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Board of Directors and Committees

BOARD OF DIRECTORS

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

Non-Executive Directors Lee Shau-kee (*Vice Chairman*)
Woo Po-shing
Kwan Cheuk-yin, William
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-luen, Raymond
Wong Chik-wing, Mike
Lui Ting, Victor
Kwok Kai-fai, Adam
Kwong Chun
Tung Chi-ho, Eric
Fung Yuk-lun, Allen
Chow Kwok-yin, Eric
Wong Chin-wah, Jimmy
Yung Sheung-tat, Sandy
Li Ching-kam, Frederick

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

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

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

* *Committee Chairman*

Financial Highlights and Corporate Information

FINANCIAL HIGHLIGHTS

For the six months ended 31 December	2015	2014	Change (%)
Financial Highlights (HK\$ million)			
Revenue	34,902	32,093	8.8
Profit attributable to the Company's shareholders			
— Reported	14,724	15,696	-6.2
— Underlying ¹	9,298	8,463	9.9
Gross rental income ²	10,351	9,635	7.4
Net rental income ²	7,943	7,438	6.8
Financial Information per Share (HK\$)			
Earnings per share for profit attributable to the Company's shareholders			
— Reported	5.11	5.71	-10.5
— Underlying ¹	3.23	3.08	4.9
Interim dividends	1.05	0.95	10.5

Notes:

1. Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties
2. Including contributions from joint ventures and associates

CORPORATE INFORMATION

Company Secretary

Yung Sheung-tat, Sandy

Auditor

Deloitte Touche Tohmatsu

Registered Office

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Share Registrar

Computershare Hong Kong Investor Services Limited
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 Bank, Ltd.
Sumitomo Mitsui Banking Corporation
United Overseas Bank Limited
Hang Seng Bank Limited
Agricultural Bank of China Limited
China Construction Bank (Asia) Corporation Limited
Bank of Communications Co., Ltd.

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

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

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

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

Chairman's Statement

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the six months ended 31 December 2015, excluding the effect of fair-value changes on investment properties, amounted to HK\$9,298 million, compared to HK\$8,463 million for the corresponding period last year. Underlying earnings per share were HK\$3.23, compared to HK\$3.08 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$14,724 million and HK\$5.11 respectively, compared to HK\$15,696 million and HK\$5.71 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\$5,531 million, compared to HK\$7,654 million for the same period last year.

DIVIDEND

The directors have declared an interim dividend payment of HK\$1.05 per share for the six months ended 31 December 2015, an increase of 10.5% from the corresponding period last year.

BUSINESS REVIEW

Property Sales and Rental Income

Property Sales

Revenue from property sales for the period under review as recorded in the financial statements, including revenue from joint-venture projects, was HK\$9,494 million. Profit generated from property sales was HK\$2,474 million, as compared to HK\$2,285 million over the corresponding period last year. Contracted sales during the period amounted to about HK\$14,400 million in attributable terms.

Rental Income

Gross rental income, including contributions from joint-venture projects, rose 7% year-on-year to HK\$10,351 million while net rental income increased 7% year-on-year to HK\$7,943 million during the period under review. The satisfactory performance was attributable to higher rents for new leases and renewals both in Hong Kong and on the mainland as well as contributions from new investment properties.

Chairman's Statement

Property Business — Hong Kong

Land Bank

During the period under review, the Group acquired three sites through public tenders, with an aggregate gross floor area of about 1.7 million square feet. Of the acquisitions, one is a large-scale development sitting atop MTR Yuen Long Station that comprises about 1.4 million square feet of residential premises, mostly small- to medium-sized flats, and about 107,000 square feet of retail space. The project is expected to create significant synergy with the Group's neighbouring YOHO residential enclave and YOHO Mall. Details of the acquired sites are shown in the following table:

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Yuen Long Station Development	Residential/Shopping Centre	Joint Venture	1,468,000
Sha Tin Town Lot No. 617	Office/Shops	100	174,000
Pak Tai Street/San Shan Road, Ma Tau Kok	Residential/Shops	Joint Venture	105,000
Total			1,747,000

Acquisitions during the period brought the Group's land bank in Hong Kong to 52.2 million square feet in terms of attributable gross floor area as at the end of December 2015, comprising 19.0 million square feet of residential properties and 4.4 million square feet of retail, office, hotel and industrial space all under development as well as 28.8 million square feet of completed investment properties. In addition, the Group has a total of over 30 million square feet of agricultural land in terms of site area in various stages of land use conversions, located primarily along existing or planned railway lines in the New Territories.

Property Development

Sentiments in the residential market have softened since the fourth quarter of 2015. During the period under review, primary market transactions hovered within a reasonable range while transactions in the secondary market declined to a subdued level. Favourable demographics, together with healthy income growth, a solid labour market, low interest rates and reasonable mortgage-repayment affordability, continued to support overall private housing demand, especially for small- to medium-sized flats.

