



SUN HUNG KAI PROPERTIES LIMITED

2013/14

Interim Report

Stock Code : 16

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Board of Directors and Committees

BOARD OF DIRECTORS

Executive Directors

Kwok Ping-kwong, Thomas (*Chairman & Managing Director*)
Kwok Ping-luen, Raymond (*Chairman & Managing Director*)
Wong Chik-wing, Mike (*Deputy Managing Director*)
Lui Ting, Victor (*Deputy Managing Director*)
Chan Kui-yuen, Thomas
Kwong Chun
Chan Kwok-wai, Patrick (*Chief Financial Officer*)
Tung Chi-ho, Eric
Fung Yuk-lun, Allen
Kwok Kai-fai, Adam (*Alternate Director to Kwok Ping-kwong, Thomas*)
Kwok Ho-lai, Edward (*Alternate Director to Kwok Ping-luen, Raymond*)

Non-Executive Directors

Lee Shau-kee (*Vice Chairman*)
Woo Po-shing
Kwan Cheuk-yin, William
Wong Yick-kam, Michael
Woo Ka-biu, Jackson (*Alternate Director to Woo Po-shing*)

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

COMMITTEES

Executive Committee

Kwok Ping-kwong, Thomas
Kwok Ping-luen, Raymond
Wong Chik-wing, Mike
Lui Ting, Victor
Chan Kui-yuen, Thomas
Kwong Chun
Chan Kwok-wai, Patrick
Tung Chi-ho, Eric
Fung Yuk-lun, Allen
So Chung-keung, Alfred ^(Note)
Chow Kwok-yin, Eric
Wong Chin-wah, Jimmy
Yung Sheung-tat, Sandy

Audit Committee

Li Ka-cheung, Eric*
Yip Dicky Peter
Wong Yick-kam, Michael
Leung Kui-king, Donald

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*

Note: Mr. So Chung-keung, Alfred retired from the Group and ceased to be a member of the Executive Committee of the Company with effect from 1 March 2014.

Financial Highlights and Corporate Information

FINANCIAL HIGHLIGHTS

For the six months ended 31 December	2013	2012	Change (%)
Financial Highlights (HK\$ million)			
Revenue	32,506	31,777	+2.3
Profit attributable to the Company's shareholders			
— Reported	19,027	22,515	-15.5
— Underlying ¹	10,644	11,546	-7.8
Gross rental income ²	9,078	7,801	+16.4
Net rental income ²	6,879	5,835	+17.9
Financial Information per Share (HK\$)			
Earnings per share for profit attributable to the Company's shareholders			
— Reported	7.12	8.60	-17.2
— Underlying ¹	3.98	4.41	-9.8
Interim dividends	0.95	0.95	—

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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Hong Kong
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Share Registrar

Computershare Hong Kong Investor
Services Limited
Shop Nos. 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Solicitors

Woo, Kwan, Lee & Lo
Mayer Brown JSM
Winston Chu & Company
Clifford Chance

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Bank of Communications Co., Ltd.
United Overseas Bank Limited
Industrial and Commercial Bank of
China Limited
Hang Seng Bank Limited
Agricultural Bank of China 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 printed copies of this interim report, wish to receive the same in the other language; or (ii) 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 (iii) 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

We are pleased to present our report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the six months ended 31 December 2013, excluding the effect of fair-value changes on investment properties, amounted to HK\$10,644 million, compared to HK\$11,546 million for the corresponding period last year. Underlying earnings per share were HK\$3.98, compared to HK\$4.41 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$19,027 million and HK\$7.12 respectively, compared to HK\$22,515 million and HK\$8.60 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\$8,918 million, compared to HK\$11,969 million for the same period last year.

DIVIDEND

The Board of Directors has declared an interim dividend payment of HK\$0.95 per share for the six months ended 31 December 2013, the same as the corresponding period last year.

BONUS ISSUE OF WARRANTS

The Board of Directors has proposed a bonus issue of warrants (the "Warrants") to the shareholders of the Company on the basis of one Warrant for every twelve existing shares of the Company on the record date for ascertaining the shareholders' entitlements thereto. Each Warrant will entitle the holder to subscribe in cash for one new share of the Company at an initial subscription price of HK\$98.60, subject to adjustments. The Warrants will be listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and exercisable at any time during the period of 24 months commencing on the date of the issue of the Warrants, which is expected to be on Wednesday, 23 April 2014. The proposed bonus issue of the Warrants is subject to the granting of the listing of, and permission to deal in, the Warrants and any new shares to be issued upon exercise of the subscription rights attaching to the Warrants by the Listing Committee of the Stock Exchange. The proposed bonus issue of the Warrants is expected to strengthen the capital base of the Company and position it well to capture the apparently rising business opportunities in Hong Kong for growth, while providing shareholders with an option to capitalize on the Company's future development.

BUSINESS REVIEW

Property Sales and Rental Income

Property Sales

Revenue from property sales for the period under review as recorded in the accounts, including revenue from joint-venture projects, was HK\$13,680 million. Profit generated from property sales was HK\$5,626 million, as compared to HK\$6,408 million for the corresponding period last year.

The Group recorded contracted sales of HK\$12,247 million in attributable terms during the period, as compared to HK\$15,209 million for the corresponding period last year. Contracted sales in this financial year, including sales since January 2014, have already exceeded HK\$17,000 million.

Chairman's Statement

Rental Income

Gross rental income, including contributions from joint-venture projects, rose 16% year on year to HK\$9,078 million and net rental income increased 18% to HK\$6,879 million during the period. This healthy performance is attributable to positive rental reversions upon renewals and higher rents with new leases. Increased contributions from new investment properties, particularly on the mainland, also helped drive the rental income growth.

Property Business — Hong Kong

Land Bank

Five new projects in Hong Kong with attributable gross floor area totalling 1.1 million square feet were added to the Group's land bank during the period under review. These included a Yuen Long residential site, the Group's attributable share in a data centre site acquired by its subsidiary SUNeVision and three redevelopment projects on Hong Kong Island. Details of these new projects are shown in the table below.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
1–3 Church Lane, Shau Kei Wan	Residential/Shopping Centre	92	342,000
Yuen Long Town Lot No. 528	Residential	100	232,000
18–20 Caine Road, Mid-Levels West	Residential	92	127,000
23 Babington Path, Mid-Levels West	Residential	82.8	59,000
Tseung Kwan O Town Lot No. 122 *	Data Centre	74	351,000
Total			1,111,000

* This site is owned by SUNeVision and will be developed into a new data centre for its business expansion

The above additions brought the Group's development land bank in Hong Kong to 17.9 million square feet. Together with 28.7 million square feet of completed investment properties, the Group's total land bank in Hong Kong amounted to 46.6 million square feet as at the end of December 2013. The Group also acquired a site right next to a light rail station in Tuen Mun in early February this year. The site will be developed into over 140,000 square feet of primarily small-sized residential units and about 26,000 square feet of retail space. In addition, the Group held over 27 million square feet of farmland in terms of site area in various stages of land use conversion, located primarily along existing or planned railway lines in the New Territories.

Property Development

The primary and secondary markets have performed differently amid prevailing restrictive government measures since the middle of last year. More launches of new projects were seen in the primary market a few months after the implementation of new rules on first-hand sales, while activity in the secondary market remained subdued. End-users, particularly first-time buyers, continued to underpin the demand for small- to medium-sized units. Reasonable affordability, low mortgage interest rates, continuing household formation and income growth remained positives for the market.

Chairman's Statement

The Group kept rolling out new launches almost every month since August 2013. Market response was positive with the Group's contracted sales in Hong Kong amounting to nearly HK\$8,000 million in the second half of 2013. Major residential projects sold included The Cullinan at Kowloon Station, and Imperial Kennedy and Shouson Peak on Hong Kong Island. Century Gateway II in Tuen Mun was put on the market last December and was virtually sold out by mid January this year.

The pursuit of quality and service excellence has always been one of the Group's core values. The Group works hard to enhance the value and competitiveness of its developments by designing flat layouts and mixes that best fit customers' needs and providing convenient, comfortable living with a wide array of personalized services and good transport connectivity. The Group firmly believes that customer satisfaction underscores its trusted brand and makes its developments the preferred choice of homebuyers. During the period, it took further steps to bolster this market leadership by extending the warranty period from two years to three years for newly-sold units.

Five projects in Hong Kong with 1.2 million square feet of attributable gross floor area were completed during the period under review, of which close to a million square feet was residential. Project details are shown in the table below. The Group plans to complete 1.6 million square feet of primarily residential premises in the second half of this financial year.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Riva	1 Ying Ho Road, Yuen Long	Residential/Shops	100	880,000
—	181 Hoi Bun Road, Kwun Tong	Office	64.3	199,000
i•UniQ Residence	305 Shau Kei Wan Road	Residential/Shops	92	56,000
i•UniQ Grand	157 Shau Kei Wan Road	Residential/Shops	92	53,000
The Seafront	3, 5, 7 & 9 Hoi Long Path, Tsuen Wan West	Residential	100	11,000
Total				1,199,000

Property Investment

Gross rental income from the Group's Hong Kong property investment portfolio, including contributions from joint-venture projects, rose by 11% to HK\$7,198 million for the period under review. The increase came from positive rental reversions, higher rents for new leases and contributions from the recently launched V City mall. Occupancy of the portfolio remained high at approximately 95%.

The Group keeps its rental portfolio in superior condition and competitive with regular re-positioning and upgrading, and it emphasizes quality building management and long-lasting relationships with tenants. The Group also strives to optimize its portfolio through periodic reviews with an eye to disposing of non-core assets.

Retail Portfolio

The Group has one of the largest shopping mall networks with over ten million square feet of retail space, spreading over the territory of Hong Kong. The retail portfolio performed well with high occupancy and increased rents during the period under review. The Group continued to enhance portfolio competitiveness with various efforts and initiatives including renovations and reconfigurations of the existing malls and additions of new projects.

Chairman's Statement

A new contributor to the Group's rental income is the 270,000-square-foot V City above MTR Tuen Mun Station. This conveniently-located mall has recorded increasing visitor numbers and retail sales since its opening in August 2013 and is evolving into a new shopping hub, greatly enhancing the retail landscape with a much wider retailer mix for the shoppers in the district.

Several new retail projects are also in the pipeline. The one-million-square-foot YOHO Mall in Yuen Long along the West Rail is a conglomeration of a new shopping centre and two existing malls, including Sun Yuen Long Centre that has been undergoing renovation to facilitate its integration into the mega shopping hub. When fully completed and launched, this project is set to become a key regional shopping centre in New Territories West, replicating the success of New Town Plaza in New Territories East.

Another future addition will be the retail mall underneath a residential development on the North Point waterfront. On completion, this 120,000-square-foot mall is expected to synergize with the Group's nearby seafront hotel project. The Group is also developing a 300,000-square-foot shopping mall at Nam Cheong Station, which serves as the interchange of the West Rail and Tung Chung lines plus a bus terminal. These additions will further enlarge the Group's diversified retail portfolio and reinforce its leading role in the market.

Both shopping centres in prime shopping districts and regional shopping malls of the Group continued to record high occupancies and heavy visitor traffic. IFC Mall in Central recorded strong increases in rents following the recent tenant mix refinement. Across the harbour, The Sun Arcade in Tsim Sha Tsui is a favourite with tourists and offers a wide selection from trendy fashions to luxury brands. APM mall in Kowloon East was fully occupied and recorded growth in shopper numbers and sales, along with higher rents. The mall has a free shuttle bus to and from the new Kai Tak cruise terminal. New Town Plaza in Sha Tin saw double-digit growth in shopper spending with attractive new shops such as renowned electronics brands and jewellery retailers. Landmark North has a wide catchment with direct access from MTR Sheung Shui Station, and it recently brought in more international cosmetics retailers as part of its continuous tenant-mix refinement. The mall saw an increase in traffic and delivered good results with high occupancy and rising rents.

The Group makes continuous enhancements to its retail portfolio to draw shoppers and boost tenants' business. Grand Century Place in Mong Kok is being reconfigured to offer a fresh look. It will be re-positioned as a one-stop retail magnet with increased appeal to local shoppers and tourists. Significant rental growth is expected upon full completion in the first quarter of 2015. Major renovations are also planned for Metroplaza, which has a direct connection to MTR Kwai Fong Station.

Office Portfolio

The Group's office portfolio recorded high occupancies and increased rents during the period under review. Renovation of existing properties allows the Group to maintain its competitiveness in Hong Kong's office market and enhance the portfolio's rental performance. The Group recently finished renovations to 26 Nathan Road in Tsim Sha Tsui among other projects, and more work is either underway or being planned for several other developments including One IFC in Central.

The Group's International Commerce Centre (ICC) is the anchor of the business hub in West Kowloon. The landmark skyscraper is the tallest building in Hong Kong with world-class building specifications, and it is well-served by comprehensive transportation and auxiliary facilities. Occupancy was high and positive rental reversions were achieved. There has been solid demand for space from local and multinational companies, largely in the financial services sector.

Chairman's Statement

With its premium brand, superior quality and strategic location above MTR Hong Kong Station in Central, International Finance Centre is always the preferred choice of leading corporates in the territory. Occupancy and rents remained high, with concrete demand from quality tenants, particularly mainland financial companies and international firms seeking to gain a foothold in Hong Kong.

Millennium City in Kwun Tong is well recognized as the most premium office cluster and market leader in the new business hub of Kowloon East. The Group continuously strives to maintain its competitive edges of superior building standards and quality management. Spot rents stayed firm amid high occupancy due to solid demand from a wide range of tenants, particularly IT, consumer-product trading firms and companies that value flexibility for future expansion.

In addition to the large office cluster in Kwun Tong, the Group's other office buildings in decentralized areas, including Metroplaza in Kwai Fong that has recently completed its renovation, also performed well with high occupancies during the period under review. Positive rental reversions were also recorded in the overall portfolio in these decentralized areas.

