food and beverage operators, helping to ease pressure on retailers while maintaining employment in the weakening economic environment.

Chairman's Statement

The Group's premium office portfolio performed well with high overall occupancy during the period. Leasing demand for the Group's office premises remained solid with major tenants showing confidence in the Group's quality buildings and exceptional services as well as Hong Kong's long-term prospects. Providing premium office space with convenient access to public transport infrastructure and superior property management services, both IFC and ICC remained highly sought-after by international financial institutions and multinational corporations, with occupancies staying at a high level. The Millennium City office cluster in Kowloon East continued to register satisfactory overall occupancy, offering alternative choices to renowned corporations opting for large floor plate offices.

During the period, the Group's property investment portfolio in Hong Kong strengthened with the addition of two shopping malls. The virtually fully let 300,000-square-foot V Walk atop MTR Nam Cheong Station opened in July 2019, serving the growing population in the catchment areas. On Hong Kong Island, Harbour North, the retail component of the Group's residential development Victoria Harbour in North Point, is opening in stages. Anchor tenants, including YATA, a Japanese lifestyle supermarket, held their grand openings and have been well received by shoppers. Over the medium term, the completion of an office-cum-retail project at 98 How Ming Street in Kwun Tong will further scale up the Group's property investment portfolio in the territory. This project will comprise about 650,000 square feet of premium grade-A office space in two towers and a 500,000-square-foot regional shopping mall.

As reported earlier, the Group successfully acquired in November 2019 a strategic landmark commercial site in West Kowloon through government tender. Sitting on the High Speed Rail West Kowloon Terminus and adjoining three existing railway lines in Hong Kong, the project is located within a transportation hub offering convenient access to different parts of Hong Kong and other major cities on the mainland. Under the existing plan, this 3.16-million-square-foot transit-oriented development will comprise 2.8 million square feet of quality grade-A offices and about 349,000 square feet of retail space. Upon its full completion, the Group's property investment portfolio, especially in West Kowloon, will be further expanded.

Property Business – Mainland

Land Bank

During the period under review, the Group added a joint-venture project in Qianjiang New City CBD in Hangzhou with two neighbouring riverside sites. The two sites will be jointly developed into an integrated landmark with a total above-ground gross floor area of approximately nine million square feet, providing premium offices and retail areas as well as residential and hotel space. The Group's attributable gross floor area in the project amounts to about 4.5 million square feet.

As at 31 December 2019, the Group's attributable land bank on the mainland stood at 69.7 million square feet. About 55.1 million square feet were properties under development, over 50% of which will be developed into quality residences for sale. An overwhelming majority of the remaining 14.6 million square feet are completed properties for investment purpose. The Group will continue with its selective and focused strategy to seek business opportunities in major cities on the mainland.

Property Development

Transaction volumes in the mainland residential market were relatively stable during the period under review. Home prices remained steady and healthy under the long-term management and regulation mechanism aimed at stabilizing expectations. However, home sales activities have recently been severely disrupted by the outbreak of the novel epidemic amid corresponding quarantine and traffic-flow control measures. Over the medium-to-long-term, the housing market should resume healthy and stable development.

Chairman's Statement

The Group recorded attributable contracted sales of about RMB3,300 million on the mainland during the period. Major contributions came from the wholly-owned Park Royale in Guangzhou and several joint-venture projects, including TODTOWN in Shanghai, Oriental Bund in Foshan and The Woodland in Zhongshan. With the introduction of new measures in facilitating Hong Kong residents' working and living in the Greater Bay Area, the Group's residential projects in the area have received a more encouraging response from Hong Kong people.

The Group will continue to deliver quality developments on the mainland, with a total of about 3.9 million square feet of attributable gross floor area scheduled to be completed in the second half of this financial year. These comprise a number of residential projects, including Phase 2B of Park Royale, Guangzhou and Phase 5A of The Woodland, Zhongshan.

Property Investment

Gross rental income from the mainland, including contributions from joint-venture projects, rose 7% year-on-year to RMB2,168 million during the period. Such increase was primarily driven by positive rental reversions and contributions from newly completed properties.

Covering about 340,000 square feet, the mall at One ITC is the Group's latest retail showcase of the 7.6-million-square-foot ITC integrated development in Shanghai. With its soft opening in December 2019, the mall is putting a new face on retailing in the burgeoning Xuhui district. With a focus on grand luxury, the virtually fully let mall houses a variety of world-leading luxury brands, including newcomers to the mainland. Coupled with gourmet restaurants and outdoor landscaped space, the mall has attracted shoppers seeking new experiences and enjoyment while further enhancing the leasing competitiveness of the offices atop with comprehensive amenities. At Two ITC, the 43,000-square-foot retail portion is fully let and scheduled to open in 2020, while the grade-A offices have all been leased. The 220-metre grade-A office building of the remaining phase is slated for completion by the end of 2021 and the construction of the 370-metre skyscraper and the 2.5-million-square-foot luxury mall is expected to be completed by late 2023.

Comprising 3.4 million square feet of gross floor area, Nanjing IFC in Hexi CBD, Nanjing, is another of the Group's integrated landmark developments currently under development. Nanjing One IFC achieved increased occupancy with tenants gradually moving in, while Nanjing Two IFC, which is expected to be completed in 2020, is undergoing internal decoration. Totalling two million square feet, these state-of-the-art office towers have drawn interest from quality tenants, including reputable multinationals. The Nanjing IFC mall, comprising over one million square feet, will become a shopping hotspot for luxury products in the city and has received a positive response from its preliminary marketing. In addition, this integrated development will house a new five-star hotel, Andaz Nanjing.

Located at the last prime site in Qianjiang New City CBD, Hangzhou, the joint-venture Jianghehui project, acquired in August 2019, marks a new milestone for the Group's property investment portfolio on the mainland. Spanning about nine million square feet of above-ground gross floor area, the integrated development is being developed in phases and destined to become a new landmark in Hangzhou. The project is now under planning.

Chairman's Statement

The Group's existing property investment portfolio performed well during the period. Shanghai IFC Mall has seen healthy rental growth while Shanghai IAPM will further strengthen its image as a trend-setting mall and continuously enhance the brand mix and recruit popular eateries to the mall. Rental reversions of the Group's quality office spaces at Shanghai IFC and Shanghai ICC remained satisfactory. In Beijing, occupancy of New Town Plaza has stayed high since its opening in July 2019, and Beijing APM will undergo a refurbishment of its facade to elevate its positioning. More flagship stores have been opened at IGC and Parc Central, the Group's two joint-venture malls in Guangzhou, raising their overall occupancies. Since late January this year, the traffic flow and tenant sales of the Group's shopping malls on the mainland have been under pressure due to the novel coronavirus outbreak and related counter-measures. However, the Group remains positive about the medium-to-long term development of the retail property market.

Other Businesses

Hotels

The operating environment of the hospitality industry worsened amid plunging visitor arrivals as a result of local social incidents. The performance of the Group's hotel portfolio in Hong Kong was affected with a significant reduction in revenue per available room during the period under review, although it outperformed the overall industry. The near-term performance of the Group's hotel portfolio will be exacerbated by the recent epidemic.

ALVA Hotel by Royal in Sha Tin, the Group's fifth Royal brand hotel, held its grand opening in December 2019. Encompassing contemporary design, smart technology and sustainable living, the hotel is expected to synergize with its sister hotel, Royal Park Hotel in Sha Tin, and offers a modern and refreshing experience to its customers.

On the mainland, The Ritz-Carlton Shanghai, Pudong retained its leading position in Shanghai's luxury hotel market and delivered stable performance during the period. Among the hotels under development in the Group's integrated projects on the mainland, Four Seasons Hotel Suzhou, comprising 210 guestrooms, and Andaz Nanjing, with about 360 rooms, are expected to open by late 2021.

Telecommunications and Information Technology

SmarTone

During the period under review, the mobile industry remained highly competitive, putting pressure on profitability. While SmarTone continued to grow its customer base and lead the industry in postpaid ARPU, the recent drop in overseas visitors has led to a substantial decline in inbound roaming revenues. The business outlook over the next six months is highly uncertain with the outbreak of the novel coronavirus. Some aspects of SmarTone's business will be adversely affected. Inbound and outbound roaming, in particular, will be significantly affected due to reduced travels. In face of these headwinds, SmarTone will focus on serving its customers better and identifying new services and revenue streams, as well as maintaining vigilant control over costs and investments. The Group remains confident of SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision sustained satisfactory results during the period and continued to attract new customers from cloud services and new economy. MEGA-i, one of the largest data hubs in Asia, is undergoing a major upgrade to improve service levels and power capacity to serve customers with high demand for electricity. During the period, SUNeVision successfully acquired the property where the MEGA Two data centre is housed; this will enable greater operating flexibility and support to high-growth customers. The planning and construction work for the two new data centres in Tsuen Wan and Tseung Kwan O are well under way. SUNeVision has high potential for growth, and will focus on delivering first-rate infrastructure and services for its key customers.

Chairman's Statement

Infrastructure and Other Businesses

The Group's infrastructure and transport businesses maintained stable performance during the period under review. Wilson Group's business was impacted by local social incidents while Route 3 (CPS)'s performance remained healthy. Despite facing challenges from the slowdown in mainland-related business activities amidst Sino-US trade tensions, business at the Hong Kong Business Aviation Centre remained stable. Airport Freight Forwarding Centre Company Limited still saw demand from the logistics industry. The performance of the River Trade Terminal was affected by a drop in throughput amidst challenges in global trade despite strict cost control adopted by the business.

YATA expanded its network to 12 locations with the latest opening of its new store at Harbour North in North Point, extending its footprint to Eastern Hong Kong Island. A food street is featured within the new store to deliver an enhanced shop-and-eat experience to customers.

Corporate Finance

To overcome uncertain economic headwinds ahead, the Group reiterates the importance of prudent finance policies of keeping low gearing and robust liquidity. Its interest coverage ratio sustained at a high multiple whilst the Group's net debt to shareholders' funds maintained at a reasonable level after the payment of the land premium for the prime mega commercial site atop the High Speed Rail West Kowloon Terminus in December 2019. The Group is in a strong financial position to finance its business development with an abundant amount of committed banking facilities on a standby basis.

Consistently the best credit-ratings achiever among Hong Kong property companies, the Group is affirmed an A1 by Moody's and A+ by Standard & Poor's, both with stable outlooks. Such high ratings enable the Group to tap the debt capital markets as and when opportunities arise. In January 2020, the Group successfully issued a total of US\$800 million 10-year bonds at a coupon rate of 2.875% to help diversify its funding sources.

In line with the Group's prudent financial discipline, most of its borrowings are denominated in Hong Kong dollars with the remainder mainly in US dollars and Renminbi. The Group has not entered into any derivative or structured product transactions for speculative purpose.

Corporate Governance

High standards of corporate governance play an important role in the sustainable development of the Group's businesses. There are 20 members on the Board, including nine Independent Non-Executive Directors (INEDs). The Board directs and oversees the Group's strategies and has delegated specific roles and responsibilities to Board Committees. The Executive Committee meets regularly to set business policies and make key business decisions. To ensure good corporate governance and in compliance with the regulatory requirements, the Remuneration, the Nomination, and the Audit and Risk Management Committees are all chaired by INEDs. These well-established Board Committees provide sufficient checks and balances that safeguard the interests of shareholders and the Group.

During the period, the Group received various major awards from leading financial publications for its ongoing efforts in corporate governance. It won the Best Developers – Overall in Hong Kong in the 2019 Real Estate Survey organized by *Euromoney* magazine and the Platinum honour in The Asset ESG Awards by *The Asset* magazine.

Chairman's Statement

Sustainable Development

Guided by its Building Homes with Heart spirit and unwavering faith in Hong Kong, the Group pioneers premium landmark developments that create long-term value for the Group and the community. Along with this, community and environmental initiatives are actively undertaken while joint efforts are made with its stakeholders to make a positive and lasting impact on society. As a testimony to its upholding of environmental and social responsibility commitments, the Group remains one of the top three performers in the Hang Seng Corporate Sustainability Index and a constituent member of the FTSE4Good Global Index series of London.

The Group works relentlessly to encourage social harmony through engagement with different segments of the community. Among its latest initiatives, the Group had committed to providing lands with nominal rents on an eight-year term for transitional social housing, contributing to easing the acute housing shortage among the underprivileged and building a more cohesive society in Hong Kong. A joint effort with the Hong Kong Sheng Kung Hui Welfare Council, United Court in Yuen Long is only about a 10-minute walk to MTR Yuen Long Station with easy access to the community amenities. Together with two other sites in the New Territories, the three projects aim to provide a total of 2,000 transitional flats, benefitting over 6,000 families. In view of the latest novel coronavirus outbreak in Hong Kong, the Group had made timely donations of very high quality face masks to the Hospital Authority as well as seven charity organizations focusing on elderly and underprivileged children, in addition to ensuring provision for all staff of the Group in early February this year. Additionally, the SHKP-Kwoks' Foundation made a donation to The Chinese University of Hong Kong for the setting up of a brain health research centre, promoting brain health of Hong Kong people and prevention of cerebral stroke, particularly among the elderly.

Despite the cancellation of the SHKP Vertical Run for Charity – Race to Hong Kong ICC and the Sun Hung Kai Properties Hong Kong Cyclothon due to local social incidents during the period, the Group pledged to make extra donations to support beneficiary charities' youth and children programmes as planned. In this regard, the Group staged the SHKP Sports for Charity Carnival and turned participants' exercise efforts into extra donations. The fund, raised through the SHKP Sports-for-Charity initiatives in 2019, supported eight projects for underprivileged children and youngsters, benefitting over 10,000 people. Separately, the SHKP Reading Club ramped up reading promotion at schools by introducing a sponsorship scheme to its Read & Share programme, while enriching its reading platform to broaden readers' spectrum.

Proactively forging closer ties with target consumers and the public, SHKP Club remains the Group's integral two-way communication platform to keep pace with market changes and formulate customer-oriented products and services that stand out from the competition. To foster a healthy and caring workplace for its staff, the Group enhanced its staff benefits system and promoted physical and mental wellness through organizing regular work-life balance activities, stress management workshops, and offering professional counsel and emotional support.