Embracing its long-standing core value of Building Homes with Heart, the Group strives to excel itself in the provision of products and services of excellent standards. The Group's developments feature carefully crafted architecture, layout and interior design coupled with well-equipped clubhouses as well as attentive after-sale and property management services, underscoring its resolve to apply people-oriented concepts to every dimension of its business. With concerted efforts from all levels of staff, the Group continues to deliver quality products that keep abreast of market changes while achieving reasonable development margins with effective cost management. This has further reaffirmed the Group's strong, premium brand and enhanced public recognition of the value and appeal of its developments.

During the period under review, the Group continued to put up new projects for sale as planned and achieved contracted sales of about HK\$11,300 million, mainly from additional batches of luxury residences in the first phase of Ultima in Ho Man Tin and new launches including Century Link II in Tung Chung, King's Hill in Island West and Park Vista 1A in Yuen Long.

Chairman's Statement

The first phase of Ultima with over 400,000 square feet of residential gross floor area was completed during the period. The Group's completion is expected to increase meaningfully in the second half of the financial year to about 2.8 million square feet, of which about 2.7 million square feet will be residential premises for sale. Of the scheduled residential completion for the current financial year, a substantial majority has been pre-sold.

Property Investment

The Group has established a leading role in Hong Kong leasing market with a diversified rental portfolio of 28.8 million square feet. During the period under review, the Group's rental business in Hong Kong continued to deliver satisfactory results with overall occupancy sustaining at a high level of around 95%. Gross rental income from Hong Kong, including contributions from joint-venture projects, increased by 8% year-on-year to HK\$8,276 million, mainly attributable to positive rental reversions and higher rents for new leases.

Retail portfolio

Standing in the forefront of the leasing market, the Group's retail properties continued to perform well despite a challenging operating environment, due to its extensive network of regional malls that mainly focus on domestic consumption. With a size of over 10.7 million square feet, the Group's retail portfolio achieved high occupancies and positive rental reversions during the period under review.

The opening of YOHO Mall I in September 2015 marked a significant milestone for the gradual opening of YOHO Mall that will total around 1.1 million square feet. The final phase of the renovation at YOHO Mall II, formerly Sun Yuen Long Centre, will be completed in the first quarter of 2016. A variety of popular fashion brands and restaurants has been introduced, some being new to the district. Situated at the transportation hub in Yuen Long, the mall with its unique market position has successfully attracted a large volume of customers who are looking for a modern lifestyle and new shopping experience.

Over 450,000 square feet of retail space in the YOHO Mall extension underneath the new residential development Grand YOHO is slated for completion by the end of 2016. The 107,000-square-foot retail space at Yuen Long Station Development will also be included in YOHO Mall, generating much synergy within the entire development. Ample parking lots will be available to meet the needs of shoppers. Emulating the leading position and success of New Town Plaza in eastern New Territories, YOHO Mall is expected to become a prominent shopping hub for residents of western New Territories upon its full completion.

Spanning from the adjacent MTR station to the planned waterfront park, PopWalk comprises a total retail space of 240,000 square feet from the Group's development projects in Tseung Kwan O South. The first phase, a 66,000-square-foot retail podium under The Wings II, has been almost fully pre-leased and is scheduled to open in the first half of 2016. Targeting young families in the neighborhood, PopWalk will house a variety of quality retailers as well as specialty dining outlets and is expected to benefit from the expanding population following the gradual completion of residential projects in the area.

Other projects in the pipeline include Harbour North in North Point and the premium shopping mall atop MTR Nam Cheong Station. Harbour North will offer residents, office workforce and tourists in Island East a diverse trade mix including a number of much sought-after eateries on a waterfront promenade. With an exclusive positioning in an old district that is being revitalized, the regional mall under development at MTR Nam Cheong Station will serve residents with a chic lifestyle and trendy environment for shopping and entertainment.

Chairman's Statement

Regional malls spanning across the territory constitute a major part of the Group's retail portfolio. Serving mainly domestic consumers, these well-established malls such as New Town Plaza, Tai Po Mega Mall, Landmark North and V City continued to perform satisfactorily during the period. With its premium brand, IFC Mall in Central which attracts both locals and tourists remained fully leased, though affected by softening visitor spending. The Group has been refining tenant mix on an ongoing basis to better cater for customers' needs and changing consumption trends.