Property Business — Mainland

Land Bank

The Group made a significant site acquisition in Xujiahui in Shanghai last September for developing a 7.6-million-square-foot integrated project. This brought the Group's mainland land bank to an attributable 85.6 million square feet as at the end of December 2013. About 75.9 million square feet were properties under development, of which about 65% will be high-end residences or serviced apartments. The rest will be premium offices, shopping malls and hotels. The Group also held 9.7 million square feet of completed investment properties on the mainland, comprising mainly premium offices and shopping centres at prime locations in Shanghai and Beijing.

Property Development

The residential markets in prime mainland cities performed well during the period under review with both transactions and prices rising, underpinned by strong end-user demand and continuing policy support for first-time buyers. Land markets in many key cities were also active with prices rising to high levels.

The Group achieved satisfactory contracted sales of over HK\$4,300 million in attributable terms on the mainland during the period under review, derived mainly from high-end homes in the 70%-owned Forest Hills adjacent to the through-train terminus in Tianhe District in Guangzhou, the 33%-owned grade-A offices Top Plaza as part of the Tianhui Plaza integrated project in Guangzhou and additional batches of luxury homes in Shanghai Arch in Lujiazui.

The Group completed eight residential projects with about 3.5 million square feet of attributable gross floor area on the mainland during the period. Substantial parts of the projects have been pre-sold and customers were deeply impressed with the quality in terms of materials, finishings, landscaping, layouts and designs when they took possession of their units.

Chairman's Statement

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Park Royale Phase 1A	1 Shiling Road East, Huadu, Guangzhou	Residential	100	1,016,000
Jovo Town Phase 2A	Shuangliu County, Chengdu	Residential/Shops	91	557,000
Shanghai Arch Phase 1	Pu Ming Road, Lujiazui, Shanghai	Residential	100	538,000
Lake Genève Phase 1	888 Jinjihu Avenue, Suzhou	Residential	90	453,000
Taihu International Community Phase 6	Taihu New City, Wuxi	Residential	40	435,000
Lake Dragon Phase 2B	Dragon Lake Community, Huadu, Guangzhou	Residential	60	240,000
ICC Residence	99 Xiangyang Road South, Shanghai	Residential	100	216,000
The Riviera Phase 1B	59 Linjiang Road, Guangzhou	Residential	33.3	88,000
Total				3,543,000

The Group's mainland developments are proceeding as planned. The superstructure of the 660,000-square-foot prime Top Plaza office project in Zhujiang New Town in Guangzhou was topped out in the second half of 2013. Construction of the office tower at Forest Hills in Tianhe District in Guangzhou with total gross floor area of 360,000 square feet commenced in the second half of 2013 and the project is expected to be ready for pre-sale in the second half of 2014. The construction of Oriental Bund phase 1A in Foshan, an 80%-owned, 670,000-square-foot premium residential project, is also progressing well and will be launched for pre-sale soon.

Property Investment

The mainland investment portfolio has become an important contributor to the Group's rental income. Gross rental income derived from the mainland, including contributions from joint-venture projects, rose by 56% year on year to HK\$1,537 million during the period under review, accounting for 17% of the Group's total gross rental income. The increase was primarily driven by positive rental reversions, higher rents on new leases and additional contributions from new investment properties such as IAPM in Shanghai. The Group follows a selective and focused approach to developing mainland business and continues to expand its investment property portfolio in major cities. Future expansion will further reinforce the Group's foundation and brand recognition on the mainland, and is expected to fuel the Group's earnings growth in future.

The Group has a significant presence in Shanghai with two signature integrated complexes, Shanghai IFC and Shanghai ICC, and continues to benefit from the role of Shanghai as a leading financial centre and the development of a key pilot free trade zone in the city. The Group further expanded its exposure in the city with its latest acquisition of the large Xujiahui Centre project.

Chairman's Statement

Shanghai IFC in the heart of Pudong is an integrated development with a direct connection to a metro station. The Shanghai IFC mall stands out in the city with its comprehensive collection of flagship stores for international luxury brands and restaurants serving international cuisine. It is virtually fully leased, with increased retail sales and rents. Leasing performance of the office towers was encouraging with more tenants committed to taking up space over the past few months. Interest from potential tenants for the limited available space remains keen.

The opening of IAPM mall in August 2013 was a milestone towards the full completion of the Shanghai ICC integrated project in the core of Puxi. The 1.3-million-square-foot mall above an interchange of three metro lines houses many top international luxury names, offering visitors an innovative late-night shopping experience. The mall is now fully leased with over 90% of the shops open. Tenant sales have also exceeded expectations. Pre-leasing of the Two ICC offices is underway and the response has been promising with numerous enquiries from major multinationals and noted mainland corporations. Completion of Two ICC is scheduled for financial year 2014/15. Occupancy of the One ICC office tower was high and tenants included many renowned multinationals.

The Xujiahui Centre project acquired last September is in the commercial core of Xuhui district, with direct access to the Xujiahui metro station that links three major lines. It will have 7.6 million square feet of gross floor area, comprising premium grade-A offices, high-end retail space and a luxury hotel. The premium office space of approximately four million square feet will include an office skyscraper, one of the tallest in Puxi, which is expected to be a prestigious address for multinational companies. There will also be around three million square feet of retail space, including an up-scale shopping mall that is expected to be as successful as the Group's other two landmark developments in the city, namely Shanghai IFC mall and IAPM.

The Group plans to pre-sell a substantial part of the office floor area in the initial phases of the Xujiahui Centre project beginning in 2015. The expected sales proceeds, principally from offices, will largely finance the construction of subsequent phases, while the majority of the floor area in the project, including the shopping mall, will be held as a long-term investment. Construction will begin in 2014.

Another project in the pipeline is the 35%-owned Minhang integrated project above Xinzhuang metro station, which is a busy transport hub at an interchange of two existing lines and one new line under construction. On completion, this integrated complex will comprise luxury residential units and serviced apartments, quality grade-A offices, a premium hotel and a 1.5-million-square-foot high-end shopping mall.

The Group also makes strategic forays into the investment property markets in other major cities. Two shopping malls are being developed in prime areas of Guangzhou. The first is the 50%-owned Hong Cheng project with 900,000 square feet of retail space on four levels. This premium mall is in the busy Tianhe retail zone adjacent to a metro station serving two lines and a rapid transit system. Pre-leasing has elicited a good response and completion of the mall is scheduled by the end of 2014. The second will be a shopping mall as part of the 33%-owned Tianhui Plaza, which is a complex being developed in the Zhujiang New Town business district with a direct link to Liede metro station. The one-million-square-foot premium shopping mall is surrounded by luxury hotels and high-end residences, and is expected to be completed in financial year 2015/16.

The country's capital is home to the Group's Beijing APM mall in the city's prime Wangfujing commercial district. It houses a variety of stylish retailers and popular restaurants that appeal to young locals. Traffic continued to rise and tenant sales posted double-digit growth during the period under review. New beauty and children's zones are being planned to attract more shoppers.

Chairman's Statement

Other Businesses

Hotel

The Group's hotel portfolio in Hong Kong recorded satisfactory performance with high average occupancy of over 90% during the period under review, benefitting from growing mainland visitor numbers. The Group's four Royal brand hotels maintained their average occupancy at over 95%, while the Group's luxury hotels in core areas including Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong further bolstered their leading positions in the market with solid growth in revenue per available room during the period. The Group's premium hotels in the neighbourhood of a rising business district — Holiday Inn Express Hong Kong Kowloon East and Crowne Plaza Hong Kong Kowloon East — also saw satisfactory business performance after opening for a year or so.

The Ritz-Carlton Shanghai, Pudong registered continuous growth in occupancy and its food and beverage business strengthened during the period, despite increasing competition in the market.

The Group's hotel portfolio will continue to expand in coming years. In Hong Kong, planning of a 600-room hotel at Siu Lek Yuen in Sha Tin is being finalized after the payment of premium for land-use conversion. The construction of a waterfront hotel with close to 700 rooms in North Point is expected to start later this year. Several hotel projects as parts of integrated developments are also being planned or developed in key mainland cities. Construction of a hotel as part of the Tianhui Plaza integrated project in Guangzhou is proceeding well and another one in Suzhou is about to commence construction this year. On completion, these hotels will further strengthen the Group's recurrent income and market position in the hospitality industry over time.

Telecommunications and Information Technology

SmarTone

During the period under review, SmarTone achieved a modest increase in local mobile service revenue net of handset subsidy, compared with the same period last year. Profitability was affected by increased network operating costs from strongly rising data usage, higher depreciation from completion of the 4G network, and reduced handset margins. SmarTone will continue to focus on its goal of delivering comprehensive experiences to customers with its extensive network, useful apps and outstanding customer care. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision maintained stable growth in both revenue and profit for the period under review. It acquired a site in Tseung Kwan O to build a new high-tier data centre scheduled for completion by the end of 2017 to further boost business growth and shareholder returns. This will additionally enhance its capacity to meet customer needs in location, space and service quality. SUNeVision will continue to seek business development opportunities to bolster its position as a major carrier-neutral data centre in Hong Kong.

Infrastructure and other businesses

The Group's infrastructure and transport businesses remained healthy during the period under review. Performance of the Wilson Group was solid, and traffic on the Route 3 (Country Park Section) rose steadily. Business at the Hong Kong Business Aviation Centre remained satisfactory. The Airport Freight Forwarding Centre recorded revenue growth, benefitting from the stable warehouse demand sustained by the local retail sector. Business at the River Trade Terminal continued to be affected by the sluggish shipping market. The Group's infrastructure projects are all in Hong Kong and will provide steady income streams over the long term.

Chairman's Statement

Corporate Finance

The Group adheres to conservative financial policies as evidenced by its low gearing, abundant liquidity and high interest coverage. Net debt to shareholders' funds stood at 12.9% as at 31 December 2013 and has been maintained at a healthy level below 20% after making the full payment of the land premium for the Xujiahui Centre project in Shanghai in January 2014.

Market responses were very positive to the Group's fund raising activities. After the Group arranged a RMB4,900 million three-year syndicated term loan on the mainland in December 2013, a HK\$14,000 million five-and-a-half-year term loan/revolving syndicated credit facility at competitive terms drew staggering responses from local and international financial institutions in January 2014. This month the Group also issued a US\$400 million ten-year bond that will be callable in February 2019 and every six months thereafter. These efforts lengthened the Group's maturity profile and expanded its funding base.

The Group has attained the highest credit ratings among Hong Kong property companies, which give it greater access to the bond market. Moody's revised its outlook on the Group upward from negative to stable and affirmed the Group's rating at A1 in November 2013 and Standard & Poor's maintained the Group's rating at A+ with negative outlook.

Exchange rate risks for the Group are small with the majority of its borrowings denominated in Hong Kong dollars. The Group has not entered into any derivatives or structured-product transactions for speculative purposes.

Corporate Governance

The Group is dedicated to ensuring high standards of corporate governance in all aspects of its businesses with an effective Board of Directors, well-developed systems and internal controls, as well as a proactive investor relations programme.

The Board appointed two additional Executive Directors effective 1 December 2013 to further strengthen the management structure. The Board now comprises 20 Directors who are respected experts from various industries with extensive professional and management expertise, and seven of them are Independent Non-Executive Directors (INEDs). The Executive Committee, consisting of all Executive Directors and four senior executives, meets regularly to set business policies and make key business decisions.

There are also Audit, Nomination and Remuneration committees in place and chaired by INEDs. The Board maintains and consistently assesses the effectiveness of the internal control system through regular reviews performed by the Audit Committee, management and both internal and external auditors. All these ensure that the Group's businesses are run efficiently and that its assets and shareholders' interests are safeguarded.

The Group puts great emphasis on interactive communications with stakeholders to maintain a high level of transparency and it provides them with relevant corporate information on a timely basis through various channels including press releases, annual and interim reports and formal announcements. All such information is available on the Group's website. Other investor relations initiatives include holding frequent meetings and conference calls, staging overseas non-deal road shows and participating in major investment conferences to strengthen relationships with investors worldwide.

Chairman's Statement

These ongoing efforts in corporate governance have won the Group widespread international recognition, including being named Best Real Estate Company in Asia and Best Corporate Governance, Hong Kong by *FinanceAsia* magazine. *Euromoney* named the Group Best Managed Company in the Real Estate/Property Sector in Asia and Best Overall Developer in Hong Kong. The Group also won a Platinum Award for its excellence in areas including corporate governance and investor relations from *The Asset* magazine.

Sustainable Development

The Group believes in Building Homes with Heart, to offer customers the finest properties and make the community a better place for all. In a bid to achieve sustainability at both the corporate and wider society levels, the Group is constantly enhancing product and service quality, working to develop and retain talent, investing in the community and helping protect the environment.

The Group published its third stand-alone sustainability report this year using the latest version of the Global Reporting Initiative framework, which is the internationally-recognized standard for such reports. Considerable emphasis was put on consulting a broader set of stakeholders, including customers, employees, investors, the media and more, to assess the relevance of specific environmental, social and governance issues to them, so that the Group's businesses can better cater to the social needs and expectations of sustainable development.

The Group always strives to offer premium products and service to customers. It was the first developer in Hong Kong with designated teams to ensure smooth handovers of new properties to buyers. It also reinforced its industry leadership in offering superior products and service with the launch of the SHKP Quality Campaign in November last year. The Group's guarantee on newly-sold flats in Hong Kong was extended to three years and it set up the SHKP Quality Academy with guest lecturers training staff in diverse disciplines spanning architecture, construction, engineering, customer service and more.

