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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 16)

2018 / 19 Interim Results

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 2018, excluding the effect of fair-value changes on investment properties, amounted to HK$13,733 million, compared to HK$19,973 million for the corresponding period last year. The decrease was mainly due to the adoption of new accounting standard HKFRS 15 for revenue recognition. Effective from 1 July 2018, the Group recognizes revenue from property sales in Hong Kong upon the assignment of property ownership to the buyers. This leads to later recognition of revenue when compared to the policy based on the issue of occupation permit in the previous reporting periods. Underlying earnings per share were HK$4.74, compared to HK$6.90 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$20,469 million and HK$7.07 respectively, compared to HK$33,031 million and HK$11.40 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$6,938 million, compared to HK$13,181 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 2018, an increase of 4% from the corresponding period last year. The dividend will be payable on 21 March 2019.

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$14,677 million. Profit generated from property sales was HK$6,694 million, as compared to HK$13,895 million for the corresponding period last year. The decrease was mainly due to the adoption of new accounting standard HKFRS 15 for revenue recognition. Effective from 1 July 2018, the Group recognizes revenue from property sales in Hong Kong upon the assignment of property ownership to the buyers. This leads to later recognition of revenue when compared to the policy based on the issue of occupation permit in the previous reporting periods. Higher property sales revenue will be recognized in the second half of the financial year. Contracted sales during the period amounted to HK$43,000 million in attributable terms.

Rental Income

Gross rental income, including contributions from joint-venture projects, rose 7% year-on-year to HK$12,286 million and net rental income increased by 7% year-on-year to HK$9,508 million during the period. The satisfactory performance was attributable to higher rents for new leases and renewals both in Hong Kong and on the mainland as well as contributions from new rental properties.

Property Business – Hong Kong

Land Bank

During the period under review, four new projects in Hong Kong with an aggregate gross floor area of 1.3 million square feet were added to the Group's development land bank, of which two came from the conversion of agricultural land. The Group's land bank in Hong Kong amounted to about 57.4 million square feet of attributable gross floor area as at the end of December 2018, including 24.5 million square feet of properties under development for various usages such as residential, office and retail. An overwhelming majority of the remaining portion was completed properties for investment. Details of the additions are shown in the table below.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Tseung Kwan O Town Lot No. 131*	Data Centre	74	896,000
Tuen Mun Town Lot No. 463	Residential	59	205,000
Lot 2579 in DD 92, Kwu Tung, Sheung Shui	Residential	100	162,000
233 Prince Edward Road West, Kowloon City	Residential	58	42,000
Total			**1,305,000**

* *This site was acquired by SUNeVision and will be used for its business expansion*

In the first two months of 2019, the Group acquired two residential sites via government tenders. These include a harbourfront site with a total gross floor area of 649,000 square feet along the Kai Tak runway. Commanding unrivalled panoramic views of both sides of the Harbour with convenient access to the West Kowloon Cultural District through the Central Kowloon Route under construction, the site will be developed into a luxury residential landmark, creating synergy with the Group's other iconic project in Kai Tak City Centre. The other site is located at Pak Shek Kok in Tai Po with a total gross floor area of 917,000 square feet, offering a relaxing environment with lush greenery. It will be developed into a premium residential project with a portion of the units featuring extensive views overlooking Tolo Harbour.

The Group will further capitalize on its strength in replenishing its land bank through different means, including active land use conversions of its agricultural land, which amounted to about 31 million square feet in terms of site area, into buildable land.

Property Development

The Hong Kong residential market has entered into a mode of consolidation since the second half of 2018 with prices softening. While secondary market transactions were at relatively low levels, primary market activity remained resilient.

During the period, the Group achieved impressive contracted sales of about HK$39,700 million in attributable terms in Hong Kong. Major contributors included residential developments Cullinan West II in West Kowloon, Ultima in Ho Man Tin, PARK YOHO Milano in Yuen Long, Twelve Peaks on the Peak and St Martin in Pak Shek Kok, as well as the office development W LUXE in Shek Mun. Downtown 38 in Ma Tau Kok was put on the market in January this year with virtually all units sold out within two weeks.

The Group is dedicated to the pursuit of excellence in every detail, offering a variety of products and delivering premium services to customers. Gaining wide acclaim from customers for its products and services, the Group continues to solidify its leading position in the market.

Four projects in Hong Kong comprising about 1.7 million square feet of attributable gross floor area became ready for handover during the period under review, of which about 1.6 million square feet were residential. The remaining portions were retail properties for rental purpose. Details are shown in the table below. In the second half of this financial year, an approximate 1.9 million square feet of attributable gross floor area is scheduled for handover, including about 1.6 million square feet of residential premises.

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Cullinan West	28 Sham Mong Road, West Kowloon	Residential	JV	867,000
Lime Gala	393 Shau Kei Wan Road, Shau Kei Wan	Residential/ Shopping Centre	92	342,000
Victoria Harbour/ Harbour North	133 Java Road, North Point	Residential/Shops	100	327,000
Eight Regency	8 Leung Tak Street, Tuen Mun	Residential/Shops	100	167,000
Total				**1,703,000**

Property Investment

For the period under review, the Group's gross rental income from its well-diversified, premium assets in Hong Kong, including contributions from joint-venture projects, rose by 7% to HK$9,632 million, primarily attributable to higher rents for new leases and renewals. Overall occupancy also consistently stayed at a high level of around 95%.

Retail portfolio

The Group's 12-million-square-foot retail portfolio, with a relatively healthy mix of local and tourist shoppers, achieved positive rental reversions. This quality portfolio continued to expand with the opening of Harbour North@VIC last December. The shopping arcade underneath the Hotel VIC in North Point achieved an encouraging leasing response and is set to synergize with the adjacent Harbour North, the 145,000-square-foot retail component of the landmark Victoria Harbour development, which is expected to open in phases during the next 12 months or so. The combined retail cluster will offer customers an integrated living, shopping and leisure experience.

Benefitting from the convenience of two railway lines, the Group's new shopping mall, V Walk atop MTR Nam Cheong Station carries a wide range of trendy fashion brands and specialty cuisine options. Set to become a shopping magnet for young families from near and afar, the 300,000-square-foot mall, scheduled to open in mid 2019, is already 90% let. Looking further ahead, about 40% of the approximately 1.2-million-square-foot space at 98 How Ming Street office-cum-retail project in Kwun Tong is to be developed into a regional shopping mall, bringing synergy to APM in the vicinity.