Continuous enhancement to its retail portfolio has always been one of the Group's priorities in order to provide better environment for shoppers and boost tenants' business. MOKO atop MTR Mong Kok East Station has recorded notable growth in rents following the conclusion of its large-scale reconfiguration in August 2015. Several malls are also undergoing renovations or upgrades to bolster their competitiveness. Upon the completion of a large-scale upgrading project currently under way, APM in Kwun Tong will gain additional retail space converted from over 150,000 square feet of office area in the same tower. Metroplaza in Kwai Fong introduced more quality restaurants and cosmetic brands during the period while its layout will be reconfigured to enhance its market position.

Office portfolio

The Group's office portfolio of about 10 million square feet spreads over convenient locations in various business districts, mainly along railway lines. Its premium brand has been well established on the back of high standard of specifications, comprehensive facilities and professional property management services, making it the preferred choice for diverse tenants. During the period under review, high occupancies and higher rents for new leases and renewals were recorded. As a major office landlord in Hong Kong, the Group is well positioned to benefit from the positive market conditions due to limited supply and low vacancy.

The Group's International Finance Centre (IFC) is one of the most prestigious commercial developments in Hong Kong. With its outstanding building specifications, premium brand and unique location, IFC continued to lead the Central office market with almost full occupancy and healthy positive rental reversions recorded throughout the period. Spot rents have seen an uptrend amid keen demand from quality tenants.

International Commerce Centre (ICC) at the commercial hub of West Kowloon registered strong reversions with increased rental levels and achieved an occupancy of 96%. Robust demand from multinationals and mainland financial institutions has underpinned its rental performance. With the West Kowloon Cultural District taking shape gradually over the next few years and the anticipated improvements in transportation network, the appeal of ICC to tenants is expected to be further enhanced over time.

The Group has also maintained a strong presence in the office markets outside prime business districts. Millennium City in Kwun Tong stands to benefit from the rapid transformation of Kowloon East into a new core business district. This office cluster attracted tenants from various sectors including fashion, information technology and financial services, leading to high occupancies and higher rents for new leases and renewals. Other premium office buildings including Sun Hung Kai Centre and Central Plaza in Wan Chai, Grand Century Place in Mong Kok and Grand Central Plaza in Sha Tin continued to perform well.

The Group is committed to further improving the quality of its office properties to enhance the working environment of its tenants and maintain the competitiveness of its portfolio. Refurbishments for One IFC and Grand Century Place have been recently completed, while Grand Central Plaza will undergo renovations later this year.

Chairman's Statement

Property Business — Mainland

Land Bank

As at the end of December 2015, the Group's total land bank on the mainland amounted to an attributable 70.4 million square feet. This portfolio included 11.7 million square feet of completed investment properties, about 80% of which were located strategically in first-tier cities such as Shanghai, Beijing and Guangzhou. In addition, the Group held 58.7 million square feet of properties under development, of which over 60% will be for high-end residential units or serviced apartments, while the rest will be for upmarket shopping malls, quality offices and premium hotels. The Group has a sufficient land bank on the mainland for future development needs and will continue to selectively explore investment opportunities in first-tier cities.

Property Development

During the period under review, the mainland residential market performed well, benefitting from policy support and monetary stimulus. Registering brisk home sales, first-tier cities continued to enjoy better supply and demand dynamics while lower-tier cities saw meaningful progress in destocking.

The Group achieved contracted sales of about RMB 2,500 million in attributable terms during the period. The outstanding quality and design of the Group's products and exceptional services have continued to be acclaimed by customers while its brand name has been increasingly recognized. The Group's two signature projects, Shanghai Arch and Shanghai Cullinan in Pudong and Puxi respectively, maintained solid sales performance. New batches of The Woodland in Zhongshan and Park Royale in Huadu, Guangzhou were also well received by the market. In addition, the second office tower in Tianhui Plaza in Zhujiang New Town, Guangzhou, in which the Group owns a 33.3% stake, was launched with warm market response.

During the period under review, the Group completed an attributable gross floor area of about 700,000 square feet of residential units in Oriental Bund in Foshan, in which its stake was reduced from 80% to 50% in July 2015. The completion of several projects, including Phase 2C in the 40%-owned Hangzhou MIXC and the 33.3%-owned International Grand City (IGC) mall in Guangzhou, is expected in the second half of this financial year, offering a combined attributable gross floor area of over 900,000 square feet. Over a million square feet of quality apartments in terms of gross floor area in Phase 2C in Hangzhou MIXC have recently been completed while IGC, a shopping mall in Tianhui Plaza, will offer a million square feet of retail space upon completion.

Chairman's Statement

Property Investment

The Group's emphasis on premium quality and professional management continued to support the satisfactory performance of its rental business, despite the competitive operating environment on the mainland. During the period under review, gross rental income from the Group's mainland investment property portfolio, including contributions from joint-venture projects, rose by 11% to RMB 1,440 million. The increase was mainly due to positive rental reversions as well as contributions from new investment properties. As at 31 December 2015, the Group's completed investment property portfolio amounted to an attributable 11.7 million square feet, with a focus on such prime cities as Shanghai and Beijing.