PROSPECTS

Global economic conditions are expected to benefit from the conclusion of the first phase of the Sino-US trade deal as well as easing concerns over the issues that arise from Brexit. Continued accommodative monetary policies and positive government measures in major economies will also support economic growth. Nevertheless, geopolitical tensions and uncertainties, including protectionism and the global spread of the novel coronavirus, will continue to pose risks and challenges to the world economy. The outbreak of the epidemic will inevitably affect sectors related to retail, tourism and transportation in the near term.

Chairman's Statement

The mainland economy and its overall property market will be clouded by the recent severe epidemic and lingering uncertainty over the second stage of the Sino-US trade talks in the near term. Nevertheless, the Central Government will continue to implement economy-stabilizing measures to support its economy on the mainland. Over the long term, the mainland economy is expected to see reasonable growth, which benefits the healthy development of the mainland property market.

In Hong Kong, external economic uncertainties, coupled with the latest epidemic outbreak and local social incidents, will pose greater downside risks to the territory's economy, particularly tourism and retail-related sectors. With its unique strength of 'One Country, Two Systems' and the city's solid fundamentals, such as a well-established common law legal system and an efficient infrastructure, together with various opportunities arising from continuous and rapid developments in the Greater Bay Area, Hong Kong will be able to further strengthen its position as an international hub for finance, business, trade and tourism over the long term. The Group remains highly confident that Hong Kong will see a brighter tomorrow.

The successful acquisition in late 2019 of the large-scale commercial site on and adjoining the High Speed Rail West Kowloon Terminus through government tender demonstrates the Group's faith in, and commitment to, the long-term future of Hong Kong. Upon completion, this mega landmark project, together with the neighbouring ICC, will raise West Kowloon's status as a major office and commercial hub while bolstering the Group's leading position in the leasing markets in Hong Kong. ITC in Shanghai and the newly acquired Jianghehui joint-venture project in Hangzhou will further enlarge the Group's property investment portfolio on the mainland. All these developments will provide a sustainable and sizeable recurring income to the Group in the long run.

The Group will continue to expand its diversified property investment portfolio in the near term. In Hong Kong, Harbour North, the Group's latest mall in North Point, is opening in stages. On the mainland, the mall at One ITC in Shanghai was soft opened in late 2019 while the second office tower at Nanjing IFC in Nanjing will be completed in 2020.

The Group will also dedicate efforts to property development for sale and acquiring new sites when opportunities arise. New projects will be put on the market as soon as they are ready. Over the next 10 months, the second phase of Victoria Harbour in North Point and the second phase of Wetland Seasons Park near Hong Kong Wetland Park, as well as the first phases of a number of residential developments will be put up for sale in Hong Kong, including Central Peak in Mid-levels East, To Shek Street project in Sha Tin and Hoi Wing Road project in Tuen Mun. The Group also plans to launch an industrial building in Tsuen Wan for sale. All these are expected to offer sizeable cash flow to the Group. On the mainland, the Group will, in appropriate circumstances, put various residential developments on the market, including a brand new residence at the 90%-owned Suzhou ICC, a new phase at the wholly-owned Shanghai Arch and new batches at several joint-venture projects, including Oriental Bund in Foshan and Chengdu ICC in Chengdu. Nevertheless, should the latest epidemic linger for a longer while, its adverse impact on the Group's property sales and earnings will be felt in the next two years.

Over the past several decades, the Group has grown with Hong Kong and gone through numerous crises with the city. As in the past, the Group is dedicated to supporting Hong Kong by developing landmark projects in difficult times. This can be exemplified by the commitment and development of Two IFC during the Asian financial crisis and the ICC project following the tech bubble burst in 2000. With a commitment to the long-term development of Hong Kong and a firm belief that the city will eventually get back on track, the Group will continue to invest in Hong Kong and the mainland.

Chairman's Statement

Addressing the ever-changing environment and market needs, the Group will continuously listen to the feedback of its customers with an open mind and provide quality products and services in the spirit of Building Home with Heart. At the same time, the Group will remain committed to fulfilling its corporate social responsibility by making optimal use of its resources and proactively engaging stakeholders to produce positive energy in the community. In view of the recent novel coronavirus outbreak, the Group has taken active steps to offer rent concessions to a majority of its shopping mall tenants in easing their operating pressure, as well as strengthening the standards of hygiene at the Group's shopping malls, offices and other properties to offer a safe and clean environment for customers, residents and staff. Leveraging its solid foundation, strong balance sheet and seasoned management team, the Group has full confidence in overcoming the difficulties arising from local social incidents and the latest epidemic, among other challenges, and helping further develop the city as in the past.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow directors for their guidance, to all staff for their dedication and hard work, and to all our shareholders and customers for their continued support.

Kwok Ping-luen, Raymond

Chairman & Managing Director

Hong Kong, 27 February 2020

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SUN HUNG KAI PROPERTIES LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sun Hung Kai Properties Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 15 to 43, which comprise the consolidated statement of financial position as at 31 December 2019, and the related consolidated income statement, consolidated statement of comprehensive income, condensed consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

27 February 2020

Consolidated Income Statement

For the six months ended 31 December 2019
(Expressed in millions of Hong Kong dollars)

		(Unaudited)	
		Six months ended	
		31 December	
	Notes	2019	2018
Revenue	3	38,711	37,112
Cost of sales		(19,106)	(18,268)
Gross profit		19,605	18,844
Other net income		351	276
Selling and marketing expenses		(2,358)	(1,951)
Administrative expenses		(1,446)	(1,342)
Operating profit before changes in fair value of investment properties	3	16,152	15,827
Increase in fair value of investment properties		2,500	6,167
Operating profit after changes in fair value of investment properties		18,652	21,994
Finance costs		(1,302)	(1,244)
Finance income		214	219
Net finance costs	5	(1,088)	(1,025)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$131 million (2018: HK\$1,384 million)) of:			
Associates		188	254
Joint ventures		1,574	3,245
	3	1,762	3,499
Profit before taxation	6	19,326	24,468
Taxation	7	(3,388)	(3,398)
Profit for the period		15,938	21,070
Attributable to:			
Company's shareholders		15,419	20,469
Perpetual capital securities holders		85	86
Non-controlling interests		434	515
		15,938	21,070
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	8(a)		
Basic		\$5.32	\$7.07
Diluted		\$5.32	\$7.07
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	8(b)		
Basic		\$4.63	\$4.74
Diluted		\$4.63	\$4.74

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2019
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2019	2018
Profit for the period	15,938	21,070
Items that may be reclassified subsequently to profit or loss:		
Translation difference on foreign operations	(1,336)	(3,192)
Cash flow hedge		
– fair value gains recognized directly in reserves during the period	85	–
– fair value gains transferred to consolidated income statement	(16)	–
	69	–
Debt securities at fair value through other comprehensive income		
– fair value losses recognized directly in reserves during the period	–	(1)
Share of other comprehensive loss of associates and joint ventures	(197)	(562)
Items that will not be reclassified to profit or loss:		
Equity securities at fair value through other comprehensive income		
– fair value losses recognized directly in reserves during the period	(83)	(305)
Share of other comprehensive income of an associate	144	5
Other comprehensive loss for the period	(1,403)	(4,055)
Total comprehensive income for the period	14,535	17,015
Total comprehensive income for the period attributable to:		
Company's shareholders	14,056	16,513
Perpetual capital securities holders	85	86
Non-controlling interests	394	416
	14,535	17,015

Consolidated Statement of Financial Position

As at 31 December 2019
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) 31 December 2019	(Audited) 30 June 2019
Non-current assets			
Investment properties	10	429,739	386,612
Property, plant and equipment	11	40,530	35,862
Associates		6,311	6,014
Joint ventures		72,033	67,737
Financial investments	12	2,918	3,313
Intangible assets		4,304	4,445
Other non-current assets	13	5,844	4,764
		561,679	508,747
Current assets			
Properties for sale		196,860	196,107
Inventories		453	356
Trade and other receivables	14	25,035	22,811
Financial investments	12	1,157	1,103
Bank deposits and cash		22,383	22,038
		245,888	242,415
Current liabilities			
Bank and other borrowings		(11,047)	(9,168)
Trade and other payables	15	(30,196)	(28,699)
Deposits received on sales of properties		(27,179)	(16,983)
Current tax payable		(12,914)	(11,052)
		(81,336)	(65,902)
Net current assets			
		164,552	176,513
Total assets less current liabilities			
		726,231	685,260
Non-current liabilities			
Bank and other borrowings		(112,645)	(85,838)
Deferred tax liabilities		(23,833)	(23,328)
Other non-current liabilities	16	(10,662)	(275)
		(147,140)	(109,441)
NET ASSETS			
		579,091	575,819
CAPITAL AND RESERVES			
Share capital	17	70,703	70,683
Reserves		499,054	495,722
Shareholders' equity			
Perpetual capital securities		3,813	3,813
Non-controlling interests		5,521	5,601
TOTAL EQUITY			
		579,091	575,819

Directors:

Kwok Ping-luen, Raymond
Lui Ting, Victor

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2019	2018
Operating activities		
Operating cash inflow	17,746	16,858
Changes in working capital	7,609	613
Cash generated from operations	25,355	17,471
Interest paid	(1,575)	(1,441)
Bank interest received	211	200
Interest received from investments	89	96
Dividends received from equity securities	73	81
Dividends received from associates and joint ventures	1,169	1,915
Hong Kong profits tax paid	(256)	(4,332)
Outside Hong Kong tax paid	(449)	(254)
Net cash from operating activities	24,617	13,736
Net cash used in investing activities		
– investment in joint ventures	(3,383)	–
– additions to investment properties	(44,254)	(1,864)
– others	(2,892)	(585)
	(50,529)	(2,449)
Net cash from/(used in) financing activities		
– net drawdown of bank and other borrowings	28,816	1,429
– decrease/(increase) in bank deposits maturing after more than three months	121	(446)
– principal elements of lease payments	(543)	–
– proceeds from issue of shares	18	17
– payment for repurchase of shares by a subsidiary	(22)	(12)
– buy-back of perpetual capital securities	–	(58)
– distributions paid to perpetual capital securities holders	(85)	(86)
– advances from a related company	9,394	–
– dividends paid to shareholders	(10,722)	(9,995)
– dividends paid to non-controlling interests	(464)	(288)
– others	22	33
	26,535	(9,406)
Increase in cash and cash equivalents	623	1,881
Cash and cash equivalents at beginning of period	21,430	23,035
Effect of foreign exchange rates changes	(171)	(414)
Cash and cash equivalents at end of period	21,882	24,502
Analysis of the balances of cash and cash equivalents at end of period		
Bank deposits and cash	22,383	28,117
Bank overdrafts	(208)	(293)
	22,175	27,824
Less: Bank deposits maturing after more than three months	(288)	(3,316)
Pledged bank deposits	(5)	(6)
	21,882	24,502

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019
(Expressed in millions of Hong Kong dollars)

	Unaudited								
	Attributable to Company's shareholders						Perpetual capital securities	Non-controlling interests	Total
	Share capital	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits	Total			
At 1 July 2018 (Originally stated)	70,612	525	1,583	1,813	464,565	539,098	3,887	5,447	548,432
Adjustment on initial adoption of HKFRS 9	-	-	173	-	7	180	-	-	180
Adjustment on initial adoption of HKFRS 15	-	-	-	-	44	44	-	18	62
At 1 July 2018 (Restated)	70,612	525	1,756	1,813	464,616	539,322	3,887	5,465	548,674
Profit for the period	-	-	-	-	20,469	20,469	86	515	21,070
Other comprehensive loss for the period	-	-	(301)	(3,655)	-	(3,956)	-	(99)	(4,055)
Total comprehensive income/(loss) for the period	-	-	(301)	(3,655)	20,469	16,513	86	416	17,015
Transfer to retained profits upon disposal of equity investments	-	-	(25)	-	25	-	-	-	-
Shares issued on exercise of share options	19	(2)	-	-	-	17	-	-	17
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	8	8
Purchase of shares for Share Award Scheme in a subsidiary	-	-	-	-	(4)	(4)	-	(1)	(5)
Dividend paid (2018 final dividend HK\$3.45 per share)	-	-	-	-	(9,995)	(9,995)	-	-	(9,995)
Adjustments relating to changes in interests in subsidiaries	-	(13)	-	-	-	(13)	-	(8)	(21)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(296)	(296)
Distributions paid to perpetual capital securities holders	-	-	-	-	-	-	(86)	-	(86)
Buy-back of perpetual capital securities	-	-	-	-	16	16	(74)	-	(58)
At 31 December 2018	70,631	510	1,430	(1,842)	475,127	545,856	3,813	5,584	555,253
At 1 July 2019	70,683	591	1,488	(2,206)	495,849	566,405	3,813	5,601	575,819
Profit for the period	-	-	-	-	15,419	15,419	85	434	15,938
Other comprehensive income/(loss) for the period	-	69	(83)	(1,495)	146	(1,363)	-	(40)	(1,403)
Total comprehensive income/(loss) for the period	-	69	(83)	(1,495)	15,565	14,056	85	394	14,535
Transfer to retained profits upon disposal of equity securities	-	-	(5)	-	5	-	-	-	-
Shares issued on exercise of share options	20	(2)	-	-	-	18	-	-	18
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	13	13
Vesting of share award in a subsidiary	-	-	-	-	3	3	-	(3)	-
Dividend paid (2019 final dividend HK\$3.70 per share)	-	-	-	-	(10,722)	(10,722)	-	-	(10,722)
Adjustments relating to changes in interests in subsidiaries	-	(3)	-	-	-	(3)	-	(14)	(17)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(470)	(470)
Distributions paid to perpetual capital securities holders	-	-	-	-	-	-	(85)	-	(85)
At 31 December 2019	70,703	655	1,400	(3,701)	500,700	569,757	3,813	5,521	579,091

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The financial information relating to the year ended 30 June 2019 included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2019 to the Registrar of Companies and the Company’s auditor has reported on the consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The accounting policies applied in these interim financial statements are the same as those applied in the consolidated financial statements for the year ended 30 June 2019, except for the adoption of HKFRS 16, Leases as described in Note 2 below. Other amendments to Hong Kong Financial Reporting Standards and new interpretation that are effective for the first time for this interim period did not have any material impact on the Group’s accounting policies.