Underpinned by rising tourist arrivals and solid domestic consumption, the Group's existing major malls also performed well during the period. IFC Mall in Central, The Sun Arcade in Tsim Sha Tsui and V City in Tuen Mun recorded higher sales, while Metroplaza in Kwai Fong and Landmark North in Sheung Shui showed healthy rental growth. YOHO Mall in Yuen Long saw increased rental and retail sales, becoming one of the most popular shopping destinations in western New Territories. Its market position will be further enhanced with the addition of some 107,000 square feet of retail space at Yuen Long Station Development, to be completed in about 2023.

The Group's proactive asset enhancement work and trade mix management to boost shoppers' experience in its existing portfolio have further bolstered its leading position and rental value. The recently revamped space at New Town Plaza III in Sha Tin has been fully occupied, while the second phase of refurbishment of the mall has started and is scheduled to be completed by late this year. The second phase of renovation at Park Central in Tseung Kwan O is targeted for completion in the first half of 2019. In addition, the Group is committed to strengthening the value of its existing retail assets through the use of digital applications. With the SHKP Malls App launched in the previous financial year, the Group is launching in March a new phase of the app by integrating the loyalty programmes of 14 major malls to create Hong Kong's largest cross-mall loyalty programme.

Office portfolio

The Group's diversified premium office portfolio of over 10 million square feet continued to register high occupancies and positive rental reversions during the period.

IFC in core Central and ICC in West Kowloon remained highly sought-after business addresses for leading international financial institutions and multinationals. Their premium management service, prime locations, world-class specifications, outstanding quality and comprehensive facilities remain key attractions for renowned enterprises. The opening of the Central-Wan Chai Bypass further enhances the connectivity of IFC while ICC stands to benefit from growing cultural activities in the district and the convenience of the high-speed rail. The office space at both IFC and ICC has been almost fully leased with sustained, high spot rents.

The premium office space at Sun Hung Kai Centre and Central Plaza in Wan Chai was also close to full occupancy with respectable rental reversions. The Millennium City cluster in Kwun Tong, a popular business hub for various trades, recorded high occupancy of about 96%. The cluster is expected to create synergy with the office-cum-retail joint-venture project at 98 How Ming Street in the neighbourhood, in which the office portion will comprise two Grade-A office towers of about 650,000 square feet. Connecting to Millennium City 6 via a planned footbridge, the 98 How Ming Street project will further strengthen the Group's presence in premium office leasing in the vicinity.

Property Business – Mainland

Land Bank

The Group's total land bank on the mainland stood at an attributable 63.1 million square feet as at the end of December 2018. About 48.8 million square feet were properties under development. Almost all of the rest were completed properties for investment, a majority of which were signature retail and office premises at prime locations in first-tier cities. The Group will continue to adopt a selective and focused approach to explore investment opportunities in first-tier cities on the mainland.

Property Development

The residential market on the mainland has been well managed in terms of both transactions and prices through relevant monetary and administrative measures. Over the medium-to-long term, these ongoing effective mechanisms should be conducive to maintaining healthy and sustainable property market development.

The Group achieved attributable contracted sales of about RMB2,900 million on the mainland during the period under review. Major contributions came from the quality apartments at the joint-venture TODTOWN in Shanghai, the wholly-owned Park Royale in Guangzhou and the joint-venture Oriental Bund in Foshan.

During the period, the Group completed three projects on the mainland, offering a total of some 1.9 million square feet of attributable gross floor area. Projects completed are shown in the following table. Nanjing One IFC, the premium office tower with a gross floor area of 504,000 square feet at the Group's integrated project Nanjing IFC, is scheduled for completion in the second half of this financial year.

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Grand Waterfront Phase 2	Shilong, Dongguan	Residential	100	840,000
Oriental Bund Phase 2C	Chancheng, Foshan	Residential/Shops	50	731,000
ITC Phase 2	Gongcheng Road, Xujiahui, Shanghai	Office/Shopping Centre	100	364,000
Total				**1,935,000**

Property Investment

Gross rental income derived from the mainland, including contributions from joint-venture projects, rose by 12% year-on-year to RMB2,025 million during the period under review. The increase was mainly due to positive rental reversions and contributions from new rental properties.

The Group continued to expand its rental portfolio in major cities. Construction work for the 7.6-million-square-foot ITC in Xujiahui, Shanghai is in full swing with the first two phases completed respectively in 2017 and 2018. Around 90% of the 490,000-square-foot office space has been taken up by a variety of notable multinationals and local enterprises. The 340,000-square-foot grand luxury shopping mall at Phase 1 is almost fully let. It will be opened in the second half of 2019, housing well-known international brands and popular restaurants. Many of the tenants will be newcomers to Shanghai. The largest phase will comprise a world-class shopping mall, a luxury hotel and two grade-A office towers, including a 370-metre skyscraper. The entire development is expected to be fully completed by the end of 2023, driving the Group's rental income from the mainland to a new level.

Covering a gross floor area of 3.4 million square feet, Nanjing IFC comprises grade-A offices, a luxury shopping mall and a five-star hotel. With a combined office area of around two million square feet, construction of Nanjing One IFC will soon be completed while the 290-metre superstructure of Nanjing Two IFC has been topped out recently. Pre-leasing negotiations with noted multinational companies and financial institutions are progressing smoothly. The 1.1-million-square-foot Nanjing IFC Mall will feature top-notch international brands with a podium roof comprising open areas and landscapes for alfresco dining and events. Preliminary marketing and pre-leasing have received a favourable response. Upon full completion, Nanjing IFC is expected to become one of the major destinations for work, shopping, entertainment and leisure in the city, comparable to its successful counterparts in Hong Kong and Shanghai.

The Group's existing premium rental properties in first-tier cities on the mainland continued to perform well. The Group's premium office space at Shanghai IFC and Shanghai ICC continued to achieve high occupancies and healthy rental reversions. In addition, occupancies at Shanghai IFC Mall and the IAPM mall at Shanghai ICC stayed high with satisfactory growth in rental income. IGC and Parc Central, the Group's joint-venture malls in Guangzhou, are now around 90% leased with healthy growth in tenant business resulting from enriched offerings of affordable luxury brands.

Beijing APM has recruited more top-tier cosmetic brands and popular restaurants to enhance its appeal, recording a steady growth in rental income. Also in Beijing, reconfiguration work of the 220,000-square-foot Beijing New Town Plaza, close to South Second Ring Road, has been completed. Supported by new layouts and a refined tenant mix, the fully pre-leased, renovated mall is poised to become a popular shopping destination for young families when it opens in the second half of 2019.

Other Businesses

<u>Hotels</u>

The Group's hotel portfolio in Hong Kong delivered steady performance with an increase in average revenue per available room during the period under review. Hotel VIC, part of the Group's integrated development on North Point waterfront, marked its grand opening in December 2018 and has been operating smoothly with occupancy picking up markedly in the past few months.