The Group's rental performance on the mainland is expected to be boosted by upcoming projects, particularly from those in Guangzhou in the near term. The soft opening of the 50%-owned Parc Central in the traditional Tianhe Road shopping district is expected in the first quarter of 2016. This 900,000-square-foot mall is set to earn an iconic status given its unique design — a mega garden plaza and double-ring architecture — which will offer an extensive facade exposure. Pre-leasing is progressing well with an array of international brands and gourmet restaurants hand-picked to suit the needs of the middle-class population.

As part of the Tianhui Plaza complex located in the central business district of Zhujiang New Town, IGC will be opened in the second half of 2016. This million-square-foot shopping mall will house affordable luxury brands, appealing entertainment facilities and quality eateries with spectacular river views. Given its convenient location atop Liede metro station and surrounded by a cluster of high-end commercial establishments and leading hotels, IGC is poised to be a one-stop mall for the well-to-do community. Pre-leasing has been progressing smoothly.

The 100%-owned Xujiahui Centre project under construction will be developed into a new landmark in Shanghai with the urban building complex concept comprising high-end retail space, grade-A offices and a luxury hotel. The mega development is expected to be 'a city within a city' which will transform the precinct into a new hub for Shanghai. The three-million-square-foot retail space will bring a variety of renowned international retail flagships, al fresco dining and exceptional entertainment facilities to the city, creating a new lifestyle and one-stop shopping delight for consumers. The integrated development will also feature a 370-metre office skyscraper which is slated for completion at the earliest by 2020. Given its excellent quality, the office tower is expected to be a much sought-after address in Xuhui District. The complex will be connected to other major properties within the Xujiahui commercial hub by an extensive network of footbridges and podiums. It will also be directly linked to Xujiahui metro station that serves as an interchange for three metro lines, of which line 11 will provide convenient access to other popular attractions including a renowned theme park to be opened later this year.

Construction of Xujiahui Centre project is progressing on schedule. About 180,000 square feet of office space in Lot 1 located on Huashan Road is expected to be handed over to tenants in the first half of 2017 while the 330,000-square-foot premium shopping mall will open in 2018. Upon its full completion, the scale of this 7.6-million-square-foot development will be comparable to the combined size of the Group's Shanghai ICC and Shanghai IFC in the city.

The Group's premium brand has received increasing recognition in Shanghai with the success of its two signature projects — Shanghai ICC and Shanghai IFC. The upscale IAPM shopping mall within Shanghai ICC complex recorded almost full occupancy during the period. Tenant sales continued to ramp up strongly as a result of the mall's dedication to innovation, which enhances shopping experience with digital convenience and fun-filled entertainment. The recent opening of line 12 extension gives IAPM direct connection to three metro lines and draws increasing traffic. Leasing at Two ICC office tower is progressing well while One ICC is fully let.

Chairman's Statement

With a diverse blend of luxury brands and specialty restaurants, the flagship Shanghai IFC Mall has established its reputation over the years as one of the must-go shopping hotspots in the city for both local residents and tourists. During the period under review, continued growth in tenant sales and positive rental reversions were recorded. Connections between Shanghai IFC and nearby buildings will be completed from 2016 onwards, providing customers with increased ease of access. Both of the office towers are virtually fully occupied, given their advantageous location in the Lujiazui Finance and Trade Zone.

Located at the heart of Wangfujing, Beijing APM represents the Group's presence in the capital. During the period under review, the mall introduced new zones for beauty and children. The competitiveness of the mall has been enhanced and traffic flow continued to rise to a high level. The mall's continuous asset enhancement works will include the introduction of a zone dedicated to affordable luxury brands.

Other projects in the pipeline which are located in prime areas of other major cities will gradually come on stream and this expanding investment property portfolio will boost the Group's recurring income over time. Situated in the heart of Hexi Central Business District, the mall at Nanjing IFC covers over one million square feet, and is expected to become an iconic landmark in Nanjing with modern design and comprehensive facilities. Construction work is progressing smoothly and keen enquiries have been received from a number of international tenants.

Other Businesses

Hotel

The hotel sector in Hong Kong became uninspiring with a decline in the number of inbound visitors during the period under review. Proactive marketing campaigns that effectively attracted new customers have supported the performance of the Group's hotels, although room rates were under pressure. Meanwhile, the hotels' food and beverage business continued to register satisfactory profit growth due to their renowned restaurants and solid local consumption.