The Group has not early adopted any new standard or amendment that is not effective for the current accounting period.

2. ADOPTION OF HKFRS 16, LEASES

On 1 July 2019, the Group adopted HKFRS 16 which replaces HKAS 17, Leases and related interpretations.

HKFRS 16 removes the distinction between operating and finance lease for lessee accounting and introduces a single on-balance sheet accounting model for lessees, which requires a lessee to capitalize all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The impact of HKFRS 16 on the Group is primarily where the Group is a lessee in property lease contracts, which are entered into in respect of the leasing of premises for use as retail stores, offices and sites for transport, logistics and car parking operations and installation of telecommunications equipment. Prior to 1 July 2019, payments made under operating leases were charged to profit and loss on a straight-line basis over the period of the lease. From 1 July 2019, each lease payment is allocated between settlement of the lease liability and finance cost.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. ADOPTION OF HKFRS 16, LEASES (cont'd)

The finance cost is charged to profit and loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The standard does not significantly change the accounting of lessors. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

The Group applied HKFRS 16 retrospectively on 1 July 2019 using the modified retrospective approach without restating comparative information. This has resulted in the Group recognizing HK\$1,856 million of right-of-use assets and HK\$1,867 million of lease liabilities in relation to leases which were previously classified as operating leases under HKAS 17 at 1 July 2019. There is no impact on the opening balance of equity.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Key changes to accounting policies for leases

HKFRS 16 introduces a new definition of a lease, which applies a control model to identify and distinguish a lease from a service contract on the basis of whether a customer is able to control the asset being leased. A contract is assessed for whether it is or contains a lease at its inception. A contract is or contains a lease if it provides a customer with the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed if the customer, throughout the period of the use, has both the right to direct the use and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

The Group as a lessee recognizes a right-of-use asset and a lease liability when a lease is capitalized at the commencement date, except for leases with a lease term of 12 months or less ("short-term leases") and leases of low value assets. Payments in relation to short-term leases and leases of low-value assets are recognized as an expense in profit or loss on a straight-line basis over the lease term. Low-value assets comprise IT-equipment and small items of office furniture.

The lease liability is initially measured at the present value of lease payments payable with reference to an expected lease term, which includes optional lease periods when the Group is reasonably certain to exercise the option to extend or not to terminate the lease. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees and payments arising from options reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and are expensed in the period to which they relate.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. ADOPTION OF HKFRS 16, LEASES (cont'd)

(a) Key changes to accounting policies for leases (cont'd)

The Group as a lessee (cont'd)

The lease liability is subsequently measured by increasing its carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing its carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment made to the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability, any initial direct costs incurred, the obligation to restore the asset, and any lease payments made in advance of the commencement date less any incentives received. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset and is subject to impairment review whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Right-of-use assets are presented in property, plant and equipment, except for right-of-use assets that meet the definition of investment properties, which are presented in investment properties, and are subsequently measured at fair value, in accordance with the Group's accounting policy.

Lease liabilities are presented in other non-current liabilities with the payments due within 12 months from the balance sheet date classified in trade and other payables.

The Group as a lessor

The standard does not include significant changes to the requirements for accounting by lessors. As a lessor the Group continues to classify its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

(b) Effect of adoption of HKFRS 16

Impact on transition

In applying the modified retrospective approach, the Group has elected to apply the new definition of a lease to all contracts on transition to the new standard. In addition, the Group has elected not to apply the requirements of HKFRS 16 for operating leases with a remaining lease term of less than 12 months from the date of initial application.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. ADOPTION OF HKFRS 16, LEASES (cont'd)

(b) Effect of adoption of HKFRS 16 (cont'd)

Impact on transition (cont'd)

At the date of transition, the Group recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as operating leases under the principles of HKAS 17. The Group measured these liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the lessees at 1 July 2019 and has elected to measure the associated right-of-use assets at the amounts equal to the lease liabilities, adjusted by any prepaid or accrued lease payments that existed at the date of transition.

As a result of the capitalization of the leases previously classified as operating leases, the Group recognized HK\$1,856 million of right-of-use assets and HK\$1,867 million of lease liabilities on its balance sheet at 1 July 2019 with no effect on net assets or retained profits. The difference between right-of-use assets and lease liabilities recognized on 1 July 2019 represented existing prepayments and accruals recognized under HKAS 17 as of 30 June 2019 being included in the measurement of the right-of-use assets. The Group presents the right-of-use assets in property, plant and equipment. The non-current and current portion of the lease liabilities are presented in other non-current liabilities and trade and other payables.

The table below summarized the transition impact on the Group's consolidated statement of financial position at 1 July 2019:

Increase in property, plant and equipment	1,856
Decrease in trade and other receivables	(19)
Increase/(decrease) in trade and other payables	
Current portion of lease liabilities	859
Other payables and accrued expenses	(30)
Increase in other non-current liabilities	
Non-current portion of lease liabilities	1,008

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. ADOPTION OF HKFRS 16, LEASES (cont'd)

(b) Effect of adoption of HKFRS 16 (cont'd)

Impact on transition (cont'd)

The following table reconciles the operating lease commitments at 30 June 2019 to the lease liabilities recognized at 1 July 2019:

Operating lease commitments at 30 June 2019	3,171
Less: Contracts reassessed as service agreement based on the lease definition in HKFRS 16	(958)
Leases with remaining lease term ending on or before 30 June 2020	(241)
Leases of low value assets	(2)
Operating lease liabilities before discounting at 30 June 2019	1,970
Effect from discounting at incremental borrowing rate at 1 July 2019	(103)
Lease liabilities recognized at 1 July 2019	1,867
Of which are:	
Current portion	859
Non-current portion	1,008
	1,867

Notes:

- (1) The weighted average incremental borrowing rate applied at 1 July 2019 was 2.87%.
- (2) As at 30 June 2019, the Group had no obligations for leases previously classified as finance leases.

Impact on financial result

After the initial recognition of right-of-use assets and lease liabilities at 1 July 2019, the Group as a lessee recognized finance costs accrued on the outstanding balance of the lease liabilities and the depreciation of the right-of-use assets, instead of the previous policy of recognizing rental expenses incurred under operating leases on a straight-line basis over the lease term. The impact of the adoption of HKFRS 16 on the financial result for the six months ended 31 December 2019 is summarized as below:

Decrease in operating expenses	544
Increase in depreciation and amortization	(531)
Increase in finance costs	(27)
Decrease in income tax expense	1
Decrease in profit for the period	(13)
Decrease in profit attributable to the Company's shareholders	(12)

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

3. SEGMENT INFORMATION

Segment revenue and results are measured without allocation of central administration costs, other net income, net finance costs and changes in fair value of investment properties, which are reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

An analysis of the revenue and results for the period of the Group and its share of associates and joint ventures by reportable and operating segments is as follows:

For the six months ended 31 December 2019

	The Company and its subsidiaries		Associates and joint ventures		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	14,656	6,318	22	17	14,678	6,335
Mainland China	902	235	628	280	1,530	515
	15,558	6,553	650	297	16,208	6,850
Property rental						
Hong Kong	8,350	6,225	1,591	1,314	9,941	7,539
Mainland China	2,071	1,632	342	226	2,413	1,858
Singapore	–	–	359	272	359	272
	10,421	7,857	2,292	1,812	12,713	9,669
Hotel operations	1,826	135	353	62	2,179	197
Telecommunications	4,257	359	–	–	4,257	359
Transport infrastructure and logistics	2,160	680	1,899	186	4,059	866
Data centre operations	819	394	–	–	819	394
Other businesses	3,670	632	339	28	4,009	660
	38,711	16,610	5,533	2,385	44,244	18,995
Other net income		351		–		351
Unallocated administrative expenses		(809)		–		(809)
Operating profit before changes in fair value of investment properties		16,152		2,385		18,537
Increase in fair value of investment properties						
Hong Kong		729		17		746
Mainland China		1,771		87		1,858
Singapore		–		73		73
		2,500		177		2,677
Operating profit after changes in fair value of investment properties		18,652		2,562		21,214
Net finance costs		(1,088)		(220)		(1,308)
Profit before taxation		17,564		2,342		19,906
Taxation						
– Group		(3,388)		–		(3,388)
– Associates		–		(22)		(22)
– Joint ventures		–		(558)		(558)
Profit for the period		14,176		1,762		15,938

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

3. SEGMENT INFORMATION (cont'd)

For the six months ended 31 December 2018

	The Company and its subsidiaries		Associates and joint ventures		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	12,094	5,485	25	22	12,119	5,507
Mainland China	857	394	1,701	793	2,558	1,187
	12,951	5,879	1,726	815	14,677	6,694
Property rental						
Hong Kong	8,060	6,155	1,572	1,317	9,632	7,472
Mainland China	2,001	1,580	301	193	2,302	1,773
Singapore	–	–	352	263	352	263
	10,061	7,735	2,225	1,773	12,286	9,508
Hotel operations	2,490	660	465	132	2,955	792
Telecommunications	5,187	439	–	–	5,187	439
Transport infrastructure and logistics	2,141	678	1,713	227	3,854	905
Data centre operations	729	363	–	–	729	363
Other businesses	3,553	562	224	32	3,777	594
	37,112	16,316	6,353	2,979	43,465	19,295
Other net income		276		23		299
Unallocated administrative expenses		(765)		–		(765)
Operating profit before changes in fair value of investment properties		15,827		3,002		18,829
Increase in fair value of investment properties						
Hong Kong		4,893		1,113		6,006
Mainland China		1,274		453		1,727
Singapore		–		8		8
		6,167		1,574		7,741
Operating profit after changes in fair value of investment properties		21,994		4,576		26,570
Net finance costs		(1,025)		(252)		(1,277)
Profit before taxation		20,969		4,324		25,293
Taxation						
– Group		(3,398)		–		(3,398)
– Associates		–		(34)		(34)
– Joint ventures		–		(791)		(791)
Profit for the period		17,571		3,499		21,070

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

3. SEGMENT INFORMATION (cont'd)

Results from property sales include selling and marketing expenses of HK\$555 million (2018: HK\$196 million) and HK\$89 million (2018: HK\$42 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively.

Other net income includes mainly net gain on disposal of investment properties and net investment income from financial assets.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

The following tables present the Group's revenue from contracts with customers disaggregated into major business segments, primary geographical markets and according to the timing of revenue recognition, including a reconciliation of the disaggregated revenue with the amounts disclosed in the segment information.

For the six months ended 31 December 2019

	Revenue from contracts with customers			Revenue from other sources	Total
	recognized at a point in time	recognized over time	Subtotal		
(i) By segments					
Property sales	15,558	–	15,558	–	15,558
Property rental	–	1,064	1,064	9,357	10,421
Hotel operations	913	913	1,826	–	1,826
Telecommunications	1,845	2,412	4,257	–	4,257
Transport infrastructure and logistics	37	1,963	2,000	160	2,160
Data centre operations	–	819	819	–	819
Property management	123	2,042	2,165	–	2,165
Department store operations	1,146	–	1,146	–	1,146
Financial services and others	–	17	17	342	359
	19,622	9,230	28,852	9,859	38,711
(ii) Geographical markets					
Hong Kong	18,488	9,028	27,516	7,793	35,309
Mainland China	1,038	151	1,189	2,066	3,255
Others	96	51	147	–	147
	19,622	9,230	28,852	9,859	38,711

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (cont'd)

(a) Disaggregation of revenue from contracts with customers (cont'd)

For the six months ended 31 December 2018

	Revenue from contracts with customers			Revenue from other sources	Total
	recognized at a point in time	recognized over time	Subtotal		
(i) By segments					
Property sales	12,951	–	12,951	–	12,951
Property rental	–	1,034	1,034	9,027	10,061
Hotel operations	1,081	1,409	2,490	–	2,490
Telecommunications	2,842	2,345	5,187	–	5,187
Transport infrastructure and logistics	50	1,932	1,982	159	2,141
Data centre operations	–	729	729	–	729
Property management	131	2,013	2,144	–	2,144
Department store operations	1,102	–	1,102	–	1,102
Financial services and others	–	31	31	276	307
	<u>18,157</u>	<u>9,493</u>	<u>27,650</u>	<u>9,462</u>	<u>37,112</u>
(ii) Geographical markets					
Hong Kong	16,872	9,238	26,110	7,509	33,619
Mainland China	1,018	198	1,216	1,953	3,169
Others	267	57	324	–	324
	<u>18,157</u>	<u>9,493</u>	<u>27,650</u>	<u>9,462</u>	<u>37,112</u>

Revenue from other sources includes rental income and income from rendering of financial services.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (cont'd)

(b) Revenue recognized in relation to contract liabilities

Contract liabilities primarily relate to the Group's unfulfilled performance obligations to transfer goods or services to customers for which consideration has been received at the reporting date. The contract liability is recognized in revenue in the period when performance obligations are fulfilled.

During the six months ended 31 December 2019, the Group recognized revenue of HK\$5,103 million (2018: HK\$6,136 million) from sales of properties that were included in contract liabilities at the beginning of the period.

(c) Expected revenue from remaining performance obligations in contracts with customers

As of 31 December 2019, the aggregate amount of transaction price allocated to the remaining performance obligations under the Group's existing contracts of sales of properties was HK\$51,423 million (30 June 2019: HK\$48,527 million). This represents the aggregate amount of revenue expected to be recognized by the Group in the future, of which approximately 95% (30 June 2019: 77%) is expected to be recognized as revenue within the next 12 months when the control over the ownership or physical possession of the property is transferred to the customers.