ALVA HOTEL BY ROYAL, the Group's new premium hotel in Sha Tin, is scheduled to open in the second half of 2019. Offering its guests a modern and stylish living experience, the new hotel will consist of over 600 rooms and is expected to synergize with its sister project, Royal Park Hotel. Meanwhile, the development plan for a high-quality hotel site on West Kowloon waterfront will be finalized soon.

On the mainland, The Ritz-Carlton Shanghai, Pudong maintained stable room rates and retained its status as one of the most sought-after luxury hotels in the city, despite the recent opening of a number of new high-end hotels. The developments of a premium hotel at the Group's Nanjing IFC integrated project and Four Seasons Hotel in Suzhou are proceeding well.

<u>Telecommunications and Information Technology</u>

SmarTone

SmarTone continued to see 12% year-on-year growth in its customer base with its average postpaid churn rate staying at an industry low of 1%, despite intense market competition during the period under review. The company's core postpaid business demonstrated resilience while its enterprise solutions business continued its robust growth. Meanwhile, SmarTone continued to invest in its infrastructure and successfully acquired additional valuable spectrum in December 2018, which will be used for enhancing network quality and customer experience. The Group remains confident of SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision enjoyed healthy growth in revenue and underlying profits during the period, driven by its core business in data centre operations. In December 2018, a data centre site in Tseung Kwan O with a total gross floor area of over 1.2 million square feet was awarded to the company through a government tender. The new data centre is expected to create synergies with the adjacent MEGA Plus flagship facility, and strengthen SUNeVision's position in Hong Kong as the preferred data centre service provider for customers. Since its move to the Main Board, the company has also been included in several stock indices, including the Hang Seng

Corporate Sustainability Benchmark Index. SUNeVision will continue to strive to improve its infrastructure and services to its customers.

Infrastructure and Other Businesses

Performance of the Group's infrastructure and transport businesses in Hong Kong remained satisfactory during the period. Wilson Group achieved stable results, while traffic on the Route 3 (Country Park Section) remained steady. Business at the Hong Kong Business Aviation Centre continued to develop, driven by keen demand for business aviation and improved flight slot availability. The Airport Freight Forwarding Centre benefitted from increasing air cargo throughput and delivered healthy business growth. The performance of the River Trade Terminal was affected by a drop in throughput because of the macro-environment.

YATA has completed the remodelling of its Sha Tin flagship store and its Mong Kok store. Its enriched offerings and new digital initiatives, such as self-checkout and a new loyalty programme, have strengthened its services for customers.

Corporate Finance

With external challenges and uncertainties, the Group always maintains low gearing and robust liquidity under prudent financial disciplines. As at the end of December 2018, the net debt to shareholders' funds stayed at a low 11.8% whilst the interest coverage stood at 13 times.

Given its consistently strong financial position underpinned by its robust recurrent income base, the Group continues to score the highest credit ratings amongst Hong Kong property companies. Moody's and Standard & Poor's have awarded A1 and A+ to the Group respectively, with stable outlooks.

During the period, the Group issued HK$600 million 5-year bonds and HK$1,790 million 10-year bonds under its Medium Term Note Programme to refinance some of its maturing debts and extend its debt maturity profile. The Group has established a good rapport with banks which strongly support its financing needs with abundant undrawn committed banking facilities.

Regarding its funding position on the mainland, the Group continues to deploy internal cash generated from mainland operations and tap onshore financing in managing its Renminbi exposure. In November 2018, the Group made the debut issue of a RMB1,200 million two-year Panda Bond on the mainland with competitive terms and received an overwhelming response. The majority of the Group's borrowings are denominated in Hong Kong dollars and the Group has not taken any speculative positions in derivative or structured-product transactions.

Corporate Governance

The Group believes that maintaining high standards of corporate governance is fundamental to sustainable business development. The board of directors of the Company was further strengthened with the appointment of an additional Non-Executive Director effective from 21 December 2018. There are now eight Independent Non-Executive Directors, four Non-Executive Directors and eight Executive Directors on the Board.

The effective Board oversees the Executive, Remuneration, Nomination and Audit and Risk Management Committees to ensure proper reporting, adequate internal controls and timely release of relevant information in place for protecting and promoting the best interests of the Company and its shareholders. Remuneration, Nomination and Audit and Risk Management Committees are all chaired by Independent Non-Executive Directors.

The Group's ongoing commitment to excellence and maintaining high standards of corporate governance continued to be widely recognized. Major recognitions received in the period include the top-notch award, Best Developers, Overall – Global, in the 2018 Real Estate Survey organized by *Euromoney*, and the Platinum Award from *The Asset*.

Sustainable Development

The Group stays committed to pursuing sustainable growth in tandem with its quality developments and customer services to create long-term value for stakeholders. To this end, the Group continues to offer its industry-leading first-three-year warranty on new residential units while constantly keeping tabs on customers through two-way communication via the SHKP Club whose membership now exceeds 400,000. This customer focus allows the Group to achieve quality improvement and command a strong brand positioning in the market, ensuring sustained business growth into the future.

The period saw the Group making valuable contributions to community well-being through multifaceted initiatives. To promote reading, the Group adopted a more dynamic approach with a creative event-based strategy to more effectively engage the young generation. The annual SHKP Vertical Run for Charity and the Sun Hung Kai Properties Hong Kong Cyclothon remained the Group's signature events for Exercise for Good, generating substantial donations to benefit underprivileged children and youths. The Group also actively supports youth in the area of technology and innovation startups, with the latest youth shared-space initiative through the Federation of Hong Kong Industries' INDEX project, all contributing to the development of Hong Kong as an international IT and innovation hub.

To nurture young staff, the Group proactively cultivates an environment and culture of succession through expertise and experience sharing from senior staff. Part of this effort includes continuous enhancements of the management trainee programme, which helps groom future leaders of the Group.

The Group's performance in environmental, social responsibility and governance practices continued to earn industry recognition, including its first inclusion in the FTSE4Good Index of London – one of the world's leading benchmarks on sustainability – as a constituent member. As a testament to its relentless efforts in green promotion, the Group has also been a signatory of the Carbon Reduction Charter of the Hong Kong Environmental Protection Department since 2009.

PROSPECTS

While global economic growth is expected to moderate, key economic and political issues such as trade protectionism, populism and Brexit will continue to influence the macro picture. 2019 is likely to be a challenging year despite positive development in Sino-US trade negotiations of late. Anticipated domestic policy responses in various countries are likely to be supportive of overall economic conditions.

The Group is positive towards growth opportunities arising from the mainland's further opening-up and reforms over the long term. In the short term, the Central Government's initiatives, including fiscal and monetary stimuli, will not only maintain market stability but also underpin economic progress, notwithstanding an uncertain external environment. This will provide a stable operating environment for the mainland property market.