Award-winning property-management subsidiaries of the Group, Hong Yip and Kai Shing, continue to deliver premium service to residents, and provide first-class customer care for tenants of the Group's commercial and industrial buildings and shopping malls. Apart from property management, SHKP Club is the largest property customer-relations club in Hong Kong, with membership exceeding 330,000 during the period. It promotes two-way communication with members and potential customers and offers a broad spectrum of property, shopping and dining benefits, including member-buyer incentive programmes.

High-calibre staff are essential to the Group's continued success, so it strives to attract, develop and retain the best talent. To sustain business development, the Group places high emphasis on training with various professional and tailor-made programmes to unleash the full potential of its 37,000 staff. Children of Hong Kong and mainland staff are eligible for the ongoing SHKP Group Undergraduate Scholarships Scheme as another staff caring initiative.

The Group was active in community efforts during the period under review. The second Race to ICC-100 — SHKP Vertical Run for the Chest became an international sporting event as the grand finale of the 2013 Vertical World Circuit and saw a three-fold rise in the number of runners to top 1,000. All money raised in the event went toward child and youth services. The Group also sponsored the Community Chest Corporate Challenge for the 19th year to raise funds for local social organizations.

Chairman's Statement

The new SHKP Reading Club set up in December 2013 is a vehicle to encourage reading for enjoyment by organizing workshops, guided cultural tours and seminars with celebrity speakers. The Group provides assistance to the needy through its Building Homes with Heart Caring Initiative, under which senior citizens received lucky gift bags and shared festive joy with SHKP volunteers. Meant for the general public, the Guinness World Record-holding ICC Light and Music Show sends a positive message to the community by telling stories of Hong Kong featuring the endurance and unceasing spirit of its citizens.

A greener environment gets a boost as the Group strives to reduce energy consumption in buildings while keeping a pleasant living and work place. More new buildings are constructed to qualify for certification under international and local building rating schemes such as BEAM Plus and LEED, and the Group joins various energy-saving campaigns to combat climate change. Other efforts to raise public awareness of conservation include teaching young people about Hong Kong's ecology in an engaging way with eco-tours and workshops in the Group's long-term Love Nature Campaign.

PROSPECTS

Global economic growth is expected to pick up modestly in the year ahead, with the US economic recovery gathering pace and the European economy showing further signs of improvement. Despite uncertainties arising from the QE tapering in the US, the likely rise in US treasury yields and large movements in cross-border fund flows in emerging economies, the major central banks' commitment to keep low or near zero policy interest rates for longer will help shore up global economic growth.

The mainland economy is expected to show steady growth in the coming year, stimulated by the gradual unfolding of various reform measures that were unveiled in the "Third Plenum" held last November. Restructuring the hukou system and loosening the one-child policy will boost domestic demand, including demand for housing. All these will bode well for the mainland's economy and property sector over the long term.

Hong Kong economic growth is expected to improve modestly in 2014, benefitting from recovering external trade growth and healthy consumer spending, from both locals and tourists. In the residential sector, while the government's demand-side management measures will keep constraining investment and non-local demand, solid local end-user demand supported by growing household income and low mortgage rates will continue to underpin primary market activities. Private housing completions will remain limited in the near term, though residential land supply is on the rise.

The Group will continue to adhere to the goal of achieving a balance for earnings from property sales and investment properties. The Group will continue to acquire land selectively via various channels, and hence increase its residential production for sale over the medium term, particularly small- to medium-sized units. In the mainland market, the Group will focus on the key mainland cities including Beijing, Shanghai and Guangzhou. The Group is also committed to boosting its market leading position by providing customers with the best products and premium service.

With various new projects being offered for sale over the next nine months in Hong Kong and on the mainland, the Group is confident that these projects will continue to be well received by the market. In addition to Riva in Yuen Long being launched with good responses in February, residential projects in Hong Kong to be launched will include Mount One in Fanling, The Wings IIIA and IIIB in Tseung Kwan O and premium apartments in Tung Chung. The majority of the units will be of small-to-medium size. Upcoming projects including premium offices in Kwun Tong and Wong Chuk Hang, as well as selected non-core properties, are planned for sale. Major mainland projects include additional batches of Shanghai Arch at Lujiazui, premium homes and shops at Oriental Bund in Foshan and high-end offices at Forest Hills in Guangzhou.

Chairman's Statement

The Group will continue to strengthen the market position and competitiveness of its rental portfolio not only through constant renovation, tenant-mix refinement and market re-positioning, but also through further expansion of the scale, in particular the network of shopping malls. Future new malls in Hong Kong include YOHO Mall at West Rail Yuen Long Station, a premium mall atop Nam Cheong Station in West Kowloon, and a high-end mall built on a waterfront site in North Point. On the mainland, major malls such as the Hong Cheng retail project and Tianhui Plaza in Guangzhou, together with malls in the Xujiahui Centre project and the Minhang project in Shanghai are being developed. These new malls will add over five million square feet of shopping mall area to the Group's portfolio in attributable terms. The Group's leading position in shopping mall leasing, particularly in Hong Kong and Shanghai, will be further enhanced upon their gradual completion.

The hotel portfolio of the Group will further expand with the development of new hotels in Hong Kong and on the mainland. These include a premium hotel on the North Point waterfront and another in Sha Tin, Hong Kong, together with hotels that are part of the Group's integrated projects on the mainland. When completed, these hotels are expected to further strengthen the Group's brand-name and create synergy with other projects.

The Group's rental income will continue to see solid growth in the year ahead, on the back of sustained high occupancies, continuing positive rental reversions and the full-year contribution from IAPM mall in Shanghai. Over the medium term, the expanding rental property portfolio, together with the growing hotel portfolio, will significantly boost the Group's recurrent income. The share of rental income from the mainland in the Group's overall recurrent income will also increase meaningfully over time.

The Group always strives to work for the betterment of society along with creating value for shareholders. In addition to offering the finest homes for customers and building quality commercial premises, the Group always contributes to society through charity works and environmental protection initiatives. To cope with challenges arising from the rapidly changing environment and unforeseen circumstances, the Group will continue to uphold its high standard of corporate governance, formulate flexible business plans and maintain a prudent financial management policy with strong liquidity and low gearing. All these coupled with strong recurring rental income and robust property sales proceeds will enable the Group to grasp the right opportunities and lay a foundation for new heights in future.

With all these positive developments, the Group's results for the current financial year are expected to be satisfactory, barring unforeseen circumstances.

CHANGE IN DIRECTORS

Mr. Tung Chi-ho, Eric and Mr. Fung Yuk-lun, Allen were appointed as Executive Directors of the Company effective 1 December 2013. Having been with the Group since 1987, Mr. Tung's wealth of experience in overseeing and managing a number of signature projects will continue to contribute to the Group's sustained business development. Mr. Fung's diverse exposure in management consulting and public service will benefit the Group's future development.

With effect from 27 January 2014, Mr. Kwok Ping-sheung, Walter resigned as a Non-Executive Director of the Company due to his other personal commitments.

APPRECIATION

We would like to take this opportunity to express our gratitude to our fellow directors for their guidance and to all the staff for their dedication and hard work.

Kwok Ping-kwong, Thomas
Chairman & Managing Director

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 28 February 2014

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF SUN HUNG KAI PROPERTIES LIMITED

(incorporated in Hong Kong with limited liability)

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 17 to 38, which comprise the consolidated statement of financial position as at 31 December 2013, and the related consolidated income statement, consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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

28 February 2014

Consolidated Income Statement

For the six months ended 31 December 2013
(Expressed in millions of Hong Kong dollars)

		(Unaudited) Six months ended 31 December	
		2013	2012
	Notes		
Revenue	2	32,506	31,777
Cost of sales		(17,755)	(17,289)
Gross profit		14,751	14,488
Other net income		445	507
Selling and marketing expenses		(1,615)	(2,236)
Administrative expenses		(1,079)	(973)
Operating profit before change in fair value of investment properties	2	12,502	11,786
Increase in fair value of investment properties		8,689	10,430
Operating profit after change in fair value of investment properties		21,191	22,216
Finance costs		(1,101)	(1,009)
Finance income		141	73
Net finance costs	3	(960)	(936)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$1,569 million (2012 : HK\$1,850 million)) of:			
Associates		163	361
Joint ventures		2,908	3,387
	2	3,071	3,748
Profit before taxation	4	23,302	25,028
Taxation	5	(3,829)	(2,175)
Profit for the period		19,473	22,853
Attributable to:			
Company's shareholders		19,027	22,515
Non-controlling interests		446	338
		19,473	22,853
Interim dividend at HK\$0.95 (2012: HK\$0.95) per share		2,570	2,524
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	6(a)		
Basic and diluted		\$7.12	\$8.60
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	6(b)		
Basic and diluted		\$3.98	\$4.41

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2013
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2013	2012
Profit for the period	19,473	22,853
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translating financial statements of foreign operations	735	297
Fair value gains on cash flow hedge	178	—
Available-for-sale investments		
— fair value (losses)/gains	(95)	398
— fair value (gains)/losses transferred to income statement on disposal	(222)	21
	(317)	419
Share of other comprehensive income of associates and joint ventures		
— exchange difference on translating financial statements of foreign operations	152	199
Other comprehensive income for the period	748	915
Total comprehensive income for the period	20,221	23,768
Total comprehensive income for the period attributable to:		
Company's shareholders	19,725	23,409
Non-controlling interests	496	359
	20,221	23,768

Consolidated Statement of Financial Position

As at 31 December 2013
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) 31 December 2013	(Audited) 30 June 2013
Non-current assets			
Investment properties	7	268,854	258,849
Fixed assets	8	23,978	22,788
Associates		3,914	3,891
Joint ventures		50,713	49,643
Loan receivables	9	736	801
Other financial assets	10	2,901	3,375
Intangible assets		4,740	4,937
		355,836	344,284
Current assets			
Properties for sale		136,744	132,938
Inventories		390	307
Debtors, prepayments and others	11	26,602	18,191
Other financial assets	12	907	705
Bank deposits and cash		18,121	16,471
		182,764	168,612
Current liabilities			
Bank and other borrowings		(8,985)	(8,060)
Trade and other payables	13	(27,284)	(22,753)
Deposits received on sale of properties		(12,500)	(15,031)
Taxation		(5,344)	(5,473)
		(54,113)	(51,317)
Net current assets			
		128,651	117,295
Total assets less current liabilities			
		484,487	461,579
Non-current liabilities			
Bank and other borrowings		(61,122)	(56,570)
Deferred taxation		(15,373)	(13,803)
Other long-term liabilities		(557)	(677)
		(77,052)	(71,050)
Net assets			
		407,435	390,529
Capital and reserves			
Share capital	14	1,352	1,335
Share premium and reserves		401,237	384,577
Shareholders' funds			
		402,589	385,912
Non-controlling interests			
		4,846	4,617
Total equity			
		407,435	390,529

Directors:

Kwok Ping-kwong, Thomas

Kwok Ping-luen, Raymond

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2013
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2013	2012
Net cash from operating activities	499	2,348
Net cash used in investing activities	(98)	(3,310)
Net cash from/(used in) financing activities		
— net drawdown of bank and other borrowings	5,432	1,032
— dividends paid to shareholders	(3,062)	(1,681)
— dividends paid to non-controlling interests	(271)	(247)
— others	(441)	(1,000)
	1,658	(1,896)
Increase/(decrease) in cash and cash equivalents	2,059	(2,858)
Cash and cash equivalents at beginning of period	13,989	14,243
Effect of foreign exchange rates changes	61	20
Cash and cash equivalents at end of period	16,109	11,405
Analysis of the balances of cash and cash equivalents at end of period		
Bank deposits and cash	18,121	11,551
Bank overdrafts	(176)	(140)
	17,945	11,411
Less: Bank deposits with original maturities greater than three months	(1,830)	—
Pledged bank deposits	(6)	(6)
	16,109	11,405

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013
(Expressed in millions of Hong Kong dollars)

	Unaudited								
	Attributable to Company's shareholders								
	Share capital	Share premium	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total
At 1 July 2012	1,308	40,782	867	1,161	6,805	295,636	346,559	4,400	350,959
Profit for the period	—	—	—	—	—	22,515	22,515	338	22,853
Other comprehensive income for the period	—	—	—	416	478	—	894	21	915
Total comprehensive income for the period	—	—	—	416	478	22,515	23,409	359	23,768
Recognition of equity-settled share-based payments	—	—	10	—	—	—	10	11	21
Dividend paid (2012 final dividend HK\$2.40 per share)	20	4,577	—	—	—	(6,278)	(1,681)	—	(1,681)
Adjustments relating to changes in interests in a subsidiary	—	—	5	—	—	—	5	5	10
Contribution from non-controlling interests	—	—	—	—	—	—	—	152	152
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(252)	(252)
At 31 December 2012	1,328	45,359	882	1,577	7,283	311,873	368,302	4,675	372,977
At 1 July 2013	1,335	46,880	902	1,469	8,163	327,163	385,912	4,617	390,529
Profit for the period	—	—	—	—	—	19,027	19,027	446	19,473
Other comprehensive income/(expenses) for the period	—	—	178	(317)	837	—	698	50	748
Total comprehensive income for the period	—	—	178	(317)	837	19,027	19,725	496	20,221
Issue of shares, net of expenses	—	2	—	—	—	—	2	—	2
Recognition of equity-settled share-based payments	—	—	12	—	—	—	12	4	16
Dividend paid (2013 final dividend HK\$2.40 per share)	17	3,331	—	—	—	(6,410)	(3,062)	—	(3,062)
Adjustments relating to changes in interests in a subsidiary	—	—	—	—	—	—	—	1	1
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(272)	(272)
At 31 December 2013	1,352	50,213	1,092	1,152	9,000	339,780	402,589	4,846	407,435

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The condensed interim 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 accounting policies adopted in the interim financial statements are consistent with those set out in the annual financial statements for the year ended 30 June 2013, except for the changes set out below.