5. NET FINANCE COSTS

	Six months ended 31 December	
	2019	2018
Interest expenses	1,643	1,439
Notional non-cash interest accretion	7	9
Finance costs on lease liabilities	27	–
Less: Amount capitalized	(375)	(204)
	1,302	1,244
Interest income on bank deposits	(214)	(219)
	1,088	1,025

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

6. PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2019	2018
Profit before taxation is arrived at after charging:		
Cost of properties sold	7,515	6,026
Cost of inventories sold	2,470	3,393
Depreciation of property, plant and equipment	1,394	773
Amortization of intangible assets (included in cost of sales)	273	272
Amortization of contract acquisition costs	427	211
Impairment of intangible assets	1	–
Short-term lease expenses	232	–
Low-value assets lease expenses	1	–
Variable lease payment expenses	122	–
Operating lease rentals for land and buildings, transmission sites and leased lines	–	933
Staff costs (including directors' emoluments and retirement schemes contributions)	4,351	4,111
Share-based payments	13	8
Loss on disposal of financial assets at fair value through profit or loss	2	25
Fair value losses on financial assets at fair value through profit or loss	–	54
and crediting:		
Dividend income from equity securities	73	81
Interest income from financial investments	42	42
Fair value gains on financial assets at fair value through profit or loss	14	–

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

7. TAXATION

	Six months ended 31 December	
	2019	2018
Current tax expenses		
Hong Kong profits tax	2,117	2,006
Under/(over) provision in prior years	4	(1)
	2,121	2,005
Tax outside Hong Kong	476	572
(Over)/under provision in prior years	(1)	1
	475	573
	2,596	2,578
Deferred tax expenses		
Changes in fair value of investment properties	549	581
Other origination and reversal of temporary differences	243	239
	792	820
	3,388	3,398

Hong Kong profits tax is provided at the rate of 16.5 per cent (2018: 16.5 per cent) based on the estimated assessable profits for the period. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

8. EARNINGS PER SHARE

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK\$15,419 million (2018: HK\$20,469 million).

The basic earnings per share is based on the weighted average number of shares in issue during the interim period of 2,897,776,051 (2018: 2,897,150,850) shares. The diluted earnings per share is based on 2,897,776,911 (2018: 2,897,162,740) shares which is the weighted average number of shares in issue during the interim period plus the weighted average number of 860 (2018: 11,890) shares deemed to be issued at no consideration if all outstanding options had been exercised.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK\$13,422 million (2018: HK\$13,733 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	Six months ended 31 December	
	2019	2018
Profit attributable to the Company's shareholders as shown in the consolidated income statement	15,419	20,469
Increase in fair value of investment properties		
Subsidiaries	(2,500)	(6,167)
Associates	(28)	(37)
Joint ventures	(149)	(1,537)
Effect of corresponding deferred tax expenses		
Subsidiaries	549	581
Joint ventures	46	190
Non-controlling interests	36	32
Unrealized fair value gains of investment properties net of deferred tax	(2,046)	(6,938)
Fair value gains realized on disposal of investment properties net of deferred tax	49	202
Net effect of changes in fair value of investment properties	(1,997)	(6,736)
Underlying profit attributable to the Company's shareholders	13,422	13,733

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

9. DIVIDENDS

- (a) Dividends payable to equity shareholders of the Company attributable to the interim period

	Six months ended 31 December	
	2019	2018
Interim dividend declared after the interim period of HK\$1.25 (2018: HK\$1.25) per share	3,622	3,622

The interim dividend declared after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

- (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 31 December	
	2019	2018
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$3.70 (2018: HK\$3.45) per share	10,722	9,995

10. INVESTMENT PROPERTIES

- (a) Movement during the period

	Completed	Under development	Total
Valuation			
At 1 July 2019	330,084	56,528	386,612
Additions	485	43,974	44,459
Transfer upon completion	107	(107)	–
Transfer from property, plant and equipment	16	–	16
Disposals	(108)	–	(108)
Transfer to property, plant and equipment	(2,250)	–	(2,250)
Exchange difference	(1,003)	(487)	(1,490)
Increase in fair value	1,233	1,267	2,500
At 31 December 2019	328,564	101,175	429,739

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

10. INVESTMENT PROPERTIES (cont'd)

- (b) The Group's investment properties were revalued at 31 December 2019 and 30 June 2019 by Knight Frank Petty Limited, an independent firm of professional qualified valuers, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors.

	Fair value	
	31 December 2019	30 June 2019
Completed		
Hong Kong	263,016	264,069
Mainland China	65,548	66,015
	328,564	330,084
Under development		
Hong Kong	66,779	24,071
Mainland China	34,396	32,457
	101,175	56,528

11. PROPERTY, PLANT AND EQUIPMENT

As discussed in Note 2, the Group has initially adopted HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 July 2019 to recognize right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

During the six months ended 31 December 2019, additions to property, plant and equipment amounted to HK\$2,044 million, of which HK\$449 million are additions to right-of-use assets. Net book value of property, plant and equipment disposed of during the period amounted to HK\$18 million.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

12. FINANCIAL INVESTMENTS

31 December 2019				
	Measured at FVTPL	Measured at FVOCI	Measured at amortized cost	Total
Non-current assets				
Debt securities	222	119	515	856
Equity securities	277	1,785	–	2,062
	499	1,904	515	2,918
Current assets				
Debt securities	–	98	428	526
Equity securities	631	–	–	631
	631	98	428	1,157
30 June 2019				
	Measured at FVTPL	Measured at FVOCI	Measured at amortized cost	Total
Non-current assets				
Debt securities	337	177	675	1,189
Equity securities	248	1,876	–	2,124
	585	2,053	675	3,313
Current assets				
Debt securities	–	130	321	451
Equity securities	652	–	–	652
	652	130	321	1,103

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

13. OTHER NON-CURRENT ASSETS

	31 December	30 June
	2019	2019
Mortgage loan receivables	6,966	5,680
Other loan receivables	839	1,032
Less: Amount due within one year included under trade and other receivables	(2,155)	(2,088)
	5,650	4,624
Derivative financial instruments	194	140
	5,844	4,764

Mortgage loan receivables are secured by first or second mortgages on properties and repayable by monthly instalments with various tenors not more than 25 years at the end of the reporting period and carry interest at rates with reference to banks' lending rates. The balance includes first mortgage loans of HK\$4,603 million (30 June 2019: HK\$3,925 million).

14. TRADE AND OTHER RECEIVABLES

		31 December	30 June
	Notes	2019	2019
Trade receivables	(a)	3,112	7,896
Other account receivables, deposits and prepayments	(b)	18,892	11,948
Deposits for acquisition of properties		208	204
Contract assets		653	656
Short-term loans		2,155	2,088
Derivative financial instruments		15	19
		25,035	22,811

(a) At 31 December 2019, 56% of trade receivables are aged less than 30 days, 14% between 31 to 60 days, 5% between 61 to 90 days and 25% more than 90 days (30 June 2019: 86%, 4%, 2% and 8% respectively).

(b) The balance includes contract acquisition costs of HK\$886 million (30 June 2019: HK\$725 million) primarily related to incremental commission costs incurred to obtain property sales and telecommunication service contracts with customers. There was no impairment loss in relation to the cost capitalized.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

15. TRADE AND OTHER PAYABLES

	31 December 2019	30 June 2019
Trade payables	3,021	2,909
Other payables and accrued expenses	24,298	23,857
Contract liabilities	657	615
Amounts due to non-controlling interests	1,338	1,318
Lease liabilities	882	–
	30,196	28,699

At 31 December 2019, 60% of trade payables are aged less than 30 days, 12% between 31 to 60 days, 4% between 61 to 90 days, and 24% more than 90 days (30 June 2019: 50%, 19%, 5% and 26% respectively).

16. OTHER NON-CURRENT LIABILITIES

	Note	31 December 2019	30 June 2019
Asset retirement and other obligations		43	42
Contractual obligations for telecommunications licences		168	83
Lease liabilities		918	–
Amounts due to a related company	19(b)	9,394	–
Derivative financial instruments		139	150
		10,662	275

17. SHARE CAPITAL

	Number of shares in million	Amount
Issued and fully paid:		
Ordinary shares		
At beginning of current period	2,898	70,683
Issue of shares	–	20
At end of current period	2,898	70,703

During the six months ended 31 December 2019, 164,500 shares (2018: 157,000 shares) were issued on exercise of share options.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

18. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 15 November 2012 (“the Scheme”), whereby the directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Details of share option scheme adopted by the Company was stated in the paragraphs under the heading “Share Option Schemes” in the other information sections of this interim report.

The Scheme

During the current and previous reporting periods, no share options were granted under the Scheme.

- (a) Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2019 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2019	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	At 31 December 2019
11 July 2014	HK\$106.80	11.7.2015 to 10.7.2019	164,500	–	(164,500)	–	–
Weighted average exercise prices (HK\$)			106.80	–	106.80	–	–

Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2018 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2018	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	At 31 December 2018
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	141,000	–	(141,000)	–	–
11 July 2014	HK\$106.80	11.7.2015 to 10.7.2019	633,000	–	(16,000)	–	617,000
			774,000	–	(157,000)	–	617,000
Weighted average exercise prices (HK\$)			105.98	–	102.76	–	106.80

- (b) Details of share options exercised

Share options exercised for the six months ended 31 December 2019 resulted in 164,500 (2018: 157,000) shares being issued. The related weighted average share price at the time of exercise was HK\$134.74 (2018: HK\$116.31) per share.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

19. RELATED PARTY TRANSACTIONS

- (a) In the normal course of business the Group undertook a variety of transactions with certain of its associates and joint ventures. The most significant transactions between the Group and these related parties which were carried out on commercial terms are summarized as follows:

	Associates		Joint ventures	
	Six months ended 31 December		Six months ended 31 December	
	2019	2018	2019	2018
Interest income	–	–	42	33
Rental income	–	–	1	1
Cash rental paid	–	–	29	28
Other revenue from services rendered	24	13	23	99
Purchase of goods and services	–	–	169	185

- (b) On 16 December 2019, the Group completed a related party transaction with Somerpath International Limited (“Somerpath”) whereby Somerpath acquired a 25% equity interest in certain wholly-owned subsidiaries of the Group, which own the office portion of a proposed commercial development of a site situated in Kowloon West which the Group acquired through government tender in November 2019. The disposal was effected by way of sale of issued share capital of and assignment of the outstanding loan owing to the Group by these wholly-owned subsidiaries for an aggregate cash consideration of HK\$940 million.

Somerpath is owned by the Kwok Family companies which are controlled by certain discretionary trusts where certain directors of the Company are the beneficiaries of those trusts. These transactions are considered related party transactions and also constitute connected transactions as defined under the Listing Rules.

In addition, Somerpath has advanced a loan in proportion to the shareholders’ ownership interest in the amount of HK\$8,455 million to the Group to fund the balance payment of the land premium attributable to the office portion of the commercial site. As at 31 December 2019, the outstanding balance of advances by Somerpath amounted to HK\$9,394 million. The advances are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

20. CONTINGENT LIABILITIES AND COMMITMENTS

The Group had contingent liabilities and commitments, so far as not provided for in the condensed consolidated financial statements, as follows:

	31 December 2019	30 June 2019
(a) Capital commitments in respect of investment properties and property, plant and equipment		
Contracted but not provided for	4,786	4,112
Authorized but not contracted for	4,310	4,480
(b) The Group's share of capital commitments of joint ventures		
Contracted but not provided for	731	507
Authorized but not contracted for	–	26
(c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK\$2,085 million (30 June 2019: HK\$2,102 million) and other guarantees of HK\$4 million (30 June 2019: HK\$4 million).		

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments carried at fair value

The following tables present the carrying value of the Group's financial instruments that are measured at fair value at the end of the reporting period, categorized into the three-level fair value hierarchy defined as follows:

- Level 1 Fair values measured at unadjusted quoted prices in active markets for identifiable assets or liabilities at the measurement date. This level includes all listed debt securities and listed equity securities, and certain unlisted debt securities that are measured at quoted prices in active markets.
- Level 2 Fair values measured using inputs other than quoted prices where those inputs are based on observable market data and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 Fair values measured using significant unobservable inputs. This level includes all unlisted equity securities, except for certain unlisted equity securities which are classified as Level 2 as they are measured using inputs that are derived from or corroborated by observable market data.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(a) Financial instruments carried at fair value (cont'd)

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Debt securities	222	–	–	222
Equity securities	690	–	218	908
Financial assets at FVOCI				
Debt securities	217	–	–	217
Equity securities	1,476	5	304	1,785
Derivative financial instruments				
Interest rate swaps	–	21	–	21
Cross currency interest rate swaps	–	185	–	185
Forward foreign exchange contracts	–	3	–	3
	2,605	214	522	3,341
Financial liabilities				
Bonds and notes subject to fair value hedges				
	–	3,077	–	3,077
Derivative financial instruments				
Cross currency interest rate swaps	–	139	–	139
	–	3,216	–	3,216

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(a) Financial instruments carried at fair value (cont'd)

As at 30 June 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Debt securities	337	–	–	337
Equity securities	711	–	189	900
Financial assets at FVOCI				
Debt securities	307	–	–	307
Equity securities	1,566	5	305	1,876
Derivative financial instruments				
Interest rate swaps	–	35	–	35
Cross currency interest rate swaps	–	123	–	123
Forward foreign exchange contracts	–	1	–	1
	2,921	164	494	3,579
Financial liabilities				
Bond and notes subject to				
fair value hedges	–	3,280	–	3,280
Derivative financial instruments				
Cross currency interest rate swaps	–	149	–	149
Forward foreign exchange contracts	–	1	–	1
	–	3,430	–	3,430

There were no transfer amongst Level 1, Level 2 and Level 3 in the fair value hierarchy and no change in valuation techniques used during the period.

(i) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of cross currency interest rate swap contracts and interest rate swap contracts in Level 2 are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

The fair value of forward foreign exchange contracts in Level 2 is determined by using the forward exchange rates at the end of the reporting period quoted from financial institutions.

The fair value of bonds and notes subject to fair value hedges is determined based on cash flows discounted using current market interest rates for similar financial instruments.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(a) Financial instruments carried at fair value (cont'd)

- (ii) Valuation techniques and inputs used in Level 3 fair value measurement

The fair value of unlisted equity securities in Level 3 is determined by reference to the net asset value of the investees, or by using discounted cash flow models or market approach with reference to multiples such as price/earnings multiples of comparable listed companies, adjusted for a discount for lack of marketability.