Performance of the Group's deluxe hotels including Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong was relatively resilient backed by strong brand recognition and premium services. The Crowne Plaza Hong Kong Kowloon East and adjacent Holiday Inn Express Hong Kong Kowloon East saw the average occupancy rise to about 95%, partly benefitting from their complementary roles in capturing more conference- and exhibition- related businesses. The Group's four hotels under the Royal brand also managed to maintain a high average occupancy of about 95%.

As a top choice for high-spending tourists and corporate travellers, The Ritz-Carlton Shanghai, Pudong continued to perform well. Supported by its superior services and excellent location, respectable growth was seen in room rates as well as food and beverage related businesses of the hotel.

The Group's upcoming hotels in Hong Kong over the next few years will include a premium establishment in Sha Tin as a sister project of the Royal Park Hotel and a waterfront hotel as part of the Group's integrated development in North Point that will also house the Harbour North shopping mall and high-end residences. Both will provide close to 700 rooms. On the mainland, the Group will selectively develop hotels within integrated projects in first-tier cities.

Chairman's Statement

Telecommunications and Information Technology

SmarTone

SmarTone's core mobile service business continued to improve, reporting a notable increase in service operating profits compared with the same period last year. Nonetheless, lower handset margins contributed to a reduction in the company's net profit for the period under review. SmarTone will continue to deliver superior customer experiences with its extensive network, functional apps and attentive service. The Group is confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

With its data centre as the core business, SUNeVision performed satisfactorily and recorded healthy growth in revenue during the period. The company also continued to work on several major enhancement and expansion projects to maintain its position as a leading carrier-neutral data centre operator in Hong Kong. In particular, the transformation of the entire MEGA Two facility in Sha Tin into a top-tier data centre is moving to the final stage, while construction of MEGA Plus, the new facility in Tseung Kwan O, has been progressing on track for completion in 2017. These initiatives are expected to provide SUNeVision with an impetus for future growth.

Infrastructure and Other Businesses

Performance of the Group's infrastructure and transport businesses remained satisfactory during the period. Steady demand for business travel continued to bode well for Hong Kong Business Aviation Centre. Business at the Wilson Group was solid and traffic on the Route 3 (Country Park Section) stayed steady throughout the period. The Airport Freight Forwarding Centre sustained positive growth in rental income despite dampened air-freight demand, while the performance of River Trade Terminal improved through further diversification of its customer base notwithstanding a relatively weak sea-freight market.

Corporate Finance

The Group continues to adhere to its prudent financial policies of maintaining low gearing and ample liquidity. Its interest coverage remained at a high level while the ratio of net debt to shareholders' funds stayed low at 12.4% as at 31 December 2015.

The Group is in a strong position to finance its business development with a deep pool of standby funds on a committed basis from banks. Currently, the Group is arranging a long-term syndicated bank loan on the mainland to fund the development of the Group's Shanghai Xujiahui Centre project. The response to the loan is very enthusiastic, strongly reflecting the support of the banking community.

The Group scored the highest credit ratings among Hong Kong property companies, with Moody's giving it an A1 and Standard & Poor's A+ with stable outlooks. Such high ratings enable the Group to have easy access to the debt capital market.

The Group has obtained cash proceeds of over HK\$16,000 million from the exercise of bonus warrants since April 2014. In keeping with its conservative financial discipline, the majority of the Group's borrowings are denominated in Hong Kong dollar with the remainder mainly in US dollar and Renminbi. In view of the volatility of Renminbi, construction expenditures of properties under development on the mainland have been funded by both internal cash generated from mainland operations and onshore bank loans. The Group has not executed any derivative and structured product transactions for speculation.

Chairman's Statement

Corporate Governance

One of the key factors for the Group's long-term success is its rigorous standard of corporate governance. The Board currently has 17 members, seven of whom are Independent Non-Executive Directors (INEDs). The Board directs and approves the Group's overall strategies with the support of Board committees. The Executive Committee meets regularly to formulate policies and make key business decisions. The Audit, Nomination and Remuneration Committees are all chaired by INEDs to ensure the Group's strategies are properly implemented and business risks are duly managed. The Board also maintains and assesses the effectiveness of the Group's internal control system consistently by evaluating reviews performed by the Audit Committee, management and both internal and external auditors.

As part of the Group's dedication to good corporate governance, a proactive approach is taken to communicate with stakeholders, including shareholders, analysts and credit agencies, through analyst briefings, regular meetings and conference calls to keep them abreast of the Group's latest developments. Stakeholders are also provided with relevant corporate information on a timely basis through various channels including press releases, annual and interim reports and public announcements, and all of this information is available on the Company's website to maintain high transparency.

The Group's continued efforts to adhere to a high standard of corporate governance earned many accolades from international financial publications, including the Best Managed Company in the Real Estate/Property Sector in Asia and the Best Office/Business Developer in Asia by *Euromoney* magazine. The Group also won a Platinum Award in Financial Performance, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations from *The Asset* magazine.