(b) Changes in accounting policies

In the current period, the Group has applied, for the first time, the following new and revised standards, and amendments to Hong Kong Financial Reporting Standards (collectively, “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 July 2013.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 Cycle
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKFRS 7	Disclosures — offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement

HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC)-Int 12 “Consolidation — special purpose entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. The adoption of HKFRS 10 has not had any financial impact on the Group.

HKFRS 11 Joint arrangements

HKFRS 11 replaces HKAS 31 “Interests in joint ventures”, and the guidance contained in a related interpretation, HK(SIC)-Int 13 “Jointly controlled entities — non-monetary contributions by venturers”, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangements, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and are recognised on a line-by-line basis to the extent of the joint operator’s interest in the joint operation. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and are required to be accounted for using the equity method in the Group’s consolidated financial statements. Proportional consolidation of joint arrangements is no longer permitted. The Group has reclassified all jointly controlled entities to joint ventures and all jointly controlled assets to joint operations in the consolidated financial statements. It is not expected that this new standard will have a significant impact on the Group’s results and financial position.

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (cont'd)

(b) Changes in accounting policies (cont'd)

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions. HKFRS 13 contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of these disclosures are specifically required in the interim financial statements for financial instruments and accordingly, the Group provides these disclosures in note 18 to the interim financial statements.

Other than as further explained above regarding the impact of HKFRS 10, HKFRS 11 and HKFRS 13, the adoption of the other new HKFRSs has no significant impact on the Group's results and financial position.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but not yet effective for the current period and which may be relevant to the Group.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 Cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 Cycle ²
Amendments to HKAS 19	Defined benefit plans : employee contributions ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ¹
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
HKFRS 9	Financial instruments ³
HK(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION

Segment profit represents the profit earned by each segment without allocation of central administration expenses, other net income, net finance costs and change in fair value of investment properties. This is the measure 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 2013

	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	6,474	3,059	17	12	6,491	3,071
Mainland China	5,463	1,934	1,726	625	7,189	2,559
Singapore	—	—	—	(4)	—	(4)
	11,937	4,993	1,743	633	13,680	5,626
Property rental						
Hong Kong	5,882	4,451	1,316	1,090	7,198	5,541
Mainland China	1,460	1,021	77	52	1,537	1,073
Singapore	—	—	343	265	343	265
	7,342	5,472	1,736	1,407	9,078	6,879
Hotel operation	1,998	538	341	104	2,339	642
Telecommunications	6,531	431	—	—	6,531	431
Transportation, infrastructure and logistics	1,796	557	1,409	98	3,205	655
Other businesses	2,902	674	183	46	3,085	720
	32,506	12,665	5,412	2,288	37,918	14,953
Other net income		445		—		445
Unallocated administrative expenses		(608)		—		(608)
Operating profit before change in fair value of investment properties		12,502		2,288		14,790
Increase in fair value of investment properties		8,689		1,355		10,044
Operating profit after change in fair value of investment properties		21,191		3,643		24,834
Net finance costs		(960)		(142)		(1,102)
Profit before taxation		20,231		3,501		23,732
Taxation						
— Group		(3,829)		—		(3,829)
— Associates		—		(10)		(10)
— Joint ventures		—		(420)		(420)
Profit for the period		16,402		3,071		19,473

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION (cont'd)

For the six months ended 31 December 2012

	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	13,327	5,395	668	219	13,995	5,614
Mainland China	444	(214)	2,560	952	3,004	738
Singapore	—	—	99	56	99	56
	13,771	5,181	3,327	1,227	17,098	6,408
Property rental						
Hong Kong	5,271	3,910	1,211	999	6,482	4,909
Mainland China	920	629	67	39	987	668
Singapore	—	—	332	258	332	258
	6,191	4,539	1,610	1,296	7,801	5,835
Hotel operation	1,722	400	307	106	2,029	506
Telecommunications	5,888	615	—	—	5,888	615
Transportation, infrastructure and logistics	1,713	501	1,351	94	3,064	595
Other businesses	2,492	565	151	43	2,643	608
	31,777	11,801	6,746	2,766	38,523	14,567
Other net income		507		—		507
Unallocated administrative expenses		(522)		—		(522)
Operating profit before change in fair value of investment properties		11,786		2,766		14,552
Increase in fair value of investment properties		10,430		1,984		12,414
Operating profit after change in fair value of investment properties		22,216		4,750		26,966
Net finance costs		(936)		(148)		(1,084)
Profit before taxation		21,280		4,602		25,882
Taxation						
— Group		(2,175)		—		(2,175)
— Associates		—		(31)		(31)
— Joint ventures		—		(823)		(823)
Profit for the period		19,105		3,748		22,853

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

Other net income includes mainly from net gain on disposal of investment properties, net investment income from equity and bond investments.

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

3. NET FINANCE COSTS

	Six months ended 31 December	
	2013	2012
Interest expenses on		
Bank loans and overdrafts	622	639
Other loans wholly repayable within five years	178	203
Other loans not wholly repayable within five years	421	315
	1,221	1,157
Notional non-cash interest accretion	43	48
Less: Amount capitalized	(163)	(196)
	1,101	1,009
Interest income on bank deposits	(141)	(73)
	960	936

4. PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2013	2012
Profit before taxation is arrived at after charging:		
Cost of properties sold	6,153	7,124
Cost of inventories sold	3,701	2,927
Depreciation and amortization	730	615
Amortization of intangible assets (included in cost of sales)	201	201
Operating lease rentals for land and buildings, assets, transmission sites and leased lines	697	606
Staff costs (including directors' emoluments and retirement schemes contributions)	3,028	2,726
Share-based payments	16	21
and crediting:		
Profit on disposal of available-for-sale investments	198	96
Dividend income from listed and unlisted investments	60	69
Interest income from listed and unlisted debt securities	35	36
Fair value gains on financial assets at fair value through profit or loss	58	88

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

5. TAXATION

	Six months ended	
	31 December	
	2013	2012
Current taxation		
Hong Kong profits tax	1,304	1,741
Under provision in prior years	—	1
	1,304	1,742
Tax outside Hong Kong	1,094	117
	2,398	1,859
Deferred taxation charge		
Change in fair value of investment properties	1,221	281
Other origination and reversal of temporary differences	210	35
	1,431	316
	3,829	2,175

Hong Kong profits tax is provided at the rate of 16.5 per cent (2012: 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.

6. 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\$19,027 million (2012 : HK\$22,515 million).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 2,673,330,639 (2012: 2,618,412,123). For the periods ended 31 December 2013 and 2012, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the adjusted exercise prices of these options calculated in accordance with HKAS 33 "Earnings per share" are higher than the average market price of the shares for the relevant periods.

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

6. EARNINGS PER SHARE (cont'd)

(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\$10,644 million (2012: HK\$11,546 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	
	2013	2012
Profit attributable to the Company's shareholders as shown in the consolidated income statement	19,027	22,515
Increase in fair value of investment properties	(8,689)	(10,430)
Effect of corresponding deferred tax charges	1,221	281
Realized fair value gains of investment properties disposed net of deferred tax	535	1,000
Share of results of associates and joint ventures		
— fair value gains of investment properties	(1,355)	(1,984)
— effect of corresponding deferred tax (credits)/charges	(214)	134
	(8,502)	(10,999)
Non-controlling interests	119	30
Net effect of changes in the valuation of investment properties	(8,383)	(10,969)
Underlying profit attributable to the Company's shareholders	10,644	11,546

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

7. INVESTMENT PROPERTIES

(a) Movement during the period

	<u>Completed</u>	<u>Under development</u>	<u>Total</u>
Valuation			
At 1 July 2013	237,659	21,190	258,849
Additions	727	879	1,606
Transfer upon completion	5,434	(5,434)	—
Disposals	(25)	—	(25)
Transfer to fixed assets			
— properties under development	—	(854)	(854)
— other properties	(29)	—	(29)
Exchange difference	595	23	618
Increase in fair value	8,069	620	8,689
At 31 December 2013	<u>252,430</u>	<u>16,424</u>	<u>268,854</u>

(b) Value of properties shown above comprises:

	<u>31 December 2013</u>
Properties in Hong Kong held under	
Long lease (not less than 50 years)	31,588
Medium-term lease (less than 50 years but not less than 10 years)	180,362
Properties outside Hong Kong held under	
Long lease (not less than 50 years)	1,550
Medium-term lease (less than 50 years but not less than 10 years)	55,354
	<u>268,854</u>

- (c) The Group's investment properties were revalued at 31 December 2013 and 30 June 2013 by Knight Frank Petty Limited, independent professional valuers, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors.

8. FIXED ASSETS

During the period, additions to fixed assets amounted to HK\$1,034 million and net book value of fixed assets disposed of amounted to HK\$28 million.

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

9. LOAN RECEIVABLES

	31 December	30 June
	2013	2013
Loan receivables	845	840
Less: Amount due within one year included under current assets	(109)	(39)
	736	801

Loan receivables include mortgage loan receivables which are secured on properties and repayable by monthly instalments with various tenors not more than 20 years at the end of the reporting period and carry interest at rates with reference to banks' lending rates.

10. OTHER FINANCIAL ASSETS

	31 December	30 June
	2013	2013
Available-for-sale debt securities		
Listed debt securities, overseas	790	871
Listed debt securities, Hong Kong	155	153
Unlisted debt securities	—	57
	945	1,081
Available-for-sale equity securities		
Listed equity securities, overseas	581	894
Listed equity securities, Hong Kong	1,099	1,101
Unlisted equity securities	276	299
	1,956	2,294
	2,901	3,375
Market value of listed securities		
Listed overseas	1,371	1,765
Listed in Hong Kong	1,254	1,254
	2,625	3,019

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

11. DEBTORS, PREPAYMENTS AND OTHERS

	31 December 2013	30 June 2013
Debtors, deposits and prepayments	16,108	14,188
Deposits for acquisition of properties	9,672	3,331
Amounts due from customers for contract works	114	79
Short-term loans	105	36
Derivative financial instruments	603	557
	26,602	18,191

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 respectively contracts.

Included in debtors, prepayments and others of the Group are trade debtors of HK\$9,247 million (30 June 2013: HK\$6,534 million), of which 83% aged less than 60 days, 8% between 61 to 90 days and 9% more than 90 days (30 June 2013: 88%, 1% and 11% respectively).

12. OTHER FINANCIAL ASSETS

	31 December 2013	30 June 2013
Financial assets at fair value through profit or loss		
Listed equity securities, overseas	27	10
Listed equity securities, Hong Kong	644	576
	671	586
Available-for-sale debt securities maturing within one year		
Listed debt securities, overseas	180	119
Unlisted debt securities	56	—
	236	119
	907	705

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

13. TRADE AND OTHER PAYABLES

	31 December 2013	30 June 2013
Creditors and accrued expenses	24,336	19,917
Amounts due to customers for contract works	22	7
Amounts due to non-controlling interests	2,792	2,742
Derivative financial instruments	134	87
	27,284	22,753

Included in trade and other payables of the Group are trade creditors of HK\$2,333 million (30 June 2013: HK\$2,108 million), of which 77% are aged less than 60 days, 3% between 61 to 90 days and 20% more than 90 days (30 June 2013: 72%, 3% and 25% respectively).

14. SHARE CAPITAL

	Number of shares in million	Amount
Authorized:		
Ordinary shares of \$0.50 each		
At beginning and end of current period	2,900	1,450
Issued and fully paid:		
Ordinary shares of \$0.50 each		
At beginning of current period	2,671	1,335
Issue of shares	34	17
At end of current period	2,705	1,352

On 19 December 2013, the Company issued and allotted 33,577,171 new fully paid shares of HK\$0.50 each in the Company at HK\$99.70 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2013 final dividends pursuant to the scrip dividend schemes announced by the Company on 22 November 2013. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 20 December 2012, the Company issued and allotted 41,033,218 new fully paid shares of HK\$0.50 each in the Company at HK\$112.04 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2012 final dividends pursuant to the scrip dividend schemes announced by the Company on 23 November 2012. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

During the six months ended 31 December 2013, 13,000 shares (2012: Nil) were issued on exercise of share options.

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

15. SHARE OPTION SCHEMES

The Company has a share option scheme which was adopted on 15 November 2012 (“the New Scheme”) to replace a former scheme previously adopted on 5 December 2002 (“the Old 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.

The Old Scheme

Upon the termination of the Old Scheme, no further share options could be granted but the outstanding share options granted shall continue to be valid and exercisable in accordance with its provisions.

- (i) Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2013 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				At 31 December 2013
			At 1 July 2013	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	4,032,000	—	—	(120,000)	3,912,000
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	2,356,000	—	—	(378,000)	1,978,000
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	1,376,000	—	(13,000)	(115,000)	1,248,000
			7,764,000	—	(13,000)	(613,000)	7,138,000
Weighted average exercise prices (HK\$)			110.37	—	96.15	111.93	110.26

Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2012 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				At 31 December 2012
			At 1 July 2012	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	4,480,000	—	—	(304,000)	4,176,000
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	2,866,000	—	—	(474,000)	2,392,000
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	—	1,408,000	—	—	1,408,000
			7,346,000	1,408,000	—	(778,000)	7,976,000
Weighted average exercise prices (HK\$)			113.55	96.15	—	113.30	110.36

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

15. SHARE OPTION SCHEMES (cont'd)

The Old Scheme (cont'd)

(ii) Details of share options exercised during the six months ended 31 December 2013 are as follows:

Exercise date	Exercise price	Share price at exercise date	Number of share options exercised
22 July 2013	HK\$96.15	HK\$102.10	3,000
25 July 2013	HK\$96.15	HK\$103.10	3,000
7 August 2013	HK\$96.15	HK\$102.60	4,000
15 October 2013	HK\$96.15	HK\$103.30	3,000
			13,000

The New Scheme

Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2013 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2013	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	At 31 December 2013
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	—	1,112,000	—	—	1,112,000
			—	1,112,000	—	—	1,112,000
	Weighted average exercise prices (HK\$)		—	102.30	—	—	102.30

During the six months ended 31 December 2012, no share options were granted under the New Scheme.