The movement during the period in the balance of Level 3 fair value measurement is as follows:

	Financial assets measured at		Total
	FVTPL	FVOCI	
Unlisted equity securities			
At 1 July 2019	189	305	494
Purchases	23	–	23
Sales	(1)	–	(1)
Change in fair value recognized in			
– profit or loss	7	–	7
– other comprehensive income	–	(1)	(1)
At 31 December 2019	218	304	522

(b) Fair values of financial assets and liabilities carried at other than fair value

The following table presents the carrying amounts of the Group's financial instruments carried at cost or amortized cost which were different from their fair values at the end of the reporting period. For all other financial instruments, the fair value approximates the carrying amount.

	31 December 2019		30 June 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Debt securities	943	957	996	1,011
Long-term bank loans and bonds	109,568	110,182	82,757	83,593

The fair value of debt securities is measured at quoted market prices. The fair value of long-term bank loans and bonds is estimated by discounting their future cash flows using the market interest rates prevailing at the end of the reporting period.

Other financial instruments not carried at fair value are typically those that are short-term in nature or carry variable interest rates and reprice to current market rate changes. Accordingly, their carrying amounts approximate their fair values.

Financial Review

REVIEW OF OPERATING RESULTS

Underlying profit attributable to the Company's shareholders excluding fair value gains on investment properties was HK\$13,422 million for the six months ended 31 December 2019, which was HK\$311 million or 2.3% lower than the HK\$13,733 million reported for the same period last year.

Fair value gains on investment properties (net of deferred taxation and non-controlling interest) were HK\$2,046 million for the period, reduced by HK\$4,892 million when compared to HK\$6,938 million recorded for the same period a year ago. Investment properties have been valued using the same valuation methods and key assumptions as those described in Note 15 of the Company's annual consolidated financial statements for the year ended 30 June 2019, with no material changes in the capitalization rates used.

After incorporating the fair value gains on investment properties, profit attributable to the Company's shareholders was HK\$15,419 million for the six months ended 31 December 2019, representing a year on year decrease of HK\$5,050 million or 24.7%.

Property sales, inclusive of share of joint ventures, reported a profit of HK\$6,850 million for the first half of the financial year, and increased by HK\$156 million or 2.3% when compared to HK\$6,694 million for the same period last year. Profit from Hong Kong property sales was HK\$6,335 million, increased by HK\$828 million or 15% over the same period last year. Profit recognized in the first half was mainly derived from residential units in Wings at Sea, PARK YOHO Napoli, Cullinan West, Grand YOHO and Ultima. Property sales on the Mainland delivered a profit of HK\$515 million for the period, primarily from sale of residential units in Forest Hills, Oriental Bund and Grand Waterfront Phase 2. As at 31 December 2019, contracted property sales attributable to the Group (including share of joint ventures) not yet recognized amounted to HK\$49.2 billion in Hong Kong and HK\$6.3 billion on the Mainland.

Net rental income for the period, including contributions of joint ventures and associates, increased HK\$161 million or 1.7% to HK\$9,669 million, driven mainly by the additions of new investment properties and contributions from newly renovated shopping malls. While the Group's office portfolio performed satisfactorily, the challenging business environment faced by the retail sector in Hong Kong has created downward pressure for retail rental. Measures had been taken to support retail tenants' business operations and accommodate their requests. Net rental income from the Group's rental portfolios in Hong Kong and the Mainland respectively increased by 1% and 4.8% to HK\$7,539 million and HK\$1,858 million for the period.

Hotel operating profit (including share of joint ventures) decreased considerably by HK\$595 million or 75.1% to HK\$197 million, with significant reduction in revenue per available room as a result of local social incidents during the first half of the financial year, which have caused a severe decline in visitor arrivals, while proactive cost control initiatives have been implemented to cushion the impact of the difficult operating environment.

SmarTone reported an operating profit of HK\$359 million for the period, which is 18.2% lower than the same period last year, mainly as a result of lower handset sales and decline in roaming revenue. Despite keen market competition, customer number continued to grow and postpaid churn rate improved to an industry low compared to the same period last year.

Operating profit from transport infrastructure and logistics businesses (including share of joint ventures and associates) decreased by 4.3% to HK\$866 million, reflecting lower contributions from the Group's franchised bus business and carpark operations but were partly mitigated by higher tunnel utilization.

Financial Review

SUNeVision achieved an increase of 8.5% in operating profit to HK\$394 million over the same period last year, driven mainly by revenue growth from data centre operations. It will further grow with its new data centres in Tsuen Wan and Tseung Kwan O which are currently under construction.

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management, department store operations and financial services, have performed satisfactorily with operating profit increased by 11.1% to HK\$660 million.

FINANCIAL RESOURCES AND LIQUIDITY

(a) Capital management, net debt and gearing

The Group has always maintained a strong capital base and sufficient financial resources to support business development and growth. The Group regularly reviews and manages its capital structure to ensure that it remains financially sound, so that the Group can continue to provide returns to shareholders while keeping financial leverage at a prudent level.

The Group's balance sheet remains strong, with total shareholders' equity increased over the financial period by HK\$3,352 million to HK\$569,757 million or HK\$196.6 per share as at 31 December 2019. The increase represented mainly the total comprehensive income for the period attributable to the Company's shareholders, as reduced by dividends paid.

The Group's strong financial strength allows it to continue raising long-term financing at competitive rates, thus reducing the overall cost of capital. The Group is in a sound financial position with a healthy debt leverage and high interest cover. Gearing ratio, calculated on the basis of net debt to shareholders' equity of the Company, increased from 12.9% as at 30 June 2019 to 17.8% as at 31 December 2019, mainly due to the increased bank borrowings to finance the land premium for a commercial site in West Kowloon that the Group successfully acquired in November 2019 through government tender. Interest coverage was 11 times, measured by the ratio of operating profit to total net interest expenses including those capitalized for the current period.

As at 31 December 2019, the Group's gross borrowings totalled HK\$123,692 million. Net debt, after deducting bank deposits and cash of HK\$22,383 million, amounted to HK\$101,309 million, representing an increase of HK\$28,341 million since 30 June 2019. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2019 HK\$ Million	30 June 2019 HK\$ Million
Repayable:		
Within one year	11,047	9,168
After one year but within two years	15,946	14,070
After two years but within five years	80,030	53,803
After five years	16,669	17,965
Total bank and other borrowings	123,692	95,006
Bank deposits and cash	22,383	22,038
Net debt	101,309	72,968

Financial Review

The Group has also procured substantial undrawn committed banking facilities, most of which are arranged on a medium to long term basis, to help minimize refinancing risk and strengthen the Group's financing flexibility. The Group regularly reviews its liquidity and financing requirements to ensure that available financial resources are sufficient to cover its financing needs.

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements and is well positioned to take advantage of investment opportunities when they arise.

(b) Treasury policies

The Group adopts a prudent policy in cash and debt management. The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 31 December 2019, about 81% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 19% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollars, which is the Group's presentation currency. The Group may borrow in foreign currencies to finance its operations in Hong Kong, which exposes the Group to currency risk. When appropriate, the Group may enter into cross currency interest rate swaps to hedge the currency risks associated with these borrowings. As at 31 December 2019, about 80% of the Group's total borrowings were denominated in Hong Kong dollars (after cross currency interest rate swaps) and 6% in US dollars, which were raised for financing the Group's business operations in Hong Kong while the remaining 14% were mostly in Renminbi and for financing the construction cost of property projects on the Mainland. The Group is exposed to currency translation risk arising from translating the financial statements of foreign subsidiaries and joint ventures, which are mostly in Mainland China. Land acquisition costs for the Mainland projects are principally financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations on the Mainland are financed through internal resources and borrowings in Renminbi as natural hedges to minimize the Group's exposure to exchange rate risk. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in Mainland China. As at 31 December 2019, approximately 18% of the Group's net assets were denominated in Renminbi. During the period, the translation of foreign operations into the Group's presentation currency has resulted in a decrease of HK\$1.5 billion in the exchange reserve recorded under shareholders' equity.

The Group has insignificant currency risk exposure associated with certain monetary assets and liabilities denominated in foreign currencies. Where feasible and cost effective, the Group may enter into foreign exchange contracts to reduce the currency risk.

The Group maintained an appropriate combination of fixed and floating rate borrowings to mitigate interest rate risk. As at 31 December 2019, about 69% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps, and 31% were on fixed rate basis.

Financial Review

As at 31 December 2019, the Group has entered into certain interest rate swaps, cross currency interest rate swaps and forward foreign exchange contracts in the aggregate notional amount of HK\$18,114 million to manage its interest rate risk and currency risk exposures. The use of derivative instruments is strictly controlled and solely for managing the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 31 December 2019, about 40% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 51% in Renminbi, and 9% in US dollars. The Renminbi deposits were held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

CHARGES OF ASSETS

As at 31 December 2019, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$5 million were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK\$1,611 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had contingent liabilities in respect of guarantees for bank borrowings of certain joint ventures and other guarantees in the aggregate amount of HK\$2,089 million (30 June 2019: HK\$2,106 million).

Other Information

DIRECTORS

The list of Directors of the Company is set out on page 2 of this report. The particulars of the Directors and their changes are set out as follows:

Kwok Ping-luen, Raymond

Hon LLD, Hon DBA, MBA, MA (Cantab), JP
Chairman & Managing Director (Age: 66)

Mr. Kwok has been Chairman of the Company since December 2011. Prior to the appointment as Chairman of the Company, Mr. Kwok had acted as Vice Chairman of the Company for 21 years. He is also the Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 41 years. Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. Mr. Kwok is the chairman and an executive director of SUNeVision Holdings Ltd. He is also the chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He is also a director of The Real Estate Developers Association of Hong Kong and a member of the council of The Chinese University of Hong Kong.

Mr. Kwok is a son of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is the father of Messrs. Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward. He is also an uncle of Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey.

For the year ended 30 June 2019, Mr. Kwok is entitled to receive a fee of HK\$320,000 for being the Chairman of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK\$3.54 million, including fees of HK\$60,000 and HK\$180,000 for being the chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited respectively.

Dr. the Hon Lee Shau-kee

DBA(Hon), DSSc(Hon), LLD(Hon), GBM
Vice Chairman & Non-Executive Director (Age: 92)

Dr. Lee has been a Non-Executive Director of the Company for the last 48 years. He is the founder of Henderson Land Development Company Limited, and continues to act as its executive director after stepping down as its chairman and managing director. Dr. Lee has been engaged in property development in Hong Kong for more than 60 years. He is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited. He was an executive director of Henderson Investment Limited, the chairman of The Hong Kong and China Gas Company Limited, and a non-executive director of Miramar Hotel and Investment Company, Limited. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Dr. Lee the Grand Bauhinia Medal for his distinguished community service.

For the year ended 30 June 2019, Dr. Lee is entitled to receive a fee of HK\$310,000 for being the Vice Chairman of the Company.

Other Information

Wong Chik-wing, Mike

MSc(IRE), FHKIS, RPS (BS), JP

Deputy Managing Director (Age: 64)

Mr. Wong has been a Deputy Managing Director of the Company since July 2012. He joined the Group in 1981 and has been an Executive Director of the Company since January 1996. He is also a member of the Executive Committee of the Company. Mr. Wong graduated from The Hong Kong Polytechnic University with distinction and holds a Master's degree in International Real Estate. He is a fellow of the Hong Kong Institute of Surveyors and a registered professional surveyor. Also, he is an Honorary Professor in the Department of Real Estate and Construction of The University of Hong Kong. In addition, he is a member of the Hong Kong Housing Society. He is currently responsible for project management matters of the Group's development projects.

For the year ended 30 June 2019, Mr. Wong is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$27.43 million.

Lui Ting, Victor

BBA

Deputy Managing Director (Age: 65)

Mr. Lui has been an Executive Director and a Deputy Managing Director of the Company since April and July 2012 respectively. He is also a member of the Executive Committee of the Company. He joined the Group in 1977 and is currently responsible for the sales and marketing of a number of large residential developments as well as acquisition and disposal of non-core property investment projects of the Group. He holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong.

For the year ended 30 June 2019, Mr. Lui is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$27.75 million.

Yip Dicky Peter

MBA, BBS, MBE, JP

Independent Non-Executive Director (Age: 73)

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of both the Audit and Risk Management Committee and the Nomination Committee of the Company. He joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in London, China and San Francisco. Mr. Yip worked in a number of departments of HSBC, which included trade services, corporate banking, group consultancy service and regional training. His previous assignment prior to becoming CEO China had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. From January 2003 to April 2005, Mr. Yip was appointed chief executive China business, based in Shanghai; meanwhile, he was also a director of Bank of Shanghai, Ping An Insurance and Ping An Bank in China. Mr. Yip became a general manager of HSBC in April 2005 until his retirement from HSBC in June 2012. He was the executive vice president of Bank of Communications Co., Ltd., an independent director of DSG International (Thailand) Public Company Limited (whose shares were delisted voluntarily from the Stock Exchange of Thailand), and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. Mr. Yip was the chief representative for the Asia-Pacific Region of Institute of International Finance from July 2012 to July 2015. He is currently an independent non-executive director of South China Holdings Company Limited, an independent director of S.F. Holding Co., Ltd., and a non-executive director of Ping An OneConnect Bank (Hong Kong) Limited.

Other Information

Mr. Yip is an elected associated member of the Chartered Institute of Bankers, London. He was educated in Hong Kong with an MBA from The University of Hong Kong. He has a Certified Financial Planner certificate issued by the Institute of Financial Planners of Hong Kong. Mr. Yip received the Ten Outstanding Young Persons Award in 1984 for his contribution to the banking industry and the community in Hong Kong. Mr. Yip was awarded the MBE by the British Government in 1984. In 1999, he was appointed Unofficial Justice of the Peace in Hong Kong. In 2000, he was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In June 2008, he was elected a member of Shanghai Committee of the Chinese People's Political Consultative Conference.