The outline development plan for the Greater Bay Area announced earlier supports Hong Kong to give full play to its strengths while consolidating and enhancing Hong Kong's status as international centres for finance, transportation, trade and aviation. The ongoing developments in the Greater Bay Area, further investment in infrastructure and growth in tourist arrivals will continue to underpin local economic growth. Rising income, a tight job market, still low mortgage rates, and sufficient liquidity will continue to support end-user demand for residential properties in the territory.

The Group will continue to put up new projects on the market, driving its property sales revenue. In Hong Kong, new residential projects to be launched over the next 10 months include Phase 1 of 18 Stubbs Road in Mid-levels East, Cullinan West III in West Kowloon, Phase 2 of Mount Regency and Phase 1 of Hoi Wing Road residential project in Tuen Mun. The Group will also continue to sell the completed units, such as those in Victoria Harbour which benefits from the commissioning of the Central-Wan Chai Bypass. On the mainland, major projects to be offered for sale during the same period include premium residential units in the new phase of Shanghai Arch in Shanghai, the remaining tower in Phase 1 of the joint-venture TODTOWN in Shanghai and the new phase of The Woodland in Zhongshan.

Recurrent income from the Group's portfolio for property investment will be further elevated with the addition of new projects. In Hong Kong, new shopping malls including V Walk atop MTR Nam Cheong Station and Harbour North, as well as ALVA HOTEL BY ROYAL in Sha Tin, are scheduled to open in 2019. On the mainland, the first two phases of the mega ITC integrated project in Shanghai will gradually provide extra rental income while office towers at the landmark Nanjing IFC will start to make contributions in about a year's time. By the end of 2023, the Group's portfolio for property investment on the mainland is expected to expand to over 25 million square feet from about 13 million square feet currently.

The Group's relatively balanced earnings between property sales and recurrent income, coupled with its sizable receivable contracted sales, have further strengthened its strong financial position. This not only has helped the Group weather various macro crises over the past several decades, but also puts the Group in an advantageous position amid a challenging environment to capitalize on land acquisition opportunities, particularly in Hong Kong. The pursuit of excellence, with its adherence to a customer-centric culture, has earned the Group a trusted reputation for quality over the years. With its strong brand, solid foundation, prudent financial discipline and seasoned management team, the Group is confident of overcoming future challenges and accomplishing sustainable business growth in the years ahead.

Barring unforeseen circumstances, it is expected that the Group will achieve satisfactory results for the current financial year.

DIRECTORS AND APPRECIATION

Mr. Kwok Kai-chun, Geoffrey was appointed as a Non-Executive Director of the Company with effect from 21 December 2018.

I would also 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 2019

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following unaudited consolidated figures of the Group for the six months ended 31 December 2018 with comparative figures for 2017:-

Consolidated Income Statement
For the six months ended 31 December 2018
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) Six months ended 31 December 2018	2017
Revenue	**3**	**37,112**	55,166
Cost of sales		**(18,268)**	(28,479)
Gross profit		**18,844**	26,687
Other net income		**276**	523
Selling and marketing expenses		**(1,951)**	(2,858)
Administrative expenses		**(1,342)**	(1,240)
Operating profit before changes in fair value of investment properties	**3**	**15,827**	23,112
Increase in fair value of investment properties		**6,167**	9,716
Operating profit after changes in fair value of investment properties		**21,994**	32,828
Finance costs		**(1,244)**	(910)
Finance income		**219**	188
Net finance costs	**4**	**(1,025)**	(722)
Share of results (including increase in fair value of investment properties net of deferred tax of HK$1,384 million (2017: HK$4,459 million)) of:			
Associates		**254**	434
Joint ventures		**3,245**	6,033
	3	**3,499**	6,467
Profit before taxation	**5**	**24,468**	38,573
Taxation	**6**	**(3,398)**	(5,094)
Profit for the period		**21,070**	33,479
Attributable to:			
Company's shareholders		**20,469**	33,031
Perpetual capital securities holders		**86**	87
Non-controlling interests		**515**	361
		21,070	33,479
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	**7(a)**		
Basic		**$7.07**	$11.40
Diluted		**$7.07**	$11.40
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	**7(b)**		
Basic		**$4.74**	$6.90
Diluted		**$4.74**	$6.90

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2018

(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2018	2017
Profit for the period	**21,070**	33,479
Items that may be reclassified subsequently to profit or loss:		
Translation difference on foreign operations	**(3,192)**	3,352
Available-for-sale investments		
- fair value gains recognized directly in reserves during the period	**-**	27
- fair value gains transferred to consolidated income statement on disposal	**-**	(1)
	-	26
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)/income of associates and joint ventures	**(562)**	748
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	**(305)**	-
Share of other comprehensive income of an associate	**5**	-
Other comprehensive (loss)/income for the period	**(4,055)**	4,126
Total comprehensive income for the period	**17,015**	37,605
Total comprehensive income for the period attributable to:		
Company's shareholders	**16,513**	37,051
Perpetual capital securities holders	**86**	87
Non-controlling interests	**416**	467
	17,015	37,605

Consolidated Statement of Financial Position

As at 31 December 2018

(Expressed in millions of Hong Kong dollars)

	Notes	**(Unaudited) 31 December 2018**	(Audited) 30 June 2018
Non-current assets			
Investment properties		**373,964**	369,477
Fixed assets		**35,004**	34,587
Associates		**5,968**	5,570
Joint ventures		**66,377**	66,197
Loan receivables		**5,426**	6,013
Other financial assets		**3,380**	3,384
Intangible assets		**4,702**	4,976
		494,821	490,204
Current assets			
Properties for sale		**180,986**	177,367
Inventories		**605**	440
Debtors, prepayments and others	**8**	**20,493**	20,521
Other financial assets		**866**	859
Bank deposits and cash		**28,117**	26,095
		231,067	225,282
Current liabilities			
Bank and other borrowings		**(9,633)**	(12,646)
Trade and other payables	**9**	**(30,167)**	(31,008)
Deposits received on sales of properties		**(17,517)**	(12,230)
Taxation		**(8,472)**	(10,551)
		(65,789)	(66,435)
Net current assets		**165,278**	158,847
Total assets less current liabilities		**660,099**	649,051
Non-current liabilities			
Bank and other borrowings		**(82,873)**	(78,788)
Deferred taxation		**(21,831)**	(21,660)
Other long-term liabilities		**(142)**	(171)
		(104,846)	(100,619)
NET ASSETS		**555,253**	548,432
CAPITAL AND RESERVES			
Share capital		**70,631**	70,612
Reserves		**475,225**	468,486
Shareholders' equity		**545,856**	539,098
Perpetual capital securities		**3,813**	3,887
Non-controlling interests		**5,584**	5,447
TOTAL EQUITY		**555,253**	548,432

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 Listing Rules").