Details of the share options granted by the Company and the assessment of fair value of the share options granted during the period was stated in the paragraphs under the heading "Share Option Schemes" in the other information section of this interim report.

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

16. RELATED PARTY TRANSACTIONS

During the period, the Group undertook various transactions with related parties. The following is a summary of significant transactions between the Group and related parties which were carried out in the normal course of the Group's business at similar terms to other customers or suppliers and at market prices:

	Associates		Joint ventures	
	Six months ended 31 December		Six months ended 31 December	
	2013	2012	2013	2012
Interest income	1	2	32	53
Rental income (a)	—	—	1	1
Rental expenses (a)	—	—	21	20
Other revenue from services rendered (b)	21	14	25	9
Purchase of goods and services (b)	—	—	186	170

- (a) The Group has, in the normal course of the business, entered into lease agreements to lease premises to and from related parties. The leases were entered into on normal commercial terms.
- (b) Purchase of goods and services from and rendering of services to related parties were conducted in the normal course of business at prices and on terms comparable to those contracted with other suppliers/customers of the Group.
- (c) Bank and other borrowings under current liabilities included an amount of HK\$500 million due to a related company, which is controlled by certain discretionary trusts where certain directors of the Company are the beneficiaries of those trusts. The amount is unsecured, bears interest at effective rate per annum of 0.46% (2012: 0.48%) by reference to Hong Kong Interbank Offered Rate plus a margin and is repayable within one year. Interest expense for the period was HK\$1 million (2012: HK\$1 million). This is a connected transaction which fulfils certain exemption requirements from any disclosure or other obligations contained in Rule 14A.65(4) of the Listing Rules.

17. CONTINGENT LIABILITIES AND COMMITMENTS

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

	31 December 2013	30 June 2013
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	14,504	1,204
Authorized but not contracted for	1,720	1,978
(b) Group's share of capital commitments of joint ventures		
Contracted but not provided for	507	694
(c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK\$1,054 million (30 June 2013: HK\$1,100 million) and other guarantees of HK\$4 million (30 June 2013: HK\$4 million).		

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Listed investments and unlisted debt securities are stated at quoted market prices. The fair value of unlisted equity securities is determined by using valuation techniques which are based on observable market data. Unlisted equity investments for which fair values cannot be reliably measured are stated at cost less impairment losses.

The fair values of trade receivables, bank deposits, trade payables, accruals and short-term borrowings approximate to their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair values of currency swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair values of forward foreign exchange contracts is determined by using the forward exchange rates at the end of the reporting period and comparing them to the contractual rates.

The carrying amounts of mortgage loan receivables, which carry variable interest rates and reprice with reference to market changes, approximate their fair values.

The fair values of the long-term borrowings as estimated by discounting their future cash flows at the prevailing market borrowing rates at the reporting date for similar borrowings.

The carrying amounts of other financial assets and liabilities in the financial statements are not materially different from their fair values.

There were no transfer between level 1 and level 2 and no change in valuation techniques during the period.

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (cont'd)

The following tables present the carrying value of financial instruments that are measured at fair value at end of reporting period, categorised across the levels of fair value hierarchy defined as follows:

Level 1 Fair values measured at quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair values measured using inputs, other than quoted prices included in level 1, that are observable for the asset or liability, either directly or indirectly.

As at 31 December 2013

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities	1,181	—	1,181
Available-for-sale equity securities	1,680	123	1,803
Financial assets at fair value through profit or loss			
Listed equity securities	671	—	671
Derivative financial instruments			
Interest rate swaps	—	362	362
Currency swaps	—	63	63
Forward foreign exchange contract	—	178	178
	3,532	726	4,258
Financial liabilities			
Derivative financial instruments			
Currency swaps	—	134	134

Notes to the Interim Financial Statements

(Expressed in millions of Hong Kong dollars)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (cont'd)

As at 30 June 2013

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities	1,200	—	1,200
Available-for-sale equity securities	1,995	147	2,142
Financial assets at fair value through profit or loss			
Listed equity securities	586	—	586
Derivative financial instruments			
Interest rate swaps	—	472	472
Currency swaps	—	85	85
	3,781	704	4,485
Financial liabilities			
Derivative financial instruments			
Currency swaps	—	87	87
	—	87	87

The fair values of long-term borrowings estimated by discounting their future cash flows at the prevailing market borrowing rates at the end of reporting period for similar borrowings are as follows:

	Carrying amount		Fair value	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
Secured bank loans	1,247	1,451	1,247	1,451
Unsecured bank loans	26,683	21,341	26,614	21,371
Other unsecured loans	33,192	33,778	33,536	34,371
	61,122	56,570	61,397	57,193

19. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current period's presentation.

Financial Review

REVIEW OF RESULTS

Profit attributable to the Company's shareholders for the six months ended 31 December 2013 was HK\$19,027 million, a decrease of HK\$3,488 million or 15.5% compared to HK\$22,515 million for the same period last year, resulting mainly from lower investment property valuation surplus, lower profit recognition of property sales in Hong Kong and higher effective tax charge due to increased profit contribution from the mainland. The reported profit for the current period has included an increase in fair value of investment properties net of related deferred taxation and non-controlling interests of HK\$8,918 million (2012: HK\$11,969 million).

Underlying profit attributable to the Company's shareholders for the six months ended 31 December 2013, excluding the net effect of fair value changes on investment properties, was HK\$10,644 million, a decrease of HK\$902 million or 7.8% compared to HK\$11,546 million for the corresponding period last year.

Property sales reported a total profit of HK\$5,626 million, which fell year-on-year by 12.2% or HK\$782 million, mainly due to fewer sales of Hong Kong residential projects but partly compensated by increased profit contributions from residential property sales in the mainland. Profit from property sales recognized during the period mainly derived from The Cullinan, Shouson Peak, i•UniQ Residence and i•UniQ Grand in Hong Kong totaling HK\$3,071 million (2012: HK\$5,614 million) and from Shanghai Arch Phase 1 and Lake Genève Phase 1 in the mainland totaling HK\$2,559 million (2012: HK\$738 million).

Net rental income grew 17.9% or HK\$1,044 million to HK\$6,879 million over the same period last year, driven by positive rental reversions and contributions from new investment properties both in Hong Kong and the mainland, including V City in MTR Tuen Mun Station, IAPM mall and IFC Residence in Shanghai.

Profit contribution from telecommunication segment decreased by HK\$184 million or 29.9% to HK\$431 million, largely due to drop in local mobile service revenue and roaming revenue reflecting fierce market competition. Profit contribution from hotel segment increased by HK\$136 million or 26.9% to HK\$642 million, as sustained by continued improvement in operating margin as well as positively benefited from the re-opening of hotel facilities at the Royal Plaza Hotel following the completion of the major renovation work.

FINANCIAL RESOURCES AND LIQUIDITY

(a) Net debt and gearing

As at 31 December 2013, the Company's shareholders' funds increased by HK\$16,677 million to HK\$402,589 million or \$148.9 per share from HK\$385,912 million or \$144.5 per share at the previous year end.

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 31 December 2013, calculated on the basis of net debt to Company's shareholders' funds, was 12.9% compared to 12.5% at 30 June 2013. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 11.6 times compared to 10.9 times for the previous period.

Financial Review

As at 31 December 2013, the Group's gross borrowings totalled HK\$70,107 million. Net debt, after deducting bank deposits and cash of HK\$18,121 million, amounted to HK\$51,986 million, an increase of HK\$3,827 million since 30 June 2013. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2013	30 June 2013
	HK\$ Million	HK\$ Million
Repayable:		
Within one year	8,985	8,060
After one year but within two years	9,766	9,269
After two years but within five years	29,515	23,765
After five years	21,841	23,536
Total bank and other borrowings	70,107	64,630
Bank deposits and cash	18,121	16,471
Net debt	51,986	48,159

The Group has also procured substantial committed and undrawn banking facilities, most of which are arranged on a medium to long term basis, which helps minimize refinancing risk and provides the Group with strong financing flexibility.

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.

(b) Treasury policies

The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 31 December 2013, about 79% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 21% through operating subsidiaries.

The Group's foreign exchange exposure was small given its large asset base and operational cash flow primarily denominated in Hong Kong dollars. As at 31 December 2013, about 61% of the Group's bank and other borrowings were denominated in Hong Kong dollars, 24% in US dollars and the remaining 15% in Renminbi for financing property projects on the mainland.

The Group's bank and other borrowings are principally arranged on a floating rate basis. For some of the fixed rate notes issued by the Group, interest rate swaps have been used to convert the rates to floating rate basis. As at 31 December 2013, about 58% of the Group's bank and other borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis and 42% were on fixed rate basis. The use of derivative instruments is strictly controlled and solely for management of 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 2013, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK\$4,123 million and currency swaps (to hedge principal repayment of foreign currency borrowings) in the aggregate notional principal amount of HK\$7,474 million.

Financial Review

As at 31 December 2013, about 66% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 31% in Renminbi and 3% in United States dollars.

As at 31 December 2013, the Group has entered into forward foreign exchange contracts in the aggregate notional principal amount of HK\$21,470 million to hedge a foreign currency exposure on a firm commitment for acquisition of land.

CHARGES OF ASSETS

As at 31 December 2013, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$7 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\$7,739 million have been charged, majority of which were for securing their bank borrowings on the mainland. Except for the above charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK\$1,058 million (30 June 2013: HK\$1,104 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-kwong, Thomas

Hon DBA, Hon DEng, MSc (Bus Adm), BSc (Eng), FCPA(Aust.), SBS, JP
Chairman & Managing Director (Age: 62)

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 a Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 36 years. Mr. Kwok holds a Master's degree in Business Administration from The London Business School, University of London, and a Bachelor's degree in Civil Engineering from Imperial College, University of London. He also holds an Honorary Doctorate in Engineering from The Hong Kong Polytechnic University and an Honorary Doctorate in Business Administration from The Open University of Hong Kong. He is a fellow of The Hong Kong Management Association and also a fellow of The Australia Certified Public Accountants. Mr. Kwok is also chairman of Route 3 (CPS) Company Limited, joint chairman of IFC Development Limited and an independent non-executive director of The Bank of East Asia, Limited. He was a non-executive director of SUNeVision Holdings Ltd.

He is chairman of the board of directors of the Faculty of Business and Economics, The University of Hong Kong. He is also an executive vice president and a member of the executive committee of The Real Estate Developers Association of Hong Kong. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Mr. Kwok the Silver Bauhinia Star for his distinguished community service.

In the past, Mr. Kwok served as a government appointed member of the Commission on Strategic Development, a member of the Exchange Fund Advisory Committee, the Construction Industry Council, the Council for Sustainable Development, Business Facilitation Advisory Committee, and as a non-official member of the Provisional Minimum Wage Commission. He also previously served as a board member of the Community Chest of Hong Kong and as a council member of the Hong Kong Construction Association.

Mr. Kwok is an Honorary Citizen of Guangzhou and a Standing Committee member of the Chinese People's Political Consultative Conference Shanghai Committee.

Mr. Kwok is an elder brother of Mr. Kwok Ping-luen, Raymond. He 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 Mr. Kwok Kai-fai, Adam and an uncle of Mr. Kwok Ho-lai, Edward.

For the year ended 30 June 2013, Mr. Kwok received a fee of HK\$320,000 for being Chairman of the Company. Also, he received other emoluments of a total of approximately HK\$2.39 million, including a fee of approximately HK\$10,000 for being a director of SUNeVision Holdings Ltd. for the period from 1 July 2012 to 1 November 2012.

Other Information

KWOK Ping-luen, Raymond

Hon LLD, Hon DBA, MBA, MA (Cantab), JP
Chairman & Managing Director (Age: 60)

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 a Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 35 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. He is the chairman of SUNeVision Holdings Ltd. and 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 director of The Real Estate Developers Association of Hong Kong, a member of the General Committee of The Hong Kong General Chamber of Commerce and vice chairman of the council of The Chinese University of Hong Kong.

Mr. Kwok is a younger brother of Mr. Kwok Ping-kwong, Thomas. He 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 Mr. Kwok Ho-lai, Edward and an uncle of Mr. Kwok Kai-fai, Adam.

For the year ended 30 June 2013, Mr. Kwok received a fee of HK\$320,000 for being Chairman of the Company. Also, he received other emoluments of a total of approximately HK\$2.65 million, including fees of approximately HK\$40,000 and HK\$150,000 for being 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: 86)

Dr. Lee has been a Non-Executive Director of the Company for the last 42 years. He is the founder and chairman and managing director of Henderson Land Development Company Limited and Henderson Investment Limited. He has been engaged in property development in Hong Kong for more than 55 years. He is also chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited. He was an independent non-executive director of The Bank of East Asia, 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 2013, Dr. Lee received 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: 58)

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 both the Executive Committee and the Special 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. He is currently responsible for project management matters of the Group's development projects.

For the year ended 30 June 2013, Mr. Wong received a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$17.76 million.

LUI Ting, Victor

BBA

Deputy Managing Director (Age: 59)

Mr. Lui has been an Executive Director and a Deputy Managing Director of the Company since April 2012 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 2013, Mr. Lui received a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$17.55 million.

YIP Dicky Peter

MBA, BBS, MBE, JP

Independent Non-Executive Director (Age: 67)

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of both the Audit 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. He is currently an independent non-executive director of South China (China) Limited and Ping An Insurance (Group) Company of China, Ltd., and an independent director of DSG International (Thailand) PLC.