Mr. Yip is active in community and youth activities in Hong Kong and is a member of a number of service organizations such as Hong Kong Committee for United Nations Children Fund and the 8th National Council of Red Cross Society of China.

For the year ended 30 June 2019, Mr. Yip is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$280,000 for being a member of the Audit and Risk Management Committee of the Company and HK\$60,000 for being a member of the Nomination Committee of the Company.

Professor Wong Yue-chim, Richard

SBS, JP

Independent Non-Executive Director (Age: 67)

Professor Wong has been an Independent Non-Executive Director of the Company since May 2005. He is the Chairman of both the Nomination Committee and the Remuneration Committee of the Company. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He is Professor of Economics at The University of Hong Kong. Professor Wong was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000.

Professor Wong serves as an independent non-executive director of Great Eagle Holdings Limited and Pacific Century Premium Developments Limited. He was an independent non-executive director of Orient Overseas (International) Limited and a member of the managing board of the Kowloon-Canton Railway Corporation.

For the year ended 30 June 2019, Professor Wong is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$70,000 for being the Chairman of each of the Nomination Committee and the Remuneration Committee of the Company.

Dr. Li Ka-cheung, Eric

LLD, DSocSc., HonDSocSc (EdUHK), B.A., GBS, OBE, JP

Independent Non-Executive Director (Age: 66)

Dr. Li was appointed as a Non-Executive Director of the Company in May 2005. He is currently an Independent Non-Executive Director, the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee of the Company. He is also an independent non-executive director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Li is the honorary chairman of Shinewing (HK) CPA Limited. He is also an independent non-executive director of Transport International Holdings Limited, Wong's International Holdings Limited, Hang Seng Bank Limited and China Resources Beer (Holdings) Company Limited. Dr. Li was an independent non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited).

Other Information

Dr. Li is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He was a former member of the Legislative Council of Hong Kong, the chairman of its Public Accounts Committee, a past president of the Hong Kong Institute of Certified Public Accountants and a former convenor-cum-member of the Financial Reporting Review Panel.

For the year ended 30 June 2019, Dr. Li is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$320,000 for being the Chairman of the Audit and Risk Management Committee of the Company and HK\$60,000 for being a member of the Remuneration Committee of the Company. He is also entitled to receive other emoluments in the total sum of HK\$288,000 for being a director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Fung Kwok-lun, William

SBS, OBE, JP

Independent Non-Executive Director (Age: 71)

Dr. Fung has been an Independent Non-Executive Director of the Company since February 2010. He graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred the degrees of Doctor of Business Administration, *honoris causa*, by The Hong Kong University of Science and Technology, by The Hong Kong Polytechnic University and by Hong Kong Baptist University and degree of Doctor of Letters, *honoris causa*, by Wawasan Open University of Malaysia.

Dr. Fung is the group chairman of Li & Fung Limited, chairman and non-executive director of Global Brands Group Holding Limited, and a non-executive director of Convenience Retail Asia Limited, all within the Fung Group. He is also an independent non-executive director of VTech Holdings Limited and The Hongkong and Shanghai Hotels, Limited.

Dr. Fung has held key positions in major trade associations. He is the past chairman of the Hong Kong General Chamber of Commerce (1994-1996), the Hong Kong Exporters' Association (1989-1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993-2002). He was a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998-2003). He has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008.

For the year ended 30 June 2019, Dr. Fung is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

Dr. Leung Nai-pang, Norman

LLD, GBS, JP

Independent Non-Executive Director (Age: 79)

Dr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee of the Company. Dr. Leung is the chairman and an independent non-executive director of Transport International Holdings Limited.

Dr. Leung has been active in public service for 40 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, chairman of the Broadcasting Authority from 1997 to 2002, council chairman of City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of City University of Hong Kong from 2005 to 2016. He is the council chairman of The Chinese University of Hong Kong.

Other Information

For the year ended 30 June 2019, Dr. Leung is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$280,000 for being a member of the Audit and Risk Management Committee of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

Leung Kui-king, Donald

BSc

Independent Non-Executive Director (Age: 63)

Mr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit and Risk Management Committee of the Company. Mr. Leung graduated from The University of California, Berkeley with a Bachelor of Science degree in Business Administration and completed Harvard University's Advanced Management Program. He was an independent non-executive director of Tern Properties Company Limited.

Mr. Leung started his career with Bank of America in 1977 and joined Wardley Limited (a member of HSBC group) in 1984. He then joined the Company in 1986 and worked until his retirement in 2006.

For the year ended 30 June 2019, Mr. Leung is entitled to receive fees of HK\$300,000 and HK\$280,000 for being a Director of the Company and a member of the Audit and Risk Management Committee of the Company respectively.

Leung Ko May-yee, Margaret

SBS, JP

Independent Non-Executive Director (Age: 67)

Mrs. Leung has been an Independent Non-Executive Director of the Company since March 2013. She holds a Bachelor's degree in Economics, Accounting and Business Administration from The University of Hong Kong. She was the vice-chairman and the chief executive of Hang Seng Bank Limited, the chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and the Group General Manager of HSBC Holdings plc prior to her retirement from the HSBC group in June 2012.

Mrs. Leung is currently an independent non-executive director of First Pacific Company Limited, Li & Fung Limited and Agricultural Bank of China Limited. She was an independent non-executive director of Swire Pacific Limited, Hutchison Whampoa Limited, China Construction Bank Corporation, QBE Insurance Group Limited and Hong Kong Exchanges and Clearing Limited as well as the deputy chairman, managing director and chief executive of Chong Hing Bank Limited.

Mrs. Leung is a member of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials, the Advisory Committee on Arts Development of the Home Affairs Bureau and the Public Service Commission of the Government of the Hong Kong Special Administrative Region, and a Steward of The Hong Kong Jockey Club. She is also a council member, the treasurer and the chairman of the finance committee, and a member of the human resources policy committee of The University of Hong Kong. Mrs. Leung was the chairman of the board of governors of Hang Seng Management College and Hang Seng School of Commerce, a court member of the Hong Kong Baptist University, and a member of the advisory board and the chairman of the investment committee of the Hong Kong Export Credit Insurance Corporation from 2005 to 2010. She was also a member of the Greater Pearl River Delta Business Council, the advisory committee of the Securities and Futures Commission, the Banking Review Tribunal, and the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the Hong Kong Special Administrative Region, the chairman of the executive committee of The Community Chest of Hong Kong, and a member of the board of directors and the finance committee of the Hospital Authority.

For the year ended 30 June 2019, Mrs. Leung is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

Other Information

Fan Hung-ling, Henry

SBS, JP

Independent Non-Executive Director (Age: 71)

Mr. Fan has been an Independent Non-Executive Director of the Company since March 2018. He graduated from The University of Hong Kong with an honours degree in Economics and Business Management and also holds a Bachelor of Laws degree from the University of Beijing. He is a Barrister-at-Law in Hong Kong, and in England and Wales as well as an Attorney-at-Law in the State of California, U.S.A.

Mr. Fan has over 30 years of experience in business management. He was a director and then managing director of CITIC Pacific Limited (now known as CITIC Limited) from 1990 and 1992 respectively to 2009. In addition, Mr. Fan was a deputy chairman of Cathay Pacific Airways Limited from 1997 to 2009 and an independent non-executive director of Hong Kong Exchanges and Clearing Limited from 2003 to 2009. He is currently an independent non-executive director of HKR International Limited. Mr. Fan is also the managing director of Hong Kong Glory Limited, a family investment company.

Mr. Fan has a long record of public service in Hong Kong. He is a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development, the chairman of the Hospital Authority, as well as a member of the board of directors of the West Kowloon Cultural District Authority and the Financial Services Development Council. Mr. Fan was a non-official member of the Executive Council of the Hong Kong Special Administrative Region, the chairman of the Mandatory Provident Fund Schemes Authority, and a non-executive director of the Securities and Futures Commission.

For the year ended 30 June 2019, Mr. Fan is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

Wu Xiang-dong

MBA, M.E., B.E.

Independent Non-Executive Director (Age: 52)

Mr. Wu has been an Independent Non-Executive Director of the Company since September 2019. He holds a double Bachelor's degree in Construction Management and Engineering Mechanics, as well as a Master's degree in Municipal Engineering from Tsinghua University and an MBA degree from the University of San Francisco.

Mr. Wu has over 26 years of experience in corporate management and commercial property operation. He is currently a co-chairman, the chief executive officer and the president of China Fortune Land Development Co., Ltd. Mr. Wu has been appointed as an independent director of Yango Group Co., Ltd with effect from 30 December 2019. He was an executive director of China Resources Land Limited ("CRL") for the period from June 2009 to February 2019 and also worked as the executive vice president, the managing director and the chairman of the board of directors of CRL for certain time during such period.

Mr. Wu is entitled to receive a fee of HK\$300,000 per annum for being a Director of the Company.

Other Information

Kwan Cheuk-yin, William

LLB

Non-Executive Director (Age: 85)

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of both the Nomination Committee and the Remuneration Committee of the Company. As a managing partner with the solicitors firm of Woo Kwan Lee & Lo, Mr. Kwan has 57 years of experience in legal practice. He is a former director and advisor and currently a voting member of the Tung Wah Group of Hospitals, a past member of the Stamp Advisory Committee, vice chairman of the Hong Kong Scout Foundation Management Committee, vice chairman of the Scout Performing Arts Committee, chairman of Air Activities Committee, adviser of Air Activities Development Fund Committee, elected member of Scout Counsel of Hong Kong, chairman of Scout Association of Hong Kong Leadership Training Institute Foundation Management Committee, vice chairman of World Scout Foundation Baden-Powell Fellowship Hong Kong Chapter, president of the Hong Kong Branch of the King's College London Association, committee member of the Hong Kong Philatelic Society, honorary member of the Federation of Inter-Asia Philately, president of FIAP Grand Prix Club, a permanent advisor of Wah Yan (Hong Kong) Past Students Association, a director and honorary secretary of Wah Yan Dramatic Society, a committee member and legal advisor of South China Athletic Association and former vice manager of its Football Section as well as manager of its Ten Pin Bowling Section and an honorary legal advisor of the Hong Kong Society for Reproductive Society.

Mr. Kwan was commissioner general and vice chairman of the Organizing Committees of the Hong Kong 1994, 1997, 2001 and 2004 International Stamp Exhibitions and was commissioner general and chairman of the Organizing Committees of the Hong Kong 2009 and 2015 International Stamp Exhibitions. He served on the Hong Kong Golf Club General Committee on several occasions in various capacities. He graduated from King's College, London University and is a fellow of King's College London, the Institute of Arbitrators and the Royal Philatelic Society, London.

For the year ended 30 June 2019, Mr. Kwan is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

Kwok Kai-chun, Geoffrey

BA

Non-Executive Director (Age: 34)

Mr. Kwok has been a Non-Executive Director of the Company since December 2018. He holds a Bachelor of Arts degree in Economics from Yale University. Mr. Kwok joined the Group in May 2008 and has participated in managing the hotels and serviced apartments of the Group in Hong Kong and mainland China. He is a director of a subsidiary in the hotel division of the Group. Prior to joining the Group, he worked in an international investment bank. He is also a director of Empire Group Holdings Limited.

Mr. Kwok is a nephew of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward.

Mr. Kwok is entitled to receive a fee of approximately HK\$158,000 for being a Director of the Company for the period from 21 December 2018 (being the date of his appointment as a Director) to 30 June 2019.

Other Information

Kwok Kai-fai, Adam

MBA, BSc

Executive Director (Age: 36)

Mr. Kwok has been an Executive Director of the Company since December 2014. He is also a member of the Executive Committee of the Company. Mr. Kwok holds a Bachelor of Science degree in Management Science and Engineering from Stanford University and a Master's degree in Business Administration from Harvard Business School. He worked in an international investment bank prior to joining the Group in November 2008, and has substantial experience in corporate finance. He was the project director taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region. Since April 2013, he has taken up the overall responsibilities for the property business in Southern China.

In addition, Mr. Kwok is a vice-president of The Real Estate Developers Association of Hong Kong, a member of the Major Sports Events Committee, a member of board of directors of The Community Chest of Hong Kong, a member of the International Advisory Council of the Faculty of Business and Economics of The University of Hong Kong, an advisor of Our Hong Kong Foundation and a vice-chairman of Hong Kong United Youth Association. He is also a standing committee member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a founder and deputy chairman of Hong Kong Guangdong Youth Association, a member of All-China Youth Federation, a member of the chairman's committee of Friends of Hong Kong Association Development Foundation and a vice-chairman of Greater Bay Area Homeland Youth Community Foundation.

Mr. Kwok is a nephew of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward.

For the year ended 30 June 2019, Mr. Kwok is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$9.33 million.

Kwok Kai-wang, Christopher

MBA, BSc

Executive Director (Age: 33)

Mr. Kwok has been an Executive Director of the Company since April 2016. He is also a member of the Executive Committee of the Company. Mr. Kwok holds a Bachelor of Science Degree in Chemistry from Harvard University and a Master's degree in Business Administration from Stanford Graduate School of Business. He worked in an international management consultancy firm before joining the Group in 2011. He is responsible for sales, project management and leasing of major residential and commercial properties of the Group in Hong Kong and mainland China. He assists the Chairman of the Company in all other businesses, in particular, the non-property related matters. Mr. Kwok is also a non-executive director of SUNeVision Holdings Ltd.

In addition, Mr. Kwok is a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference.

Other Information

Mr. Kwok is a son of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey, and the younger brother of Mr. Kwok Ho-lai, Edward.

For the year ended 30 June 2019, Mr. Kwok is entitled to receive a fee of HK\$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK\$8.61 million, including a fee of HK\$45,000 for being a director of SUNeVision Holdings Ltd.

Kwong Chun

Executive Director (Age: 90)

Mr. Kwong has been an Executive Director of the Company since October 1992. He is also a member of the Executive Committee of the Company. He graduated from the Zhong Nan Finance & Economics College of Wuhan in China. He worked for the Guangzhou office of the People's Bank of China before coming to Hong Kong in 1962 to work for Eternal Enterprises Limited. He was transferred to Sun Hung Kai Enterprises Limited in 1963. In 1972, the Company became a listed company and he has worked for it ever since.