The financial information relating to the year ended 30 June 2018 included in this interim results announcement 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 2018 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.

Except as described below, 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 2018.

In the current accounting period, the Group has adopted a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs issued by the HKICPA that are first effective for the Group's financial year beginning 1 July 2018. Except for HKFRS 9, Financial Instruments and HKFRS 15, Revenue from Contracts with Customers, the adoption of these new or amended HKFRSs does not have a material effect on the Group's financial statements.

The Group has to change its accounting policies with effect from 1 July 2018 as a result of adopting HKFRS 9 and HKFRS 15. In initially applying these two new standards, the Group has taken transitional provisions and methods not to restate comparative information for prior periods and recognized the cumulative effects as adjustments to the opening balance of the Group's equity at 1 July 2018. The comparative information continues to be reported under the accounting policies prevailing prior to 1 July 2018. The overall effect of adopting these two standards was an increase of HK$224 million (HKFRS 9: HK$180 million; and HKFRS 15: HK$44 million) in the opening balance of the Group's equity at 1 July 2018. Details of the changes in accounting policies and effects are explained in Note 2 below.

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

2. Changes in Accounting Policies

(a) HKFRS 9, Financial Instruments

HKFRS 9 replaces HKAS 39, Financial Instruments: Recognition and Measurement. It introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 July 2018 in accordance with the transition provisions. Differences between the previous reported carrying amounts and the new carrying amounts under HKFRS 9 at 1 July 2018 are recognized as adjustments to the opening balance of retained profits or reserves as at 1 July 2018. Comparative information is not restated.

The Group has been impacted by HKFRS 9 in relation to changes in classification and measurement by an associated company of its financial assets. This resulted in a HK$180 million increase in the opening balance of the Group's equity and a corresponding increase in the carrying amount of the Group's interest in this associated company at 1 July 2018.

Further details of the nature and effects of the changes to the previous accounting policies are set out below and in Note 2(c).

Key changes to the Group's accounting policies

HKFRS 9 has no significant impact on the Group's accounting policies related to financial liabilities. While hedge accounting requirements are revised under HKFRS 9, there are no significant changes to the Group's current practices on hedge accounting. The Group's existing hedge accounting relationships designated under HKAS 39 have met the hedge effectiveness requirements and are regarded as continuing hedging relationships in accordance with HKFRS 9. The key changes to the Group's accounting policies are on the classification and measurement, and impairment of the Group's financial assets, as further explained below:

(i) Classification and measurement of financial assets

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVTPL"). These superseded the previous HKAS 39's categories of held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Effective on 1 July 2018, the Group's financial assets are classified into the following measurement categories:

– Financial assets measured at amortized cost

Financial assets measured at amortized cost represent those assets which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. These comprise primarily loans and receivables, trade receivables and certain debt investments which the Group intends to hold to maturity.

– Debt investments measured at FVOCI

Debt investments are measured at FVOCI when they are held for both collection of contractual cash flows and for selling the assets, where those assets' cash flows represent solely payments of principal and interest. Changes in fair value are recognized in other comprehensive income. When the investment is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to and recognized in profit or loss.

– Equity investments measured at FVOCI

Equity investments measured at FVOCI represent those investments which are not held for trading and for which the Group irrevocably makes an election on initial recognition to designate them to be measured at FVOCI such that subsequent changes in fair value are recognized in other comprehensive income. When the investment is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred to retained profits and is not reclassified to profit or loss.

– Financial assets measured at FVTPL

Financial assets which do not met the criteria for being measured at amortized cost or FVOCI as described above are measured at FVTPL. These include derivative financial assets and equity investments, unless they are eligible for and designated at FVOCI by the Group on initial recognition. Changes in fair value of these financial assets are recognized in profit or loss.

The following table shows the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018. The measurement categories for the Group's financial liabilities remain the same.

	Original (HKAS 39)		New (HKFRS 9)	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Bank deposits and cash	Amortized cost	26,095	Amortized cost	26,095
Trade debtors and other receivables	Amortized cost	13,026	Amortized cost	13,026
Loan receivables	Amortized cost	7,008	Amortized cost	7,008
Held-to-maturity debt securities	Amortized cost	559	Amortized cost	559
Debt securities	Available-for-sale,		FVOCI	366
	at fair value	702	FVTPL(1)	336
Equity securities	Available-for-sale,		FVOCI(2)	2,243
	at fair value	2,340	FVTPL(1)	97
Financial assets at fair value through profit or loss	FVTPL	642	FVTPL	642
Derivative financial instruments	FVTPL	205	FVTPL	205
Total financial assets		50,577		50,577

(1) Certain available-for-sale debt securities (HK$336 million) and equity securities (HK$97 million) are mandatorily measured at FVTPL under HKFRS 9. While there is no change in the carrying amounts under HKFRS 9 and, therefore, no impact on the Group's equity, the related cumulative fair value gains of HK$7 million were reclassified from investment revaluation reserve to retained profits on 1 July 2018.

(2) Equity investments of HK$2,243 million were designated to be measured at FVOCI as these investments are held for strategic purpose.

(ii) Impairment of financial assets

HKFRS 9 requires recognition of impairment provisions based on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. It replaces the incurred loss model under HKAS 39, and applies to financial assets measured at amortized costs, debt investments at FVOCI and contract assets. The impairment methodology used depends on whether there has been a significant increase in credit risk since initial recognition. For trade receivables and contract assets, the Group applies the simplified approach to recognize lifetime expected credit losses. The application of the new impairment requirements has not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

(b) HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 11, Construction Contracts and HKAS 18, Revenue which covers contracts for goods and services. The core principle of HKFRS 15 is that revenue is recognized when a performance obligation is satisfied by transferring control of a promised good or service to a customer. Depending on the nature and terms of the contract, control may transfer at a point in time or over time. Where customer contracts contain more than one performance obligation, HKFRS 15 requires entities to apportion revenue from contract between individual performance obligations on a relative standalone selling price basis. The standard also sets out criteria for capitalization of incremental cost of obtaining a contract.

The Group has elected the cumulative catch-up method for transition to the new standard, recognizing the cumulative effect of the initial application of HKFRS 15 only to contracts that had not been completed on 1 July 2018 as an adjustment to the opening balance of the Group's equity at 1 July 2018, without restating comparative information.

The adoption of HKFRS 15 has resulted in a HK$44 million increase in the opening balance of the Group's equity at 1 July 2018, which is mainly attributable to changes in accounting policies adopted by SmarTone on revenue recognition for multiple-element arrangements in telecommunication services contracts and capitalization of certain incremental costs associated with obtaining a contract.