Sustainable Development

As the Group strives to build sustained success for both its business and the society, the core value of Building Homes with Heart continues to guide its efforts in providing quality products and services, listening to customers as well as taking part in community and charity activities. This pledge bolsters shareholders' and other stakeholders' trust in the Group, which has been a major pillar of its premium brand and corporate reputation that underpins its leading position in the industry and its sustainable contributions to the community.

With a relentless pursuit of sustainability, the Group has committed appropriate resources to ensure proper coordination of effort among different business units and functions in meeting or exceeding environmental, social and governance standards and requirements from local and overseas organizations. The Group's effort is recognized through its inclusion in the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland and HK) Corporate Sustainability Index.

Commitment to premium quality in its properties and services has always been part and parcel of the Group's sustainable development. The launch of the SHKP Quality Campaign in 2013 boosted the Group's persistent efforts to make customer focus a prime consideration throughout its development value chain — from planning, material sourcing and construction through to property handover and after-sale service. The Group has been offering the three-year quality guarantee for all newly sold residential units in Hong Kong since late 2013, the first and only of its kind in the territory. During the period under review, the management visited residents of the Group's residential developments including The Wings II and YOHO Midtown. Through in-depth conversations with residents, the Group gained valuable insights into their needs and expectations. Input from the home visits and customers' views collected by the SHKP Club — the Group's effective platform for two-way communication with customers and the public, would continue to guide its planning for future developments and service enhancements.

Chairman's Statement

The Group places great emphasis on the continuous development and general well-being of employees to ensure that they always demonstrate professionalism which is indispensable for the successful delivery of its quality pledge. During the period under review, the SHKP Quality Academy, the Group's staff training and development platform, continued to expand courses and workshops with contents covering the entire development cycle, from architecture, construction, management, to customer service and other disciplines.

Apart from employee engagement, the Group's enduring business success lies in ensuring the community's sustainable development. The Group therefore continues to follow its stated approach of supporting sports for charity, promoting happy reading and caring for the underprivileged to fulfill its corporate social responsibility. During the period, the Group achieved a new milestone in sports for charity by taking on the title and charity sponsorships of the first-ever Sun Hung Kai Properties Hong Kong Cyclothon, organized by the Hong Kong Tourism Board. The event attracted thousands of local and international cyclists competing or simply enjoying the fun of road biking, including the Group's staff members, their families and friends.

The Group's ongoing signature charitable sporting event, the SHKP Vertical Run for Charity — Race to Hong Kong ICC, was once again selected as the grand finale for the Vertical World Circuit (VWC) and received more enthusiastic response from runners. For yet another year, the concomitant SHKP Vertical Run for Charity — Race to Shanghai IFC was one of the final stops for the VWC. Charity funds raised by the two signature corporate events from public participation and the Group's extra donations went to support child and youth services through established charitable organizations.

The Group's reading promotion programme continued apace via the SHKP Reading Club. During the period, the signature annual Read to Dream programme sponsored underprivileged students to visit Hong Kong Book Fair while an ongoing series of seminars and other activities engaged the youth and the public successfully. Furthermore, the Group's commitment to the Love Nature Campaign and Building Homes with Heart Caring Initiative remained strong, synergizing with other community programmes with active staff involvement to make Hong Kong a better home for present and future generations.

PROSPECTS

In the year ahead, the global economy is likely to face a number of challenges, including worries over a slowdown in major economies, possible further US interest rate hikes, subdued oil prices and volatilities in the financial markets. However, anticipated additional stimuli from China, Eurozone and Japan will underpin the global economy.

The mainland economy will continue to grow albeit at a slower pace in the year ahead as more reform and stimulus measures gradually unfold, notwithstanding volatility in the financial markets. The supply side reforms will be conducive to its long-term economic development. The property markets on the mainland will continue to benefit from accommodative monetary policy in the near term. First-tier cities will continue to outperform the market while sentiments in the lower-tier cities should be strengthened by the government's efforts to destock and stimulate demand. The Group is confident of the mainland economy and its property sector over the long term.

The Hong Kong economy is expected to grow modestly on the back of the latest fiscal stimuli and the follow-through of infrastructural investment, despite such headwinds as the strong US dollar and weak external demand. While the liquidity in the banking sector will likely remain abundant, the Hong Kong dollar interest rates will still be low by historical standards. These, coupled with growing income, positive demographic trends and low leverage of the households, will support end-user demand, particularly in the primary market, while existing government measures will continue to constrain overall private housing demand.