Mr. Kwong is the younger brother of Madam Kwong Siu-hing, who is the mother of Mr. Kwok Ping-luen, Raymond and the grandmother of Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward. Madam Kwong is also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

For the year ended 30 June 2019, Mr. Kwong is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$7.67 million.

Tung Chi-ho, Eric

BA(AS)Hons, BArch, HKIA, Registered Architect, Authorized Person (List of Architects)

Executive Director (Age: 60)

Mr. Tung has been an Executive Director of the Company since December 2013. He is also a member of the Executive Committee of the Company. Mr. Tung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a member of The Hong Kong Institute of Architects and a Registered Architect. Mr. Tung joined the Group in 1987 and has progressed through the ranks with increasing project management, sales and marketing responsibilities for a number of signature projects of the Group in Hong Kong, Singapore and China. He is also an executive director of SUNeVision Holdings Ltd.

For the year ended 30 June 2019, Mr. Tung is entitled to receive a fee of HK\$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK\$21.94 million, including a fee of HK\$45,000 for being a director of SUNeVision Holdings Ltd.

Other Information

Fung Yuk-lun, Allen

BA, Ph.D.

Executive Director (Age: 51)

Mr. Fung has been an Executive Director of the Company since December 2013. He is also a member of the Executive Committee of the Company and the chief executive officer of the Group's non-property related portfolio investments. Mr. Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr. Fung was a Teaching Fellow at Harvard University in 1993-1994 and a visiting Assistant Professor of History at Brown University in 1996-1997. Mr. Fung is a vice chairman and an executive director of SUNeVision Holdings Ltd. as well as a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited. He is also a non-executive director of Transport International Holdings Limited. Mr. Fung was a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited).

Mr. Fung joined McKinsey & Company ("McKinsey"), a global management consulting company, in 1997. He primarily served clients in China and Hong Kong, and also served institutions in Europe and Southeast Asia. Mr. Fung was the co-leader of the infrastructure practice for McKinsey. He was the managing partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a director of McKinsey globally, being the first Hong Kong Chinese to become a director in McKinsey's history. He was also the head of recruiting for the Asia region in McKinsey.

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, the president of the Hong Kong Society for the Protection of Children, an honorary treasurer of The Hong Kong Federation of Youth Groups, and a council member and an executive committee member of The Hong Kong Management Association. He is also a council member of Sir Edward Youde Memorial Fund, a member of the board of the Asian Youth Orchestra, a member of the Advisory Committee on Gifted Education of the Education Bureau of the Government of the Hong Kong Special Administrative Region, a board member of the Hong Kong Tourism Board, and a member of the board of the Hong Kong Philharmonic Society Limited.

For the year ended 30 June 2019, Mr. Fung is entitled to receive a fee of HK\$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK\$20.08 million, including fees of HK\$52,500 and HK\$162,000 for being a vice chairman and a director of SUNeVision Holdings Ltd. as well as a deputy chairman and a director of SmarTone Telecommunications Holdings Limited respectively.

Kwok Ho-lai, Edward

EMBA, BA

Alternate Director to Kwok Ping-luen, Raymond (Age: 39)

Mr. Kwok has been an Alternate Director to Mr. Kwok Ping-luen, Raymond since July 2012. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. He has also obtained an Executive MBA degree from the Kellogg School of Management and the HKUST Business School in December 2017. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. In addition, Mr. Kwok has been an alternate director to Mr. Kwok Ping-luen, Raymond at Wing Tai Properties Limited since April 2015.

Other Information

Mr. Kwok has joined the Group since January 2010 and is now a sales and project manager, responsible for feasibility study, marketing and planning of new residential projects of the Group in Hong Kong. Before joining the Group, Mr. Kwok worked in a major international audit firm.

Mr. Kwok is a son of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey, and the elder brother of Mr. Kwok Kai-wang, Christopher.

All the Directors and Alternate Directors of the Company have not entered into any service contract with the Company. In accordance with the articles of association of the Company, Directors are subject to retirement and shall be eligible for re-election at the annual general meetings of the Company. For the Non-Executive Directors (including the Independent Non-Executive Directors), they are subject to a term of approximately two years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held two years thereafter, and they shall be eligible for re-election for a like term at that annual general meeting upon the expiry of their term of office. In accordance with the articles of association of the Company, the appointment of Alternate Directors will cease if their appointors cease to be Directors of the Company.

The Directors' fees are proposed by the Board of Directors and approved by the shareholders of the Company at the annual general meeting and their other emoluments are subject to review by the Board of Directors from time to time pursuant to the power given to it under the articles of association of the Company with reference to their contribution in terms of time, effort and accomplishments. Alternate Directors shall not be entitled to receive from the Company any remuneration in respect of their appointment as Alternate Directors except only such part (if any) of the remuneration otherwise payable to their appointors as such appointors may by notice in writing to the Company from time to time direct.

SENIOR MANAGEMENT

The Executive Directors of the Company are also members of the senior management of the Group.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

1. Long positions in shares and underlying shares of the Company

Name of Director	Number of shares held				Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2019
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	188,743	70,000 ¹	–	524,284,686 ^{2&8}	524,543,429	–	524,543,429	18.10
Lee Shau-kee	526,868	–	61,533,000 ³	–	62,059,868	–	62,059,868	2.14
Wong Chik-wing, Mike	497,695	–	–	–	497,695	–	497,695	0.02
Lui Ting, Victor	160,000	–	–	–	160,000	–	160,000	0.01
Wong Yue-chim, Richard	5,000	1,000 ¹	–	–	6,000	–	6,000	0.00
Li Ka-cheung, Eric	–	4,028 ¹	–	–	4,028	–	4,028	0.00
Fung Kwok-lun, William	220,000	9,739 ¹	–	–	229,739	–	229,739	0.01
Leung Nai-pang, Norman	–	10,833 ¹	–	–	10,833	–	10,833	0.00
Leung Kui-king, Donald	–	2,000 ¹	–	–	2,000	–	2,000	0.00
Leung Ko May-yee, Margaret	15,372	–	–	–	15,372	–	15,372	0.00
Kwok Kai-chun, Geoffrey	–	–	–	645,836,872 ^{5,6,8&9}	645,836,872	–	645,836,872	22.29
Kwok Kai-fai, Adam	–	–	32,000 ⁴	651,144,247 ^{7,8&9}	651,176,247	–	651,176,247	22.47
Kwok Kai-wang, Christopher	110,000 ¹⁰	60,000 ¹	–	651,238,101 ^{2,8&9}	651,408,101	–	651,408,101	22.48
Kwong Chun	762,722	339,358 ¹	–	–	1,102,080	–	1,102,080	0.04
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	32,000	–	–	651,238,101 ^{2,8&9}	651,270,101	–	651,270,101	22.47

Notes:

1. These shares in the Company were held by the spouse of the Director concerned.
2. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 524,284,686 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.

Other Information

3. *Dr. Lee Shau-kee was deemed to be interested in 61,533,000 shares in the Company held by Kinnox Investment Limited (“Kinnox”). Kinnox was wholly-owned by Financial Enterprise Investments Limited which was wholly-owned by Shau Kee Financial Enterprises Limited (“SK Financial”). Lee Financial (Cayman) Limited (“Lee Financial”) as trustee of a unit trust owned all the issued shares of SK Financial. Leeworld (Cayman) Limited (“Leeworld”) and Leesons (Cayman) Limited (“Leesons”) as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Lee Financial, Leeworld and Leesons were owned by Dr. Lee Shau-kee. He was taken to be interested in 61,533,000 shares in the Company held by Kinnox for the purpose of Part XV of the SFO.*
4. *These shares in the Company were held by a corporation wholly-owned and controlled by Mr. Kwok Kai-fai, Adam.*
5. *Mr. Kwok Kai-chun, Geoffrey was deemed to be interested in 211,173,896 shares in the Company by virtue of him being a beneficiary of certain trusts for the purpose of Part XV of the SFO.*
6. *Mr. Kwok Kai-chun, Geoffrey was also deemed to be interested in 307,709,561 shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.*
7. *Mr. Kwok Kai-fai, Adam was deemed to be interested in 524,190,832 shares in the Company by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.*
8. *Of the said 524,284,686 shares, 307,709,561 shares and 524,190,832 shares in the Company as stated in Notes 2, 6 and 7 above respectively, Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 76,526,723 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*
9. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were also deemed to be interested in 126,953,415 shares in the Company by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*
10. *These shares in the Company were held jointly with the spouse of Mr. Kwok Kai-wang, Christopher.*

Other Information

2. Long positions in shares and underlying shares of associated corporations of the Company

(a) SUNeVision Holdings Ltd. (“SUNeVision”)

Name of Director	Number of shares held			Sub-total	Number of underlying shares held under equity derivatives ¹	Total	% of issued voting shares as at 31.12.2019
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests				
Kwok Ping-luen, Raymond	–	–	3,485,000 ^{2&3}	3,485,000	–	3,485,000	0.15
Wong Chik-wing, Mike	218,000	–	–	218,000	–	218,000	0.01
Lui Ting, Victor	356	–	–	356	–	356	0.00
Leung Nai-pang, Norman	41,000	142 ⁴	–	41,142	–	41,142	0.00
Leung Ko May-yee, Margaret	1,000	2,000 ⁴	–	3,000	–	3,000	0.00
Kwok Kai-chun, Geoffrey	–	–	11,927,658 ^{2&5}	11,927,658	–	11,927,658	0.51
Kwok Kai-fai, Adam	–	–	11,927,658 ^{2&5}	11,927,658	–	11,927,658	0.51
Kwok Kai-wang, Christopher	–	–	13,272,658 ^{2,3&5}	13,272,658	–	13,272,658	0.57
Kwong Chun	600,000	–	–	600,000	–	600,000	0.03
Fung Yuk-lun, Allen	–	–	–	–	8,000,000	8,000,000	0.34
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	–	–	13,272,658 ^{2,3&5}	13,272,658	–	13,272,658	0.57

Notes:

1. These underlying shares held under equity derivatives represented the share options granted by SUNeVision (being regarded for the time being as unlisted physically settled equity derivatives). Details of the share options are set out in the section headed “Share Option Schemes” below.
2. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 2,140,000 shares in SUNeVision by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.
3. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were also deemed to be interested in 1,345,000 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.
4. These shares in SUNeVision were held by the spouse of the Director concerned.
5. Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were also deemed to be interested in 9,787,658 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.

Other Information

(b) SmarTone Telecommunications Holdings Limited (“SmarTone”)

Name of Director	Number of shares held				Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2019
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Sub-total			
Kwok Ping-luen, Raymond	–	–	5,162,337 ¹	5,162,337	–	5,162,337	0.46
Lee Shau-kee	–	546,000 ²	–	546,000	–	546,000	0.05
Kwok Kai-chun, Geoffrey	–	–	6,849,161 ³	6,849,161	–	6,849,161	0.61
Kwok Kai-fai, Adam	–	–	6,849,161 ³	6,849,161	–	6,849,161	0.61
Kwok Kai-wang, Christopher	–	–	12,011,498 ^{1&3}	12,011,498	–	12,011,498	1.07
Fung Yuk-lun, Allen	437,359	–	–	437,359	–	437,359	0.04
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	–	–	12,011,498 ^{1&3}	12,011,498	–	12,011,498	1.07

Notes:

- Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 5,162,337 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.
- Dr. Lee Shau-kee was deemed to be interested in 546,000 shares in SmarTone held by Good Treasure Limited (“Good Treasure”). Good Treasure was wholly-owned by Financial Enterprise Group Limited, which was a wholly-owned subsidiary of Furnline Limited. Furnline Limited was wholly-owned by Jetwin International Limited (“Jetwin”). Triton (Cayman) Limited (“Triton”) as trustee of a unit trust owned all the issued shares of Jetwin. Victory (Cayman) Limited (“Victory”) and Triumph (Cayman) Limited (“Triumph”) as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Triton, Victory and Triumph were owned by Dr. Lee Shau-kee. He was taken to be interested in 546,000 shares in SmarTone held by Good Treasure for the purpose of Part XV of the SFO.
- Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 6,849,161 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.

Other Information

(c) Transport International Holdings Limited (“Transport International”)

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2019
	Personal interests (held as beneficial owner)	Sub-total			
Kwok Ping-luen, Raymond	486,864 ¹	486,864	–	486,864	0.11
Lui Ting, Victor	300,000	300,000	–	300,000	0.07

Note:

1. Of these shares in Transport International, 482,999 shares were held jointly with the spouse of Mr. Kwok Ping-luen, Raymond.

(d) Each of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward had the following interests in shares of the following associated corporations:

Name of associated corporation	Actual shares held through corporation	Actual % of interests in issued voting shares as at 31.12.2019
Splendid Kai Limited	2,500 ¹	25.00
Hung Carom Company Limited	25 ¹	25.00
Tinyau Company Limited	1 ¹	50.00
Open Step Limited	8 ¹	80.00
Vivid Synergy Limited	2,500 ¹	25.00

Note:

1. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in these shares by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.