Further details of the nature and effects of the changes to the previous accounting policies are set out below and in Note 2(c).

Key changes to the Group's accounting policies

The impact of HKFRS 15 to the Group is mainly on revenue recognition for sales of properties in Hong Kong and multiple-element arrangements in telecommunication services contracts, and on accounting for costs to obtain a contract. The standard does not have a material impact on how the Group recognizes rental revenue from leasing of properties, and revenue from hotel, transport infrastructure and logistics and other businesses.

(i) Revenue recognition for sales of properties

The Group has assessed that revenue from property sales in Hong Kong and Mainland China will continue to be recognized at a point in time rather than over time, after taking into consideration the terms of the contracts, applicable laws and regulatory requirements.

In previous reporting periods, the Group recognized revenue from sales of properties when significant risks and rewards of ownership of the completed property (where relevant occupation permit has been issued) have passed to the customer. Effective from 1 July 2018, revenue from sales of properties is generally recognized when the customer obtains ownership or physical possession of the completed property, which is taken to be the point in time when control of the property is transferred to the customer. This resulted in the Group's revenue from sales of properties in Hong Kong being recognized later than it would have been under the previous accounting policy. As disclosed in Note 2(c)(ii), recognition of revenue of HK$16,765 million and operating profit of HK$8,073 million from property sales in Hong Kong have been deferred as a result of adopting the new accounting standard, and will be recognized upon transfer of property ownership to the customers in the second half of the financial year.

No adjustments to the opening balance of the Group's equity at 1 July 2018 have been made on the initial application of HKFRS 15 as the Group did not have contracts that were not completed under HKAS 18 before 1 July 2018.

HKFRS 15 has no significant impact on the Group's existing accounting policies on revenue recognition for sales of properties in the Mainland.

(ii) Revenue recognition for multiple-element arrangements in telecommunication services contracts

The amount of revenue recognized for each performance obligation is determined by considering the standalone selling prices or estimated fair values of each of the services element and handset devices element provided within the bundled contracts. Previously, revenue allocation was made using the residual value method.

(iii) Incremental costs to obtain a contract

HKFRS 15 requires the incremental costs of obtaining a contract to be capitalized if they are recoverable, and amortized over the contract period. Previously, these costs incurred in telecommunication services contracts were expensed as incurred.

(iv) Presentation of contract assets and liabilities

The adoption of HKFRS 15 resulted in changes in presentation of certain assets and liabilities arising from contract with customers. Under HKFRS 15, a contract asset arises when the Group transfers a good or performs a service in the contract before receiving consideration from the customer. A contract asset is transferred to a receivable when the right to receive the consideration becomes unconditional. Conversely, a contract liability arises if amounts received from a customer exceed revenue recognized for a contract or when advance payment is received from a customer before a good or service is transferred. Contract liabilities arising from advance payments from customers in relation to contracts of sales of properties are recognized as "Deposits received on sales of properties" and presented as a separate line item under current liabilities in the consolidated statement of financial position. Other assets and liabilities arising from customer contracts are recognized as contract assets and contract liabilities presented under "Debtors, prepayments and others" and "Trade and other payables" in the consolidated financial statements.

(c) Effects on adoption of HKFRS 9 and HKFRS 15

(i) The table below shows the amount by which each individual line item in the consolidated statement of financial position at 1 July 2018 is affected by the adoption of HKFRS 9 and HKFRS 15. Line items that were not affected have not been included:

Consolidated statement of financial position (extract)	30 June 2018 As previously reported	Effects of adopting HKFRS 9	Effects of adopting HKFRS15	1 July 2018
Assets				
Associates	5,570	180	-	5,750
Debtors, prepayments and others	20,521	-	53	20,574
Liabilities				
Trade and other payables	31,008	-	(21)	30,987
Taxation	10,551	-	12	10,563
Shareholders’ equity				
Reserves	468,486	180	44	468,710
Non-controlling interests	5,447	-	18	5,465

(ii) The following tables summarize the impact of HKFRS 15 on the consolidated income statement for the six months ended 31 December 2018 and the consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under HKFRS 15 with the hypothetical amounts that would have been recognized under the previous accounting standard HKAS 18 if it had been continued to be applied in the current accounting period instead of HKFRS 15. Only line items affected by the adoption of HKFRS 15 are shown:

	For the six months ended 31 December 2018		
Consolidated income statement (extract)	As reported in accordance with HKFRS 15	Estimated effects of adopting HKFRS 15	Amount reported under HKAS 18
Revenue	37,112	16,762	53,874
Cost of sales	(18,268)	(7,758)	(26,026)
Selling and marketing expenses	(1,951)	(940)	(2,891)
Operating profit before changes in fair value of investment properties	15,827	8,064	23,891
Taxation	(3,398)	(1,332)	(4,730)
Profit for the period	21,070	6,732	27,802
Profit attributable to :			
Company’s shareholders	20,469	6,734	27,203
Non-controlling interests	515	(2)	513
Underlying profit attributable to the Company’s shareholders	13,733	6,734	20,467

Based on the previous accounting standard HKAS 18, the Group's revenue, operating profit, profit and underlying profit attributable to Company's shareholders for the six months ended 31 December 2018 would be HK$53,874 million, HK$23,891 million, HK$27,203 million and HK$20,467 million, respectively. The effects of adopting HKFRS 15 were to defer recognition of the Group's revenue, operating profit and profit (and underlying profit) attributable to Company's shareholders by HK$16,762 million, HK$8,064 million and HK$6,734 million, respectively. These effects mostly related to property sales in Hong Kong, analyzed as below:

	Estimated effects of adopting HKFRS 15		
	Hong Kong property sales[1]	Others [2]	Total
Revenue	16,765	(3)	16,762
Operating profit	8,073	(9)	8,064
Profit attributable to Company's shareholders	6,740	(6)	6,734
Underlying profit attributable to Company's shareholders	6,740	(6)	6,734

[1] Recognition of revenue from sales of certain residential units in Hong Kong in the aggregate amount of HK$16,765 million, together with operating profit of HK$8,073 million and profit (and underlying profit) attributable to Company's shareholders of HK$6,740 million attributable to these units, was deferred under HKFRS 15, and will be recognized when property ownership of these units is transferred to the customers in the second half of the financial year.

[2] Other effects mainly related to the Group's telecommunication business arising from reallocation of service revenue of handset bundled plans to handset and accessory sales and recognition of handset subsidy as cost of inventories sold for bundled contracts, and capitalization of customer acquisition costs. The impact on the Group's financial results was minimal.