Other Information

Mr. Yip joined the Institute of International Finance in July 2012 as chief representative for the Asia-Pacific Region. He is also a China consultant of PricewaterhouseCoopers. He is an elected associated member of the Chartered Institute of Bankers, London. Mr. Yip 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. He 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 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 organisations 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 2013, Mr. Yip received fees of HK\$300,000 for being a Director of the Company, HK\$240,000 for being a member of the Audit 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: 61)

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, and a member of the Special 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 CK Life Sciences Int'l., (Holdings) Inc., Great Eagle Holdings Limited, Orient Overseas (International) Limited, Pacific Century Premium Developments Limited and The Link Management Limited as the manager of The Link Real Estate Investment Trust. In addition, Professor Wong was a member of the managing board of the Kowloon-Canton Railway Corporation.

For the year ended 30 June 2013, Professor Wong received 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.

Other Information

Dr. LI Ka-cheung, Eric

LLD, DSocSc., B.A., GBS, OBE, JP

Independent Non-Executive Director (Age: 60)

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 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 senior partner of Li, Tang, Chen & Co., Certified Public Accountants. He is also an independent non-executive director of Transport International Holdings Limited, Wong's International Holdings Limited, Hang Seng Bank Limited, China Resources Enterprise, Limited and RoadShow Holdings Limited. He retired as an independent non-executive director of Bank of Communications Co., Ltd. in June 2013.

Dr. Li is a member of The 12th National Committee of 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 2013, Dr. Li received fees of HK\$300,000 for being a Director of the Company, HK\$280,000 for being the Chairman of the Audit Committee of the Company and HK\$60,000 for being a member of the Remuneration Committee of the Company. Also, he received other emoluments of a total of HK\$240,000 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: 65)

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 and by The Hong Kong Polytechnic University.

Dr. Fung has been the group chairman of Li & Fung Limited since May 2012 and before that, was the executive deputy chairman (2011–May 2012) and the group managing director (1986–2011) of Li & Fung Limited. He also serves as a non-executive director of Convenience Retail Asia Limited and Trinity Limited. He is a director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. Dr. Fung is also an independent non-executive director of VTech Holdings Limited, Shui On Land Limited and The Hongkong and Shanghai Hotels, Limited, and an independent director of Singapore Airlines 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 Pacific Economic Cooperation Committee (1993–2002). 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 2013, Dr. Fung received a fee of HK\$300,000 for being a Director of the Company.

Other Information

Dr. LEUNG Nai-pang, Norman

LLD, GBS, JP

Independent Non-Executive Director (Age: 73)

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

Dr. Leung has been active in public service for over 30 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, chairman of the Broadcasting Authority from 1997 to 2002 and council chairman of City University of Hong Kong from 1997 to 2003. He is the Pro-Chancellor of City University of Hong Kong.

For the year ended 30 June 2013, Dr. Leung received fees of HK\$300,000 for being a Director of the Company, and a fee of approximately HK\$37,315 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company for the period from 16 November 2012 to 30 June 2013.

LEUNG Kui-king, Donald

BSc

Independent Non-Executive Director (Age: 57)

Mr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit 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 is currently 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 2013, Mr. Leung received fees of HK\$300,000 for being a Director of the Company and approximately HK\$149,260 for being a member of the Audit Committee of the Company for the period from 16 November 2012 to 30 June 2013.

Other Information

LEUNG KO May-ye, Margaret

SBS, JP

Independent Non-Executive Director (Age: 61)

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, Hong Kong Exchanges and Clearing Limited and QBE Insurance Group Limited. She was also appointed as an independent non-executive director of China Construction Bank Corporation with effect from 12 December 2013, and the deputy chairman, managing director and an executive director of Chong Hing Bank Limited with effect from 14 February 2014. She was an independent non-executive director of Swire Pacific Limited and Hutchison Whampoa Limited.

Mrs. Leung is a member of the board of directors and the finance committee of the Hospital Authority, and the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR. She is also a council member and member of the finance committee of The University of Hong Kong, a court member of the Hong Kong Baptist University and the chairman of the executive committee of The Community Chest of Hong Kong. Mrs. Leung was the chairman of the board of governors of Hang Seng Management College and Hang Seng School of Commerce, 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 and the Banking Review Tribunal.

For the year ended 30 June 2013, Mrs. Leung received a fee of approximately HK\$100,274 for being a Director of the Company for the period from 1 March 2013 to 30 June 2013.

Sir Po-shing WOO

Hon.LLD., FCI Arb, F.I.Mgt., FlntD, FHKMA

Non-Executive Director (Age: 84)

Sir Po-shing Woo has been a Non-Executive Director of the Company since August 1972. He was admitted to practise as solicitor in England and Hong Kong and is also a fellow of The Hong Kong Management Association, The Chartered Institute of Arbitrators, The Institute of Management and The Institute of Directors of England. He was awarded an Hon.LLD. by City University of Hong Kong and is a fellow of King's College of London as well as honorary professor of Nankai University of Tianjin. He is also the founder of the Woo Po Shing Medal in Law and the Woo Po Shing Overseas Summer School Travelling Scholarship, both at The University of Hong Kong, and the Woo Po Shing Professor (Chair) of Chinese and Comparative Law at City University of Hong Kong. Sir Po-shing Woo is also a director of Henderson Development Limited. He was a non-executive director of Henderson Land Development Company Limited. He is the father of Mr. Woo Ka-biu, Jackson.

For the year ended 30 June 2013, Sir Po-shing Woo received a fee of HK\$300,000 for being a Director of the Company.

Other Information

KWAN Cheuk-yin, William

LLB

Non-Executive Director (Age: 79)

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of 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 51 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, elected member of Scout Counsel of Hong Kong, president of the Hong Kong Branch of the King's College London Association, president of the Hong Kong Philatelic Society, life 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, 2004 and 2009 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 2013, Mr. Kwan received 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.

WONG Yick-kam, Michael

MBA, BBA

Non-Executive Director (Age: 61)

Mr. Wong has been a Non-Executive Director of the Company since January 2010. He is also the Chairman of the Special Committee and a member of the Audit Committee of the Company. He was an Executive Director of the Company from January 1996 to December 2009 and had been with the Group for 28 years before he retired from his executive director's roles. After his retirement, Mr. Wong served as the Group Principal Advisor until December 2013. He obtained his Bachelor of Business Administration and Master of Business Administration degrees from The Chinese University of Hong Kong.

Mr. Wong was the chairman of the Hong Kong Youth Hostels Association and is now a member of the Association's Executive Committee. He is a member of the Government of the Hong Kong Special Administrative Region's Steering Committee on Child Development Fund, Steering Committee on Promotion of Electric Vehicles, Social Welfare Advisory Committee, Steering Committee of the Pilot Green Transport Fund, and Social Innovation and Entrepreneurship Development Fund Task Force of the Commission on Poverty. He is also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, and a member and treasurer of the Council of The Open University of Hong Kong.

For the year ended 30 June 2013, Mr. Wong received fees of HK\$300,000 and HK\$240,000 for being a Director and a member of the Audit Committee of the Company respectively.

Other Information

CHAN Kui-yuen, Thomas

B Comm

Executive Director (Age: 67)

Mr. Chan has been an Executive Director of the Company since September 1987. He is also a member of the Executive Committee of the Company. He joined the Group in 1973 and is now responsible for land acquisitions and project planning matters. He graduated from the United College, The Chinese University of Hong Kong and was awarded as honorary university fellowship of The Open University of Hong Kong in 2007. Mr. Chan was a non-executive director of SUNeVision Holdings Ltd.

Mr. Chan is a committee member of Infrastructure Development Advisory Committee of Hong Kong Trade Development Council and China Sub-Committee of The Real Estate Developers Association of Hong Kong. In addition, he is a director of The Hong Kong Vietnam Chamber of Commerce and a member of the MBA Advisory Board of the Faculty of Business and Economics of The University of Hong Kong.

In the past, Mr. Chan was a council member of The Open University of Hong Kong and a member of the Health Care Study Group of The Bauhinia Foundation Research Centre. He was also an ordinary member of the Estate Agents Authority and a committee member of Land Sub-Committee of Land and Development Advisory Committee.

For the year ended 30 June 2013, Mr. Chan received a fee of HK\$300,000 for being a Director of the Company. Also, he received other emoluments of a total of approximately HK\$11.86 million, including a fee of approximately HK\$10,000 for being a director of SUNeVision Holdings Ltd. for the period from 1 July 2012 to 1 November 2012.

KWONG Chun

Executive Director (Age: 84)

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 Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, and the grandmother of Messrs. Kwok Kai-fai, Adam 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 2013, Mr. Kwong received a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$5.10 million.

Other Information

CHAN Kwok-wai, Patrick

MBA, FCPA, FCCA, FCPA (Aust.), ACIS, TEP, AFP

Executive Director & Chief Financial Officer (Age: 57)

Mr. Chan has been an Executive Director and the Chief Financial Officer of the Company since July 2009. He is also a member of the Executive Committee of the Company. He obtained a Master of Business Administration degree from the University of Warwick, England in 1993. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants (“ACCA”) as well as the CPA Australia. He is also a member of The Institute of Chartered Secretaries and Administrators and the Society of Trust and Estate Practitioners, and an associate financial planner of the Institute of Financial Planners of Hong Kong.

Mr. Chan started his career at Ernst & Young and worked for a number of banks and listed companies in Hong Kong. He joined Hang Seng Bank Limited (“Hang Seng”) in 1995, of which he became chief financial officer in 1998. He also sat on the executive committee of Hang Seng, and was an executive director of Hang Seng from 2005 till 2009. Mr. Chan was previously a vice-chairman of Hang Seng Bank (China) Limited, and a director, an executive committee member and a remuneration committee member of Industrial Bank Co., Ltd.

Mr. Chan is a member of the Hong Kong Special Administrative Region (“HKSAR”) Government Scholarship Fund Investment Committee, the Investment Sub-committee of the Beat Drugs Fund Association HKSAR and Self-financing Post-secondary Education Fund Investment Committee, a council member of the Hong Kong Examinations and Assessment Authority (“HKEAA”), chairman of the finance committee of the HKEAA, and a member of the Standing Committee on Language Education and Research. He is also a member of the Board of Directors and the 2013/14 Campaign Committee of The Community Chest of Hong Kong, a vice chairman of the General Committee and chairman of the Corporate Governance Affairs Committee of The Chamber of Hong Kong Listed Companies. He is convenor of the Working Group of Finance Directors/Financial Controllers of The Real Estate Developers Association of Hong Kong and a member of the Professional Development Sub-committee of the ACCA Hong Kong. He is a director of Hang Seng School of Commerce, a member of the Board of Governors of Hang Seng Management College Limited, and chairman of the finance committee of both institutions. Mr. Chan is an advisory board member of several universities in Hong Kong and a member of the Investment Committee of the Foundation of Tsinghua University Centre for Advanced Study Co. Ltd.

For the year ended 30 June 2013, Mr. Chan received a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$16.98 million.

Other Information

TUNG Chi-ho, Eric

BA(AS)Hons, BArch, HKIA, Registered Architect, Authorized Person (List of Architects)
Executive Director (Age: 54)

Mr. Tung was appointed as an Executive Director of the Company with effect from 1 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, sale and marketing responsibilities for a number of signature projects of the Group in Hong Kong, Singapore and the mainland. He has been an executive director of Sun Hung Kai Real Estate Agency Limited since December 1999. He is also an executive director of SUNeVision Holdings Ltd.

Mr. Tung is entitled to a fee of HK\$300,000 per annum for being a Director of the Company and other projected cash emoluments of a total of approximately HK\$15.69 million per annum, including emoluments of HK\$42,000 per annum for being a director of SUNeVision Holdings Ltd.

FUNG Yuk-lun, Allen

BA, Ph.D.
Executive Director (Age: 45)

Mr. Fung was appointed as an Executive Director of the Company with effect from 1 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 was appointed as a non-executive director of SmarTone Telecommunications Holdings Limited with effect from 18 December 2013. He was also appointed as a non-executive director of SUNeVision Holdings Ltd. and Transport International Holdings Limited both with effect from 1 January 2014.

Mr. Fung joined McKinsey and 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 the chairman of the Hong Kong Society for the Protection of Children, a council member of The Hong Kong Federation of Youth Groups and The Hong Kong Management Association, and a member of the executive committee of The Hong Kong Council of Social Service. He is also an advisory member of the Faculty of Business and Economics at The University of Hong Kong.

Mr. Fung is entitled to a fee of HK\$300,000 per annum for being a Director of the Company and other projected cash emoluments of HK\$15 million per annum. He is also entitled to fees of HK\$30,000 and HK\$120,000 per annum for being a director of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited respectively.

Other Information

KWOK Kai-fai, Adam

MBA, BSc

Alternate Director to KWOK Ping-kwong, Thomas (Age: 30)

Mr. Kwok was appointed as an Alternate Director to Mr. Kwok Ping-kwong, Thomas in July 2012. He 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 currently is a project manager taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region.

Mr. Kwok is a son of Mr. Kwok Ping-kwong, Thomas and 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 Mr. Kwok Ho-lai, Edward.

KWOK Ho-lai, Edward

BA

Alternate Director to KWOK Ping-luen, Raymond (Age: 33)

Mr. Kwok was appointed as an Alternate Director to Mr. Kwok Ping-luen, Raymond in 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. 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. He 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 and a nephew of Mr. Kwok Ping-kwong, Thomas. 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 Mr. Kwok Kai-fai, Adam.