Chairman's Statement

The Group will continue to launch new projects in Hong Kong and on the mainland for sale when they are ready. In Hong Kong, marketing activities for Twin Regency in Yuen Long that comprises mainly small units are under way and the sale of the project will commence very soon. A host of residential projects in the pipeline will be released over the next nine months to meet varying needs of homebuyers, including the waterfront development at Tseung Kwan O Town Lot No. 118, Grand YOHO Phase 1 adjacent to MTR Yuen Long Station and quality units at Church Lane, Shau Kei Wan, as well as luxury homes in Phase 2 of Ultima in Ho Man Tin, Phase 1 of the North Point harbourfront project and the development in Kau To, Sha Tin. On the mainland, major projects coming up will consist of the serviced apartments at Shanghai Arch Phase 2A and residential units of Forest Hills Phase 2B in Guangzhou.

The Group will keep strengthening its core business of property development for sale. While continuing to enhance its premium brand by building quality homes and providing attentive services, it plans to achieve a large volume of residential completion for sale and high asset turnover in Hong Kong over the next few years. The Group will also replenish its land bank in Hong Kong when good opportunities with satisfactory margin arise. On the mainland, the Group will continue the selective and focused investment approach, mainly in first-tier cities like Beijing, Shanghai, Guangzhou and Shenzhen.

The Group's rental income will continue to grow in the coming year. In Hong Kong, the office rental portfolio is expected to be supported by a positive office leasing market, while solid labour market conditions will underpin the retail portfolio. On the mainland, rental income growth will benefit from continuous positive rental reversions of the portfolio and the additional contributions from the Two ICC office tower in Shanghai. The Group will also bolster the competitiveness of its existing investment property portfolio through constant asset enhancement initiatives as well as market repositioning.

The Group's rental business as a key growth driver will also be boosted by forthcoming additional investment properties over the medium to long term. In Hong Kong, the retail space at PopWalk near MTR Tseung Kwan O Station is expected to open from the first half of 2016 by phases. Other major retail developments will also be coming on stream, including the remaining phases of YOHO Mall in Yuen Long, the waterfront Harbour North in North Point and a quality mall atop MTR Nam Cheong Station. Besides the Hong Kong portfolio, the Group as a leading developer and owner of premium shopping malls keeps rolling out new projects on the mainland. Later this year, downtown Guangzhou will see the grand opening of Parc Central and IGC, bringing in trendy lifestyle and more innovative shopping concepts to the city. Meanwhile, the construction of the mega Xujiahui Centre project in Xuhui District, Shanghai is progressing well and its phased completion in subsequent years is set to generate recurrent and sizeable rental income for the Group.

Over the years, the Group has established a premium brand and a leading position in the market. Given its growing recurrent income, strong balance sheet with low gearing at 12.4% and seasoned management, the Group is well positioned to sustain business development in the current volatile, competitive environment. I believe the Group will also be able to capitalize on good business opportunities and grow from strength to strength over time.

Barring unforeseen circumstances, it is expected that the Group will achieve encouraging results for the current financial year, and the dividend will increase accordingly.

Chairman's Statement

DIRECTORS AND APPRECIATION

Mr. Chan Kwok-wai, Patrick retired as a Director of the Company by rotation at the annual general meeting of the Company held in November 2015. He also resigned as the Chief Financial Officer of the Company with effect from 1 January 2016. I thank him for his valuable contributions to the Group during his tenure of service.

Mr. Wong Yick-kam, Michael resigned as a Non-Executive Director of the Company with effect from 13 November 2015, after serving the Group for over 30 years. I would like to thank him for his long and dedicated service that helped the Group lay a solid foundation for continued success and growth.

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

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 26 February 2016

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 37, which comprise the consolidated statement of financial position as at 31 December 2015, and the related consolidated income statement, consolidated statement of comprehensive income, 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

26 February 2016

Consolidated Income Statement

For the six months ended 31 December 2015
(Expressed in millions of Hong Kong dollars)

		(Unaudited) Six months ended 31 December	
		2015	2014
	Notes		
Revenue	2	34,902	32,093
Cost of sales		(21,333)	(19,007)
Gross profit		13,569	13,086
Other net income		351	236
Selling and marketing expenses		(1,599)	(1,736)
Administrative expenses		(1,129)	(1,140)
Operating profit before changes in fair value of investment properties	2	11,192	10,446
Increase in fair value of investment properties		5,388	6,934
Operating profit after changes in fair value of investment properties		16,580	17,380
Finance costs		(1,181)	(1,252)
Finance income		147	130
Net finance costs	3	(1,034)	(1,122)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$593 million (2014: HK\$1,243 million)) of:			
Associates		174	300
Joint ventures		1,849	2,229
	2	2,023	2,529
Profit before taxation	4	17,569	18,787
Taxation	5	(2,478)	(2,279)
Profit for the period		15,091	16,508
Attributable to:			
Company's shareholders		14,724	15,696
Non-controlling interests		367	812
		15,091	16,508
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	6(a)		
Basic		\$5.11	\$5.71
Diluted		\$5.10	\$5.65
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		\$3.23	\$3.08
Diluted		\$3.22	\$3.05