	As at 31 December 2018		
Consolidated statement of financial position (extract)	As reported in accordance with HKFRS 15	Estimated effects of adopting HKFRS 15	Amount reported under HKAS 18
Assets			
Properties for sales	180,986	(7,752)	173,234
Debtors, prepayments and others	20,493	14,080	34,573
Liabilities			
Trade and other payables	30,167	1,486	31,653
Deposits received on sales of properties	17,517	(3,149)	14,368
Taxation	8,472	1,319	9,791
Shareholders' equity			
Reserves	475,225	6,692	481,917
Non-controlling interests	5,584	(20)	5,564

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 2018

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	**Results**	**Share of revenue**	**Share of results**	**Combined revenue**	**Consolidated 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 operation	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
Other businesses	4,282	925	224	32	4,506	957
	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		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

For the six months ended 31 December 2017

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	31,735	12,645	26	26	31,761	12,671
Mainland China	1,697	709	1,125	515	2,822	1,224
	33,432	13,354	1,151	541	34,583	13,895
Property rental						
Hong Kong	7,527	5,733	1,484	1,240	9,011	6,973
Mainland China	1,889	1,505	251	146	2,140	1,651
Singapore	-	-	355	267	355	267
	9,416	7,238	2,090	1,653	11,506	8,891
Hotel operation	2,293	660	445	116	2,738	776
Telecommunications	4,108	453	-	-	4,108	453
Transport infrastructure and logistics	1,981	689	1,738	263	3,719	952
Other businesses	3,936	876	172	34	4,108	910
	55,166	23,270	5,596	2,607	60,762	25,877
Other net income		523		154		677
Unallocated administrative expenses		(681)		-		(681)
Operating profit before changes in fair value of investment properties		23,112		2,761		25,873
Increase in fair value of investment properties		9,716		4,543		14,259
Operating profit after changes in fair value of investment properties		32,828		7,304		40,132
Net finance costs		(722)		(248)		(970)
Profit before taxation		32,106		7,056		39,162
Taxation						
- Group		(5,094)		-		(5,094)
- Associates		-		(33)		(33)
- Joint ventures		-		(556)		(556)
Profit for the period		27,012		6,467		33,479

Results from property sales include selling and marketing expenses of HK$196 million (2017: HK$236 million) and HK$42 million (2017: HK$46 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively.

There is no material change in the Group's total assets and liabilities since the last annual reporting date.

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

4. Net Finance Costs

	Six months ended 31 December	
	2018	2017
Interest expenses	**1,439**	1,128
Notional non-cash interest accretion	**9**	12
Less: Amount capitalized	**(204)**	(230)
	1,244	910
Interest income on bank deposits	**(219)**	(188)
	1,025	722

5. Profit before Taxation

	Six months ended 31 December	
	2018	2017
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**6,026**	18,074
Cost of inventories sold	**3,393**	2,102
Depreciation and amortization	**773**	721
Amortization of intangible assets (included in cost of sales)	**272**	272
Operating lease rentals for land and buildings, transmission sites and leased lines	**933**	818
Staff costs (including directors' emoluments and retirement schemes contributions)	**4,111**	3,772
Share-based payments	**8**	2
Loss on disposal of financial assets at fair value through profit or loss	**25**	-
Fair value losses on financial assets at fair value though profit or loss	**54**	-
and crediting:		
Dividend income from equity securities	**81**	85
Interest income from debt securities	**42**	43
Profit on disposal of available-for-sale investments	**-**	4
Fair value gains on financial assets at fair value through profit or loss	**-**	102

6. Taxation

	Six months ended 31 December	
	2018	2017
Current taxation		
Hong Kong profits tax	**2,006**	3,194
(Over)/under provision in prior years	**(1)**	6
	2,005	3,200
Tax outside Hong Kong	**572**	721
Under/(over) provision in prior years	**1**	(3)
	573	718
	2,578	3,918
Deferred taxation charge		
Change in fair value of investment properties	**581**	946
Other origination and reversal of temporary differences	**239**	230
	820	1,176
	3,398	5,094

Hong Kong profits tax is provided at the rate of 16.5 per cent (2017: 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.

7. 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$20,469 million (2017: HK$33,031 million).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 2,897,150,850 (2017: 2,896,552,660) shares. The diluted earnings per share is based on 2,897,162,740 (2017: 2,896,748,956) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 11,890 (2017: 196,296) 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$13,733 million (2017: HK$19,973 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	
	2018	2017
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**20,469**	33,031
Increase in fair value of investment properties		
Subsidiaries	**(6,167)**	(9,716)
Associates	**(37)**	(44)
Joint ventures	**(1,537)**	(4,499)
Effect of corresponding deferred tax charges		
Subsidiaries	**581**	946
Joint ventures	**190**	84
Non-controlling interests	**32**	48
Unrealized fair value gains of investment properties net of deferred tax	**(6,938)**	(13,181)
Fair value gains realized on disposal of investment properties net of deferred tax	**202**	123
Net effect of changes in fair value of investment properties	**(6,736)**	(13,058)
Underlying profit attributable to the Company's shareholders	**13,733**	19,973

8. Debtors, Prepayments and Others

Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leased properties are payable in advance by the tenants. Other trade debtors settle their accounts according to the payment terms as stated in the respective contracts.

Included in debtors, prepayments and others of the Group are trade debtors of HK$11,243 million (30 June 2018: HK$11,196 million), of which 88% are aged less than 60 days, 2% between 61 to 90 days and 10% more than 90 days (30 June 2018: 91%, 1% and 8% respectively).

9. Trade and Other Payables

Included in trade and other payables of the Group are trade creditors of HK$2,512 million (30 June 2018: HK$2,837 million), of which 67% are aged less than 60 days, 4% between 61 to 90 days and 29% more than 90 days (30 June 2018: 73%, 2% and 25% respectively).

FINANCIAL REVIEW

Review of Operating Results

Profit attributable to the Company's shareholders for the six months ended 31 December 2018, which included fair value gains on investment properties, was HK$20,469 million, representing a decrease of 38% compared with HK$33,031 million reported for the same period last year.

The reported profit included fair value gains on investment properties (net of deferred taxation and non-controlling interests) of HK$6,938 million (2017: HK$13,181 million). Excluding the net effects of changes in fair value of investment properties, the Group recorded an underlying profit attributable to the Company's shareholders of HK$13,733 million for the first six months ended 31 December 2018, representing a decrease of 31% compared with HK$19,973 million recorded for the same period last year.