WOO Ka-biu, Jackson

MA (Oxon)

Alternate Director to Sir Po-shing WOO (Age: 51)

Mr. Woo was appointed as an Alternate Director to Sir Po-shing Woo in October 2002. He holds a Master's degree in Jurisprudence from Oxford University and is qualified as a solicitor in Hong Kong, Australia, England and Wales. He is an honorary director of Tsinghua University, a China-Appointed Attesting Officer appointed by the Ministry of Justice, PRC. Mr. Woo is a director of Kailey group of companies. He had previously been a director of N M Rothschild & Sons (Hong Kong) Limited and then a partner of Ashurst Hong Kong. Prior to that, he was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. Mr. Woo is an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and Henderson Land Development Company Limited. He was an alternate director to Sir Po-shing Woo who was a non-executive director of Henderson Land Development Company Limited. In January 2008, Mr. Woo was awarded 2008 World Outstanding Chinese Award by the United World Chinese Association and Honorary Doctor Degree from The University of West Alabama. He is the son of Sir Po-shing Woo.

Other Information

Save as disclosed above, all the Directors and Alternate Directors did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas and do not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

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 re-election at the general meeting or the annual general meeting of the Company. For the Non-Executive Directors (including the Independent Non-Executive Directors), they will be 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 and approved by the shareholders of the Company at the annual general meeting and their other emoluments are subject to review by the Board 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 senior management of the Group.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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				Total	Number of underlying shares held under equity derivatives ¹	Total	% of shares in issue as at 31.12.2013
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of corporation)	Other interests				
Kwok Ping-kwong, Thomas	2,138,155	314,137	—	441,017,096 ^{2&4}	443,469,388	100,000 <i>(personal interests)</i>		
						48,000 <i>(family interests)</i>	443,617,388	16.40
Kwok Ping-luen, Raymond	81,142	—	—	444,418,279 ^{3&4}	444,499,421	100,000	444,599,421	16.44
Lee Shau-kee	486,340	—	343,000 ⁵	—	829,340	—	829,340	0.03
Wong Chik-wing, Mike	200,950	—	—	—	200,950	100,000	300,950	0.01
Lui Ting, Victor	60,000	—	—	—	60,000	100,000	160,000	0.01
Wong Yue-chim, Richard	—	1,000	—	—	1,000	—	1,000	0.00
Li Ka-cheung, Eric	—	4,028	—	—	4,028	—	4,028	0.00
Fung Kwok-lun, William	220,000	9,500	—	—	229,500	—	229,500	0.01
Leung Nai-pang, Norman	—	10,000	—	—	10,000	—	10,000	0.00
Leung Kui-king, Donald	—	2,000	—	—	2,000	—	2,000	0.00
Leung Ko May-yee, Margaret	15,214	3,000	—	—	18,214	—	18,214	0.00
Kwok Ping-sheung, Walter	75,000	—	—	21,984,175	22,059,175	—	22,059,175 ⁶	0.82
<i>(resigned with effect from 27 January 2014)</i>								
Woo Po-shing	1,408,907	—	—	—	1,408,907	—	1,408,907	0.05
Wong Yick-kam, Michael	180,780	—	—	—	180,780	—	180,780	0.01
Chan Kui-yuen, Thomas	—	66,000	126,500 ⁷	—	192,500	100,000	292,500	0.01
Kwong Chun	762,722	339,358	—	—	1,102,080	40,000	1,142,080	0.04
Chan Kwok-wai, Patrick	—	—	—	—	—	100,000	100,000	0.00
Tung Chi-ho, Eric	—	—	—	—	—	80,000	80,000	0.00
Kwok Kai-fai, Adam	—	—	—	557,094,699 ^{2,4&8}	557,094,699	32,000	557,126,699	20.60
<i>(Alternate Director to Kwok Ping-kwong, Thomas)</i>								
Kwok Ho-lai, Edward	—	—	—	560,495,882 ^{3,4&8}	560,495,882	32,000	560,527,882	20.73
<i>(Alternate Director to Kwok Ping-luen, Raymond)</i>								
Woo Ka-biu, Jackson	—	1,000	—	—	1,000	—	1,000	0.00
<i>(Alternate Director to Woo Po-shing)</i>								

Other Information

Notes:

1. *These underlying shares held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company, details of which are set out in the section headed "Share Option Schemes" below.*
2. *Messrs. Kwok Ping-kwong, Thomas and Kwok Kai-fai, Adam were deemed to be interested in 441,017,096 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 between them.*
3. *Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were deemed to be interested in 444,418,279 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 between them.*
4. *Of the said 441,017,096 shares and 444,418,279 shares in the Company as stated in Notes 2 and 3 above respectively, 35,018,730 shares represented the same interests and were therefore duplicated amongst Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam and Kwok Ho-lai, Edward for the purpose of Part XV of the SFO.*
5. *Dr. Lee Shau-kee was deemed to be interested in the 343,000 shares in the Company held through Superfun Enterprises Limited ("Superfun"). This corporation was wholly-owned by The Hong Kong and China Gas Company Limited ("HK China Gas") which was 41.50% held by Henderson Land Development Company Limited ("Henderson Land"). Henderson Land was taken to be 65.20% held by Henderson Development Limited ("Henderson Development"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of Henderson Development. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as trustees of respective discretionary trusts, held units in the 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 the 343,000 shares in the Company held by Superfun by virtue of Part XV of the SFO.*
6. *The interests in the Company of Mr. Kwok Ping-sheung, Walter as disclosed here are based on his director's notice given under Part XV of the SFO reporting his interests in the Company as at 29 September 2010, of which he became aware on 27 January 2014.*

In addition, according to an individual substantial shareholder's notice dated 30 January 2014 given under Part XV of the SFO, Mr. Kwok Ping-sheung, Walter was, as at 27 January 2014, interested and deemed to be interested in a total of 195,004,751 shares, representing 7.21% of the total issued shares, of the Company for the purpose of Part XV of the SFO.

7. *These shares were held by a company which was obliged to act in accordance with the instructions of Mr. Chan Kui-yuen, Thomas.*
8. *In addition to the deemed interests as stated in Notes 2 to 4 above, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 116,077,603 shares in the Company by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of 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 between them.*

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			Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 31.12.2013
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests				
Kwok Ping-kwong, Thomas	—	—	2,140,000 ¹	2,140,000	—	2,140,000	0.09
Kwok Ping-luen, Raymond	—	—	3,485,000 ^{1&2}	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	—	41,142	—	41,142	0.00
Leung Ko May-yee, Margaret	1,000	2,000	—	3,000	—	3,000	0.00
Wong Yick-kam, Michael	200,000	—	—	200,000	—	200,000	0.01
Kwong Chun	600,000	—	—	600,000	—	600,000	0.03
Kwok Kai-fai, Adam	—	—	11,927,658 ^{1&3}	11,927,658	—	11,927,658	0.51
<i>(Alternate Director to Kwok Ping-kwong, Thomas)</i>							
Kwok Ho-lai, Edward	—	—	13,272,658 ^{1,2&3}	13,272,658	—	13,272,658	0.57
<i>(Alternate Director to Kwok Ping-luen, Raymond)</i>							

Notes:

- Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam 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.
- In addition to the deemed interests as stated in Note 1 above, Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were 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 between them.
- In addition, Messrs. Kwok Kai-fai, Adam 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 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 between 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 shares in issue as at 31.12.2013
	Other interests	Total			
Kwok Ping-luen, Raymond	4,475,534 ¹	4,475,534	—	4,475,534	0.43
Kwok Kai-fai, Adam (Alternate Director to Kwok Ping-kwong, Thomas)	5,937,944 ²	—	—	5,937,944	0.57
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	10,413,478 ^{1&2}	—	—	10,413,478	1.00

Notes:

- Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were deemed to be interested in 4,475,534 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 between them.
- In addition, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 5,937,944 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of 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 between them.

(c) Transport International Holdings Limited

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 31.12.2013
	Personal interests (held as beneficial owner)	Total			
Kwok Ping-luen, Raymond	393,350	393,350	—	393,350	0.10
Kwok Ping-sheung, Walter (resigned with effect from 27 January 2014)	61,522	61,522	—	61,522	0.02

Other Information

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

Name of associated corporation	Attributable shares held through corporation	Attributable % of shares in issue through corporation as at 31.12.2013	Actual shares held through corporation	Actual % of interests in issued shares as at 31.12.2013
Splendid Kai Limited	2,500	25.00	1,500 ¹	15.00
Hung Carom Company Limited	25	25.00	15 ¹	15.00
Tinyau Company Limited	1	50.00	1 ¹	50.00
Open Step Limited	8	80.00	4 ¹	40.00

Note:

1. Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam 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.

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

Name of associated corporation	Total number of shares held	% of shares in issue as at 31.12.2013
Anbok Limited	2 ²	50.00
Billion Ventures Limited	1 ³	50.00
Central Waterfront Property Holdings Limited	100 ⁴	100.00
Central Waterfront Property Investment Holdings Limited	50 ⁵	50.00
CWP Limited	1 ⁶	50.00
Daily Win Development Limited	100 ⁷	25.00
E Man-Sanfield JV Construction Company Limited	1 ⁸	50.00
Everise (H.K.) Limited	1 ⁹	50.00
Fullwise Finance Limited	2 ²	50.00
Gold Sky Limited	1 ¹⁰	50.00
Jade Land Resources Limited	1 ¹¹	25.00
Karnold Way Limited	2,459 ¹²	24.59
Maxfine Development Limited	3,050 ¹³	33.33
Royal Peninsula Management Service Company Limited	1 ¹⁴	50.00
Special Concept Development Limited	1 ¹¹	25.00
Star Play Development Limited	1 ¹⁵	33.33
Tartar Investments Limited	300 ¹⁶	30.00
Teamfield Property Limited	4,918 ¹⁷	49.18
Topcycle Development Limited	1 ¹⁸	50.00
Topcycle Project Management Limited	1 ¹⁸	50.00
World Space Investment Limited	4,918 ¹⁷	49.18

Other Information

Notes:

1. *Dr. Lee Shau-kee was deemed to be interested in the 343,000 shares in the Company held through Superfun. This corporation was wholly-owned by HK China Gas which was 41.50% held by Henderson Land. Henderson Land was taken to be 65.20% held by Henderson Development. Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of Henderson Development. Rimmer and Riddick as trustees of respective discretionary trusts, held units in the 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 the 343,000 shares in the Company held by Superfun by virtue of Part XV of the SFO.*
2. *Dr. Lee Shau-kee was deemed to be interested in the two shares held through Everise (H.K.) Limited. This corporation was 50% held by Masterland Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
3. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Chico Investment Limited ("Chico"). This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
4. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Central Waterfront Property Investment Holdings Limited. This corporation was 34.21% held by Starland International Limited ("Starland"), a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
5. *Dr. Lee Shau-kee was deemed to be interested in a total of 50 shares of which 34.21 shares were held through Starland and 15.79 shares were held through Prominence Properties Limited ("Prominence"). Starland was wholly-owned by Henderson Land. Prominence was wholly-owned by HK China Gas which was 41.50% held by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
6. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Starland. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
7. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Citiright Development Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
8. *Dr. Lee Shau-kee was deemed to be interested in the one share held through E Man Construction Company Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
9. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Masterland Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
10. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Atex Resources Limited. This corporation was wholly-owned by Mightymark Investment Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
11. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Citiplus Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
12. *Dr. Lee Shau-kee was deemed to be interested in the 2,459 shares held through Chico. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*

Other Information

13. *Dr. Lee Shau-kee was deemed to be interested in the 3,050 shares held through Quickcentre Properties Limited. This corporation was 100% held by Henderson (China) Investment Company Limited of which 100% was held by Andcoe Limited, a wholly-owned subsidiary of Henderson China Holdings Limited. This corporation was 100% held by Brightland Enterprises Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
14. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Well Born Real Estate Management Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
15. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Benewick Limited. This corporation was 100% held by Dorway Investment Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
16. *Dr. Lee Shau-kee was deemed to be interested in the 300 shares held through Kenforce Investment Limited. This corporation was wholly-owned by Henderson China Properties Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
17. *Dr. Lee Shau-kee was deemed to be interested in the 4,918 shares held through Billion Ventures Limited. This corporation was 50% held by Chico, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
18. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Dandy Investments Limited. This corporation was a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*

Save as disclosed above, as at 31 December 2013, 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 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 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 Directors in their dealings in the securities of the Company. In response to specific enquiry by the Company, all Directors confirmed that they complied with the Model Code during the six months ended 31 December 2013.

Other Information

SHARE OPTION SCHEMES

1. Share option schemes of the Company

On 5 December 2002, the Company adopted a share option scheme (the "Old Scheme"). Under the Old Scheme, the Board of Directors of the Company (the "Board") shall be entitled at any time within ten years commencing on 5 December 2002 to make an offer for the grant of a share option to any employee as the Board may in its absolute discretion select.

Due to the expiry of the Old Scheme on 5 December 2012 and in order to ensure continuity of a share option scheme for the Company to incentivize its employees, the shareholders of the Company (the "Shareholders") at the annual general meeting of the Company held on 15 November 2012 passed an ordinary resolution to approve the adoption of a new share option scheme (the "New Scheme") and the termination of the Old Scheme.

Following the termination of the Old Scheme on 15 November 2012, no further share options can be granted under the Old Scheme but the provisions of the Old Scheme remain in full force and effect in all other respects in relation to the share options granted under the Old Scheme. All outstanding share options granted under the Old Scheme and yet to be exercised shall remain valid.