Other Information

(e) Dr. Lee Shau-kee had corporate interests in shares of the following associated corporations:

Name of associated corporation	Total number of shares held	% of issued voting shares as at 31.12.2019
Anbok Limited	2 ¹	50.00
Billion Ventures Limited	1 ²	50.00
Central Waterfront Property Holdings Limited	100 ³	100.00
Central Waterfront Property Investment Holdings Limited	50 ⁴	50.00
CWP Limited	1 ⁵	50.00
Daily Win Development Limited	100 ⁶	25.00
E Man-Sanfield JV Construction Company Limited	1 ⁷	50.00
Everise (H.K.) Limited	1 ⁸	50.00
Fullwise Finance Limited	2 ¹	50.00
Gold Sky Limited	1 ⁹	50.00
Jade Land Resources Limited	1 ¹⁰	25.00
Karnold Way Limited	2,459 ¹¹	24.59
Maxfine Development Limited	3,050 ¹²	33.33
Metro Trade International Limited	16 ⁶	26.67
Royal Peninsula Management Service Company Limited	1 ¹³	50.00
Special Concept Development Limited	1 ¹⁰	25.00
Star Play Development Limited	1 ¹⁴	33.33
System Link Development Limited	2 ¹⁵	50.00
Tartar Investments Limited	300 ¹⁶	30.00
Teamfield Property Limited	4,918 ¹⁷	49.18
Topcycle Development Limited	1 ¹⁸	50.00
World Space Investment Limited	4,918 ¹⁷	49.18

Notes:

1. Dr. Lee Shau-kee was deemed to be interested in two shares held by Everise (H.K.) Limited which was 50% held by Masterland Limited ("Masterland").
2. Dr. Lee Shau-kee was deemed to be interested in one share held by Chico Investment Limited ("Chico").
3. Dr. Lee Shau-kee was deemed to be interested in 100 shares held by Central Waterfront Property Investment Holdings Limited which was 34.21% held by Starland International Limited ("Starland").
4. Dr. Lee Shau-kee was deemed to be interested in a total of 50 shares of which 34.21 shares were held by Starland and 15.79 shares were held by Prominence Properties Limited ("Prominence Properties") which was wholly-owned by The Hong Kong and China Gas Company Limited ("HK China Gas"). HK China Gas was 41.53% held by Henderson Land Development Company Limited ("Henderson Land"), which in turn was taken to be 72.44% held by Henderson Development Limited ("Henderson Development"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust owned all the issued ordinary shares of Henderson Development. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau-kee. He was taken to be interested in a total of 50 shares held by Starland and Prominence Properties for the purpose of Part XV of the SFO.

Other Information

5. *Dr. Lee Shau-kee was deemed to be interested in one share held by Starland.*
6. *Dr. Lee Shau-kee was deemed to be interested in 100 shares in Daily Win Development Limited and 16 shares in Metro Trade International Limited respectively held by Citiright Development Limited ("Citiright").*
7. *Dr. Lee Shau-kee was deemed to be interested in one share held by E Man Construction Company Limited.*
8. *Dr. Lee Shau-kee was deemed to be interested in one share held by Masterland.*
9. *Dr. Lee Shau-kee was deemed to be interested in one share held by Atex Resources Limited which was wholly-owned by Mightymark Investment Limited.*
10. *Dr. Lee Shau-kee was deemed to be interested in one share held by Citiplus Limited.*
11. *Dr. Lee Shau-kee was deemed to be interested in 2,459 shares held by Chico.*
12. *Dr. Lee Shau-kee was deemed to be interested in 3,050 shares held by Quickcentre Properties Limited, a wholly-owned subsidiary of Henderson (China) Investment Company Limited which in turn was wholly-owned by Andco Limited. Andco Limited was a wholly-owned subsidiary of Henderson China Holdings Limited which was wholly-owned by Brightland Enterprises Limited.*
13. *Dr. Lee Shau-kee was deemed to be interested in one share held by Well Born Real Estate Management Limited.*
14. *Dr. Lee Shau-kee was deemed to be interested in one share held by Benewick Limited which was wholly-owned by Dorway Investment Limited.*
15. *Dr. Lee Shau-kee was deemed to be interested in two shares held by Mightymark Investment Limited.*
16. *Dr. Lee Shau-kee was deemed to be interested in 300 shares held by Kenforce Investment Limited which was wholly-owned by Henderson China Properties Limited.*
17. *Dr. Lee Shau-kee was deemed to be interested in 4,918 shares held by Billion Ventures Limited which was 50% held by Chico.*
18. *Dr. Lee Shau-kee was deemed to be interested in one share held by Dandy Investments Limited.*
19. *Masterland, Chico, Starland, Citiright and companies mentioned in Notes 7, 9, 10, 12 to 16 and 18 above were wholly-owned subsidiaries of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 4 above.*

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations that were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or that were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company follows the Model Code in Appendix 10 to the Listing Rules as the code of conduct for the Directors of the Company in their dealings in the securities of the Company. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the six months ended 31 December 2019.

Other Information

SHARE OPTION SCHEMES

1. Share option scheme of the Company

At the annual general meeting of the Company held on 15 November 2012, the shareholders of the Company (the "Shareholders") passed an ordinary resolution to approve the adoption of a share option scheme (the "Scheme").

During the six months ended 31 December 2019, no share options were granted under the Scheme. The movements of the outstanding share options granted under the Scheme during the six months ended 31 December 2019 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				Closing price per share (HK\$)
				Balance as at 01.07.2019	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	
Employees	11.07.2014	106.80	11.07.2015 to 10.07.2019	164,500	–	(164,500)	–	133.82 ²
Total				164,500	–	(164,500)	–	

Notes:

1. The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
2. This represented the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised.
3. The accounting policy adopted for the share options is set out in note 5(w) to the consolidated financial statements for the year ended 30 June 2019 contained in the 2018/19 Annual Report of the Company.

Save as disclosed above, there were no outstanding share options granted under the Scheme during the six months ended 31 December 2019.

Other Information

2. Share option schemes of the subsidiaries

(I) SUNeVision

On 1 November 2012, SUNeVision adopted a share option scheme which became effective on 15 November 2012 following the passing of an ordinary resolution approving the same by the Shareholders at the annual general meeting of the Company held on 15 November 2012 (the "SUNeVision Scheme").

During the six months ended 31 December 2019, no share options were granted under the SUNeVision Scheme. Particulars of the outstanding share options granted under the SUNeVision Scheme and their movements during the six months ended 31 December 2019 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options					Closing price per share (HK\$)	
				Balance as at 01.07.2019	Reclassification during the period ²	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		Balance as at 31.12.2019
(i) Directors of SUNeVision										
Fung Yuk-lun, Allen	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	-	-	-	-	4,000,000	N/A
	22.05.2019	6.688	22.05.2020 to 21.05.2024	4,000,000	-	-	-	-	4,000,000	N/A
Other directors of SUNeVision	08.03.2016	2.45	08.03.2017 to 07.03.2021	N/A	1,390,000	-	-	-	1,390,000	N/A
	19.06.2018	5.048	19.06.2019 to 18.06.2023	4,000,000	1,500,000	-	-	-	5,500,000	N/A
	22.05.2019	6.688	22.05.2020 to 21.05.2024	N/A	3,000,000	-	-	-	3,000,000	N/A
(ii) Other employees of SUNeVision										
	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,485,000	(1,390,000)	-	(1,935,000)	-	1,160,000	6.07 ³
	19.06.2018	5.048	19.06.2019 to 18.06.2023	2,805,000	-	-	(30,000)	-	2,775,000	5.85 ³
	22.05.2019	6.688	22.05.2020 to 21.05.2024	5,840,000	(2,000,000)	-	-	(100,000)	3,740,000	N/A
(iii) Other participants of the SUNeVision Scheme										
	19.06.2018	5.048	19.06.2019 to 18.06.2023	1,500,000	(1,500,000)	-	-	-	-	N/A
	22.05.2019	6.688	22.05.2020 to 21.05.2024	1,400,000	(1,000,000)	-	-	(400,000)	-	N/A
Total				28,030,000	-	-	(1,965,000)	(500,000)	25,565,000	

Notes:

- The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
- Two persons were appointed as executive directors of SUNeVision with effect from 31 October 2019. As at the date of their appointments, they had interests in share options to subscribe for 3,390,000 shares and 2,500,000 shares of SUNeVision respectively. As a result of their appointments, their relevant share options were reclassified from the categories of "Other employees of SUNeVision" and "Other participants of the SUNeVision Scheme" to the category of "Other directors of SUNeVision".
- This represented the weighted average closing price of the shares of SUNeVision immediately before the dates on which the share options were exercised.

Save as disclosed above, there were no outstanding share options granted under the SUNeVision Scheme during the six months ended 31 December 2019.

Other Information

(II) SmarTone

On 2 November 2011, SmarTone adopted a share option scheme which became effective on 8 December 2011 (the "SmarTone Scheme"). Pursuant to the terms of the SmarTone Scheme, SmarTone granted or may grant share options to the participants, including directors and employees of the SmarTone group, to subscribe for the shares of SmarTone.

During the six months ended 31 December 2019, no share options were granted under the SmarTone Scheme. Particulars of the outstanding share options granted under the SmarTone Scheme and their movements during the six months ended 31 December 2019 were as follows:

Grantee	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				
				Balance as at 01.07.2019	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	Balance as at 31.12.2019
Director of SmarTone	25.07.2016	14.28	25.07.2017 to 24.07.2021	3,000,000	–	–	–	3,000,000
Total				3,000,000	–	–	–	3,000,000

Note:

- The share options can be exercised up to one-third of the grant from the first anniversary of the date of grant, up to two-thirds of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.

Save as disclosed above, there were no outstanding share options granted under the SmarTone Scheme during the six months ended 31 December 2019.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2019, substantial shareholders of the Company and other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

	Number of shares held			Total	% of issued voting shares as at 31.12.2019
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
(i) Substantial shareholders					
HSBC Trustee (C.I.) Limited	–	–	986,556,508 ^{1,2&3}	986,556,508	34.05
Kwong Siu-hing	25,024	–	770,075,237 ^{1&3}	770,100,261	26.58
Adolfa Limited (“Adolfa”)	231,182,838	76,526,723	–	307,709,561 ^{3&4}	10.62
Bertana Limited (“Bertana”)	231,182,838	76,526,723	–	307,709,561 ^{3&5}	10.62
Cyric Limited (“Cyric”)	231,182,838	76,526,723	–	307,709,561 ^{3&6}	10.62
(ii) Other persons					
Credit Suisse Trust Limited	–	–	216,591,636 ^{7&8}	216,591,636	7.47
Genesis Trust & Corporate Services Ltd.	–	–	211,173,896 ⁹	211,173,896	7.29
Kwok Kai-ho, Jonathan	–	–	211,173,896 ⁹	211,173,896	7.29
Thriving Talent Limited	192,775,595 ²	–	–	192,775,595	6.65
Thriving Talent Holdings Limited	–	192,775,595 ²	–	192,775,595	6.65
Rosy Result Limited	189,149,595 ⁷	–	–	189,149,595	6.53
Asporto Limited	187,357,707 ⁹	–	–	187,357,707	6.47

Notes:

1. Madam Kwong Siu-hing was deemed to be interested in 770,075,237 shares in the Company by virtue of her being a founder and a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. These shares formed part of the shares in the Company in which HSBC Trustee (C.I.) Limited was deemed to be interested by virtue of it being the trustee of certain discretionary trusts and were therefore duplicated between these two substantial shareholders.
2. In addition to the deemed interests as stated in Note 1 above, HSBC Trustee (C.I.) Limited was deemed to be interested in 216,481,271 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 192,775,595 shares represented the same interests held by Thriving Talent Limited (which was a wholly-owned subsidiary of Thriving Talent Holdings Limited) and were therefore duplicated amongst them.

The 216,481,271 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in “other interests” of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed “Directors’ and Chief Executives’ Interests” above, and were therefore duplicated between them.

Other Information

3. *Of the respective shares in the Company held by Adolfa, Bertana and Cyric, 76,526,723 shares were held through corporations of which each of Adolfa, Bertana and Cyric was interested in one-third of the entire issued share capital. These 76,526,723 shares represented the same interests and were therefore duplicated amongst these companies. Further, the respective shares held by Adolfa, Bertana and Cyric formed part of the shares in the Company in which each of Madam Kwong Siu-hing and HSBC Trustee (C.I.) Limited was deemed to be interested.*
4. *These shares were the same shares in the Company included in "other interests" of Mr. Kwok Kai-chun, Geoffrey as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.*
5. *These shares were the same shares in the Company included in "other interests" of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.*
6. *These shares were the same shares in the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.*
7. *Credit Suisse Trust Limited was deemed to be interested in 216,575,125 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 189,149,595 shares represented the same interests held by Rosy Result Limited and were therefore duplicated between them.*

The 216,575,125 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.

8. *In addition to the deemed interests as stated in Note 7 above, Credit Suisse Trust Limited was deemed to be interested in 16,511 shares in the Company by virtue of it being the trustee of certain trusts for the purpose of Part XV of the SFO.*
9. *Genesis Trust & Corporate Services Ltd. was deemed to be interested in 211,173,896 shares in the Company by virtue of it being the trustee of certain trusts for the purpose of Part XV of the SFO. These shares represented the same interests in which Mr. Kwok Kai-ho, Jonathan was deemed to be interested by virtue of him being a beneficiary of certain trusts for the purpose of Part XV of the SFO and were therefore duplicated between them. Of these shares, 187,357,707 shares represented the same interests held by Asporto Limited and were therefore duplicated amongst them.*

The 211,173,896 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Mr. Kwok Kai-chun, Geoffrey as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.

Save as disclosed above, as at 31 December 2019, there were no other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

Other Information

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2019, the Group employed more than 39,500 employees. The related employees' costs before reimbursements for the six months ended 31 December 2019 amounted to approximately HK\$6,185 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. A share option scheme is in place to provide appropriate long-term incentive to the key staff of the Group.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

The same remuneration philosophy also applies to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Executive Directors, including the share option scheme, which is the same as that offered to other employees of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2019.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") has declared an interim dividend of HK\$1.25 per share (2018: HK\$1.25 per share) for the six months ended 31 December 2019 to the Shareholders whose names appear on the register of members of the Company on Friday, 13 March 2020. The interim dividend will be payable in cash on Thursday, 19 March 2020. Shares of the Company will be traded ex-dividend as from Wednesday, 11 March 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 13 March 2020, during which no transfer of shares will be registered. In order to establish entitlements to the interim dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with 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 Thursday, 12 March 2020.

Other Information

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2019 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants by Messrs. Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is set out on page 14 of this report. The interim results have also been reviewed by the Audit and Risk Management Committee of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2019, the Company has complied with the code provisions (the “Code Provisions”) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that there is no separation of the roles of chairman and chief executive as required under Code Provision A.2.1. However, the powers and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management. In addition, there are three Non-Executive Directors and nine Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

By order of the Board

Yung Sheung-tat, Sandy

Company Secretary

Hong Kong, 27 February 2020