The decrease in underlying profits reflects the effects of changes in accounting policies resulting from the adoption of new accounting standard HKFRS 15, which is effective for the current accounting period. Effective from 1 July 2018, the Group recognizes revenue from property sales when the buyer obtains ownership or physical possession of the completed property. In previous reporting periods, revenue from property sales is recognized when significant risks and rewards of ownership of the completed property have passed to the buyer. This has resulted in revenue from property sales in Hong Kong being recognized later than it would have been under the previous accounting policy. As disclosed in Note 2(b) and 2(c)(ii) to the interim financial statements, recognition of revenue of HK$16,765 million and operating profit of HK$8,073 million from property sales in Hong Kong have been deferred to the second half of the financial year under the new accounting standard. Based on the previous accounting standard, the Group would report an underlying profit attributable to the Company's shareholders of HK$20,467 million for the six months ended 31 December 2018, representing an increase of 2.5% over the same period last year.

Property sales, inclusive of share of joint ventures, reported a profit of HK$6,694 million for the first half of the financial year, decreased by HK$7,201 million or 51.8%, compared to HK$13,895 million for the same period last year. Profit from Hong Kong property sales was HK$5,507 million, decreased by HK$7,164 million or 56.5% compared to HK$12,671 million for the same period last year. Due to the adoption of HKFRS 15, recognition of property sales for certain residential units in Hong Kong has been deferred to the second half of the financial year. If reported under the previous accounting standard, profit from Hong Kong property sales for the six months ended 31 December 2018 would be HK$13,580 million, an increase of 7.2% compared with the same period last year. Profit recognized in the first half was derived mainly from residential units in Lime Gala, Victoria Harbour and Eight Regency. Residential units scheduled for handover will be increased significantly and higher revenue and profit will be recognized in the second half of the financial year. Property sales in the Mainland delivered a profit of HK$1,187 million for the period, primarily from sale of residential units in Grand Waterfront Phase 2 and Oriental Bund Phase 2C, and office units in Top Plaza East Tower. As at 31 December 2018, the Group had contracted property sales of HK$61.6 billion not yet recognized.

The Group's well diversified rental portfolio continued to achieve good performance. Net rental income for the period, including contributions of joint ventures and associates, increased by HK$617 million or 6.9% to HK$9,508 million, due to positive rental reversions and contributions from new investment properties. Net rental income from the Group's rental portfolios in Hong Kong and the Mainland increased respectively by 7.2% and 7.4% to HK$7,472 million and HK$1,773 million over the previous period.

Hotel operating profit (including share of joint ventures) increased by 2.1% to HK$792 million, driven mainly by increase in room rates. Hotel VIC has progressed well since commencing business in July 2018 and has started to make profit contribution.

SmarTone reported an operating profit of HK$439 million for the period, which is 3.1% lower than the same period last year amid keen competition and lower margin on handset sales. With the growth in its customer base and an industry low churn rate, SmarTone will continue to invest in its infrastructure and deploy the additional spectrum newly acquired for network quality enhancement and 5G network development. The impact of HKFRS 15 on SmarTone's reported profit for the period was not significant.

Operating profit from transport infrastructure and logistics businesses (including share of joint ventures and associates) decreased by 4.9% to HK$905 million, mainly attributable to higher fuel prices and rising operating costs of the Group's franchised bus business.

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management, data centre business of SUNeVision, and department store operations, have performed satisfactorily with operating profit increased by 5.2% to HK$957 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 further strengthened, with total shareholders' equity increased over the financial period by HK$6,758 million to HK$545,856 million or HK$188.4 per share as at 31 December 2018. 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's financial position remains sound with a low debt leverage and high interest coverage. Gearing ratio as at 31 December 2018, calculated on the basis of net debt to shareholders' equity of the Company, was 11.8% compared to 12.1% at 30 June 2018. Interest coverage was 13 times, measured by the ratio of operating profit to total net interest expenses including those capitalized for the current period.

As at 31 December 2018, the Group's gross borrowing totalled HK$92,506 million. Net debt, after deducting bank deposits and cash of HK$28,117 million, amounted to HK$64,389 million, representing a decrease of HK$950 million since 30 June 2018. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2018	30 June 2018
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	**9,633**	12,646
After one year but within two years	**11,351**	9,716
After two years but within five years	**60,218**	60,081
After five years	**11,304**	8,991
Total bank and other borrowings	**92,506**	91,434
Bank deposit and cash	**28,117**	26,095
Net debt	**64,389**	65,339

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 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 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 2018, about 81% of the Group's bank and other borrowings were raised through the Company and 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 currency swaps to hedge the currency risks associated with these borrowings. As at 31 December 2018, about 74% of the Group's total borrowings were denominated in Hong Kong dollars (after currency swaps) and 12% in US dollars, these were raised for financing the Group's business operations in Hong Kong, while the remaining 14% were mostly in Renminbi for financing development costs of property projects in 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 in 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 2018, 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$3.7 billion in the exchange reserve recorded under shareholders' equity.

The Group has insignificant currency 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 2018, about 65% 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 35% were on fixed rate basis.

As at 31 December 2018, the Group has entered into certain interest rate swaps, currency swaps and forward foreign exchange contracts in the aggregate notional amount of HK$14,919 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 2018, about 48% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 40% in Renminbi, and 12% in US dollars. The Renminbi deposits were held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

Charge of Assets

As at 31 December 2018, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$6 million were pledged for securing guarantees issued by banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$1,771 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 2018, 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$1,973 million (30 June 2018: HK$1,317 million).

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2018, the Group employed more than 38,000 employees. The related employees' costs before reimbursements for the six months ended 31 December 2018 amounted to approximately HK$5,808 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.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") has declared an interim dividend of HK$1.25 per share (2017: HK$1.20 per share) for the six months ended 31 December 2018 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Thursday, 14 March 2019. The interim dividend will be payable in cash on Thursday, 21 March 2019. Shares of the Company will be traded ex-dividend as from Tuesday, 12 March 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 14 March 2019, 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 Wednesday, 13 March 2019.

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 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2018, 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 four Non-Executive Directors and eight 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.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2018 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 will be set out in the 2018/19 interim report. The interim results have also been reviewed by the Audit and Risk Management Committee of the Company.

INTERIM REPORT

The 2018/19 interim report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.shkp.com, and printed copies will be sent to the Shareholders before the end of March 2019.

By order of the Board
YUNG Sheung-tat, Sandy
Company Secretary

Hong Kong, 27 February 2019

As at the date hereof, the Board comprises eight Executive Directors, being KWOK Ping-luen, Raymond (Chairman and Managing Director)(KWOK Ho-lai, Edward being his Alternate 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 and FUNG Yuk-lun, Allen; four Non-Executive Directors, being LEE Shau-kee (Vice Chairman), WOO Po-shing (WOO Ka-biu, Jackson being his Alternate Director), KWAN Cheuk-yin, William and KWOK Kai-chun, Geoffrey; and eight Independent Non-Executive Directors, being 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 and FAN Hung-ling, Henry.