Since the adoption of the New Scheme on 15 November 2012, the Company granted 1,272,000 share options under the New Scheme on 12 July 2013. Particulars of the outstanding share options granted under the Old Scheme and the New Scheme and their movements during the six months ended 31 December 2013 were as follows:

Other Information

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				Balance as at 31.12.2013	Closing price per share (HK\$)
				Balance as at 01.07.2013	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period		
(I) Directors									
Kwok Ping-kwong, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	—	—	—	100,000	N/A
Kwok Ping-luen, Raymond	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	—	—	—	100,000	N/A
Wong Chik-wing, Mike	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	—	—	—	100,000	N/A
Lui Ting, Victor	11.07.2012	96.15	11.07.2013 to 10.07.2017	100,000	—	—	—	100,000	N/A
Chan Kui-yuen, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	—	—	—	100,000	N/A
Kwong Chun	12.07.2010	111.40	12.07.2011 to 11.07.2015	40,000	—	—	—	40,000	N/A
Chan Kwok-wai, Patrick	11.07.2011	116.90	11.07.2012 to 10.07.2016	100,000	—	—	—	100,000	N/A
Tung Chi-ho, Eric (appointed with effect from 1 December 2013)	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	—	—	—	80,000 ²	N/A
Kwok Kai-fai, Adam (Alternate Director to Kwok Ping-kwong, Thomas)	12.07.2013	102.30	12.07.2014 to 11.07.2018	N/A	32,000	—	—	32,000	101.70 ³
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	12.07.2013	102.30	12.07.2014 to 11.07.2018	N/A	32,000	—	—	32,000	101.70 ³
(II) Associate of a Director	12.07.2010	111.40	12.07.2011 to 11.07.2015	48,000	—	—	—	48,000	N/A
(III) Other employees	12.07.2010	111.40	12.07.2011 to 11.07.2015	3,544,000	—	—	(120,000)	3,424,000 (80,000) ²	N/A
	11.07.2011	116.90	11.07.2012 to 10.07.2016	2,256,000	—	—	(378,000)	1,878,000	N/A
	11.07.2012	96.15	11.07.2013 to 10.07.2017	1,276,000	—	(13,000)	(115,000)	1,148,000	103.33 ⁴
	12.07.2013	102.30	12.07.2014 to 11.07.2018	N/A	1,048,000	—	—	1,048,000	101.70 ³
Total				7,764,000	1,112,000 ⁵	(13,000)	(613,000)	8,250,000	

Other Information

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. *During the six months ended 31 December 2013, Mr. Tung Chi-ho, Eric, who was granted 80,000 share options in 2010, was appointed as a Director of the Company.*
3. *This represented the closing price of the shares of the Company immediately before the date on which the share options were granted.*
4. *This represented the weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised.*
5. *The Company granted 1,272,000 share options under the New Scheme on 12 July 2013 and subsequently 1,112,000 share options were accepted by the grantees.*
6. *The accounting policy adopted for the share options is set out in note 1t to the financial statements for the year ended 30 June 2013 in the 2012/2013 Annual Report of the Company.*

Save as disclosed above, there were no outstanding share options granted under the Old Scheme and the New Scheme during the six months ended 31 December 2013.

The fair values of the share options granted by the Company were determined by using the Black-Scholes model which is one of the models to estimate the fair value of a share option. The total value of the share options granted on 12 July 2013 under the New Scheme amounting to approximately HK\$17,768,568 was estimated based on the following variables and assumptions:

Risk free interest rate	1.18% ¹
Expected volatility	20.74% ²
Expected dividend	3.27% ³
Expected life of the share options	5 years ⁴

Notes:

1. *This represented the approximate yield of 5-year Exchange Fund Note traded on 12 July 2013.*
2. *This represented the annualized volatility of the closing price of the shares of the Company in the year preceding the date of grant.*
3. *This represented the yield of the expected dividend, being the historical dividend of the shares of the Company in the year preceding the date of grant.*
4. *This was based on the assumption that there was no material difference between the expected volatility over the whole life of the share options and the historical volatility of the shares of the Company in the year preceding the date of grant.*

The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

Other Information

2. Share option schemes of the subsidiaries

(a) SUNeVision

On 3 December 2002, SUNeVision adopted a share option scheme which became effective on 5 December 2002 (the "SUNeVision Old Scheme").

At the extraordinary general meeting of SUNeVision held on 1 November 2011, an ordinary resolution was passed by the shareholders of SUNeVision (the "SUNeVision Shareholders") for approving the adoption of a new share option scheme (the "SUNeVision Proposed Scheme") in contemplation of the transfer of listing of the shares in SUNeVision to the Main Board of the Stock Exchange then proposed and the termination of the SUNeVision Old Scheme when the SUNeVision Proposed Scheme became effective. As stated in the announcement of SUNeVision dated 10 June 2012, since SUNeVision did not proceed with the application for the transfer of listing of its shares in 2012, not all the conditions to which the SUNeVision Proposed Scheme was subject were fulfilled and the SUNeVision Proposed Scheme therefore did not take effect. Consequently, the SUNeVision Proposed Scheme can no longer be implemented as originally contemplated and no share options have been and will be granted under the SUNeVision Proposed Scheme.

Due to the expiry of the SUNeVision Old Scheme on 3 December 2012, the SUNeVision Shareholders approved the adoption of a new share option scheme (the "SUNeVision New Scheme") and the termination of the SUNeVision Old Scheme at the annual general meeting of SUNeVision held on 1 November 2012. The adoption of the SUNeVision New Scheme and the termination of the SUNeVision Old Scheme 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. No share options can be granted under the SUNeVision Old Scheme upon its termination.

During the six months ended 31 December 2013, (i) there were no outstanding share options under the SUNeVision Old Scheme; and (ii) no share options were granted under the SUNeVision New Scheme.

(b) SmarTone

SmarTone operates the following two share option schemes:

- (1) share option scheme adopted and become effective on 15 November 2002, and terminated on 8 December 2011 (the "SmarTone Old Scheme"); and
- (2) share option scheme adopted on 2 November 2011 and become effective on 8 December 2011 (the "SmarTone New Scheme").

Pursuant to the terms of the SmarTone Old Scheme and the SmarTone New Scheme (collectively the "SmarTone Schemes"), SmarTone granted or may grant share options to the participants, including directors and employees of the SmarTone group, to subscribe for shares of SmarTone. No further share options can be granted under the SmarTone Old Scheme upon its termination. However, for the outstanding share options granted and yet to be exercised under the SmarTone Old Scheme, the existing rights of the grantees are not affected.

Other Information

During the six months ended 31 December 2013, no share options were granted under the SmarTone Schemes and the movements of the outstanding share options granted under the SmarTone Schemes were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				Balance as at 31.12.2013	Closing price per share (HK\$)
				Balance as at 01.07.2013	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		
SmarTone Old Scheme									
(i) Directors of SmarTone	13.06.2011	12.78	13.06.2012 to 12.06.2016	12,000,000	—	—	—	12,000,000	N/A
(ii) Other employees of SmarTone	05.02.2004	4.50	05.02.2005 to 04.02.2014	398,000	—	(12,000)	—	386,000	8.10 ²
	13.06.2011	12.78	13.06.2012 to 12.06.2016	19,425,000	—	—	(350,000)	19,075,000	N/A
	30.09.2011	13.12	30.09.2012 to 29.09.2016	315,000	—	—	—	315,000	N/A
	31.10.2011	14.96	31.10.2012 to 30.10.2016	150,000	—	—	—	150,000	N/A
	30.11.2011	13.02	30.11.2012 to 29.11.2016	277,500	—	—	—	277,500	N/A
SmarTone New Scheme									
Other employees of SmarTone	30.12.2011	13.52	30.12.2012 to 29.12.2016	375,000	—	—	—	375,000	N/A
	29.02.2012	16.56	01.03.2013 to 28.02.2017	300,000	—	—	—	300,000	N/A
Total				33,240,500	—	(12,000)	(350,000)	32,878,500	

Notes:

1. 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.
2. This represented the weighted average closing price of the shares of SmarTone immediately before the date on which the share options were exercised.

Save as disclosed above, there were no outstanding share options granted under the SmarTone Schemes during the six months ended 31 December 2013.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2013, 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 were as follows:

	Number of shares held			Total	% of shares in issue as at 31.12.2013
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
(I) Substantial shareholders					
Kwong Siu-hing	22,881	—	842,098,081 ¹	842,120,962	31.14
HSBC Trustee (C.I.) Limited ("HSBC Trustee (C.I.)")	—	—	842,098,081	842,098,081 ^{2&3}	31.14
(II) Other persons					
Adolfa Limited ("Adolfa")	211,377,925	35,018,730	—	246,396,655 ²	9.11
Bertana Limited ("Bertana")	211,377,925	35,018,730	—	246,396,655 ^{2&6}	9.11
Cyric Limited ("Cyric")	211,377,925	35,018,730	—	246,396,655 ^{2&7}	9.11
Clariden Leu Trust (Cayman) Limited	—	—	198,021,624	198,021,624 ^{4&7}	7.32
HSBC Trustee (Guernsey) Limited	—	—	194,620,441	194,620,441 ^{5&6}	7.20
Asporto Limited	172,945,576	—	—	172,945,576 ³	6.39
Rosy Result Limited	172,945,576	—	—	172,945,576 ^{4&7}	6.39
Thriving Talent Limited	172,945,576	—	—	172,945,576 ^{5&6}	6.39

Notes:

1. Madam Kwong Siu-hing was, as at 31 December 2013, deemed to be interested in 842,098,081 shares in the Company by virtue of her being a founder and/or a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. These shares were the same shares in which HSBC Trustee (C.I.) 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.

In addition, according to an individual substantial shareholder's notice dated 4 February 2014 given under Part XV of the SFO, Madam Kwong Siu-hing was, as at 28 January 2014, interested and deemed to be interested in a total of 675,690,386 shares, representing 24.98% of the total issued shares, of the Company for the purpose of Part XV of the SFO.

2. Of the shares held respectively by Adolfa, Bertana and Cyric, 35,018,730 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 35,018,730 shares represented the same interests and were therefore duplicated amongst these companies. Further, the shares held respectively by Adolfa, Bertana and Cyric formed part of the shares in which HSBC Trustee (C.I.) was deemed to be interested.
3. HSBC Trustee (C.I.) was deemed to be interested in 172,945,576 shares held by Asporto Limited for the purpose of Part XV of the SFO. These shares represented the same interests and were therefore duplicated between them.
4. Clariden Leu Trust (Cayman) Limited was deemed to be interested in 172,945,576 shares held by Rosy Result Limited by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. These shares represented the same interests and were therefore duplicated between them.
5. HSBC Trustee (Guernsey) Limited was deemed to be interested in 172,945,576 shares held by Thriving Talent Limited by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. These shares represented the same interests and were therefore duplicated between them.

Other Information

6. *These shares were the same shares included in "other interests" of Messrs. Kwok Ping-kwong, Thomas and Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated with them.*
7. *These shares were the same shares included in "other interests" of Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated with them.*

Save as disclosed above, as at 31 December 2013, the Company was not notified by any 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.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2013, the Group employed more than 37,500 employees. The related employees' costs before reimbursements for the six months ended 31 December 2013 amounted to approximately HK\$4,275 million. Compensation for the Group is made with reference to the market, 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 of key staff of the Group.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

The same remuneration philosophy is applicable to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual competence, 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, similar to those offered to other employees of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's ordinary shares during the six months ended 31 December 2013.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.95 per share (2012: HK\$0.95 per share) for the six months ended 31 December 2013. The interim dividend will be payable in cash, with an option for the Shareholders to receive new fully paid shares of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "Scrip Dividend Scheme"). A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to the Shareholders on or about Tuesday, 25 March 2014.

The Scrip Dividend Scheme is conditional upon the granting of the listing of and permission to deal in, the new shares of the Company to be issued under the Scrip Dividend Scheme by the Listing Committee of the Stock Exchange.

Interim dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on or about Wednesday, 16 April 2014 to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on Wednesday, 19 March 2014.

Other Information

BONUS ISSUE OF WARRANTS

The Board has proposed to make a bonus issue of warrants (the “Warrants”) to the Shareholders on the basis of one (1) Warrant for every twelve (12) existing shares of the Company held on the record date for ascertaining the entitlements of Shareholders to the bonus issue of the Warrants (the “Record Date”), which is expected to be on Monday, 14 April 2014 (the “Bonus Warrants Issue”). The Warrants will be listed on the Stock Exchange and each Warrant will entitle the holder thereof to subscribe in cash for one (1) new share at an initial subscription price of HK\$98.60, subject to adjustments. The Warrants will be exercisable at any time during the period of 24 months commencing on the date of the issue of the Warrants, which is expected to be on Wednesday, 23 April 2014. Details of the Bonus Warrants Issue were announced in the announcement of the Company dated 28 February 2014. A circular containing further information on the Bonus Warrants Issue will also be despatched to Shareholders on or about Monday, 31 March 2014.

The Bonus Warrants Issue is conditional upon the granting of the listing of, and permission to deal in, the Warrants and any new shares of the Company to be issued upon exercise of the subscription rights attaching to the Warrants by the Listing Committee of the Stock Exchange.

Subject to the satisfaction of the condition to the Bonus Warrants Issue, it is expected that certificates for the Warrants will be posted on or before Wednesday, 23 April 2014 to the Shareholders, other than non-qualifying Shareholders, whose names appear on the Register of Members on the Record Date.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed during the following periods:

- (i) from Monday, 17 March 2014 to Wednesday, 19 March 2014, both days inclusive, for the purpose of ascertaining Shareholders’ entitlement to the interim dividend. In order to establish entitlements to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited at Shop Nos. 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 14 March 2014; and
- (ii) from Thursday, 10 April 2014 to Monday, 14 April 2014, both days inclusive, for the purpose of ascertaining Shareholders’ entitlement to the Warrants. In order to establish entitlements to the Warrants, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at the address as set out in sub-paragraph (i) above not later than 4:30 p.m. on Wednesday, 9 April 2014.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

Other Information

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2013 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 16 of this report. The interim results have also been reviewed by the Audit Committee of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2013, the Company 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 Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, joint Chairmen of the Company, also serve as Managing Directors of the Company. This was at variance with Code Provision A.2.1, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Although the positions of Chairman and Managing Director are not separate, the powers and authorities have not been concentrated as the responsibilities have been shared by two individuals, namely the two joint Chairmen and Managing Directors. Besides, all major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are four Non-Executive Directors and seven 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, 28 February 2014