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2015
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2015	2014
Profit for the period	15,091	16,508
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translating financial statements of foreign operations		
— exchange difference arising during the period	(3,866)	(1)
— exchange difference released on disposal of foreign operations	(112)	—
	(3,978)	(1)
Cash flow hedge		
— fair value losses	(1)	—
— fair value losses transferred to consolidated income statement	1	—
	—	—
Available-for-sale investments		
— fair value (losses)/gains	(213)	25
— fair value gains transferred to consolidated income statement on disposal	(84)	—
	(297)	25
Share of other comprehensive loss of associates and joint ventures	(668)	(269)
Other comprehensive loss for the period	(4,943)	(245)
Total comprehensive income for the period	10,148	16,263
Total comprehensive income for the period attributable to:		
Company's shareholders	9,908	15,453
Non-controlling interests	240	810
	10,148	16,263

Consolidated Statement of Financial Position

As at 31 December 2015
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) 31 December 2015	(Audited) 30 June 2015
Non-current assets			
Investment properties	7	312,225	309,205
Fixed assets	8	25,569	25,621
Associates		4,208	4,018
Joint ventures		55,820	52,957
Loan receivables	9	883	820
Other financial assets	10	3,956	3,210
Intangible assets		3,982	4,090
		406,643	399,921
Current assets			
Properties for sale		161,026	149,750
Inventories		929	294
Debtors, prepayments and others	11	16,959	20,690
Other financial assets	12	752	894
Bank deposits and cash		24,131	32,561
		203,797	204,189
Current liabilities			
Bank and other borrowings		(14,545)	(10,816)
Trade and other payables	13	(26,058)	(25,690)
Deposits received on sale of properties		(20,239)	(13,904)
Taxation		(4,825)	(7,323)
		(65,667)	(57,733)
Net current assets			
		138,130	146,456
Total assets less current liabilities			
		544,773	546,377
Non-current liabilities			
Bank and other borrowings		(66,137)	(72,316)
Deferred taxation		(16,932)	(16,824)
Other long-term liabilities		(264)	(419)
		(83,333)	(89,559)
Net assets			
		461,440	456,818
Capital and reserves			
Share capital	14	70,220	68,451
Reserves		385,546	382,575
Shareholders' funds			
		455,766	451,026
Non-controlling interests			
		5,674	5,792
Total equity			
		461,440	456,818

Directors:

Kwok Ping-luen, Raymond
Lui Ting, Victor

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2015
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2015	2014
Net cash from operating activities	2,288	4,350
Net cash used in investing activities	(3,190)	(401)
Net cash (used in)/from financing activities		
— net repayment of bank and other borrowings	(1,034)	(856)
— decrease in bank deposits maturing after more than three months	4,785	56
— proceeds from issue of shares	1,746	9,666
— dividends paid to shareholders	(6,944)	(6,774)
— dividends paid to non-controlling interests	(309)	(194)
— net interest paid	(1,152)	(1,270)
— others	362	(22)
	(2,546)	606
(Decrease)/increase in cash and cash equivalents	(3,448)	4,555
Cash and cash equivalents at beginning of period	18,866	16,991
Effect of foreign exchange rates changes	(257)	3
Cash and cash equivalents at end of period	15,161	21,549
Analysis of the balances of cash and cash equivalents at end of period		
Bank deposits and cash	24,131	23,119
Bank overdrafts	(175)	(182)
	23,956	22,937
Less: Bank deposits maturing after more than three months	(8,784)	(1,378)
Pledged bank deposits	(11)	(10)
	15,161	21,549

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015
(Expressed in millions of Hong Kong dollars)

	Unaudited								
	Attributable to Company's shareholders							Non-controlling interests	Total
	Share capital	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits	Total			
At 1 July 2014	53,464	865	1,134	7,500	351,820	414,783	4,906	419,689	
Profit for the period	—	—	—	—	15,696	15,696	812	16,508	
Other comprehensive income/(loss) for the period	—	—	24	(267)	—	(243)	(2)	(245)	
Total comprehensive income/(loss) for the period	—	—	24	(267)	15,696	15,453	810	16,263	
Shares issued on exercise of share options	34	(6)	—	—	—	28	—	28	
Shares issued on exercise of warrants	9,638	—	—	—	—	9,638	—	9,638	
Recognition of equity-settled share-based payments	—	7	—	—	—	7	—	7	
Shares options of a subsidiary lapsed	—	—	—	—	1	1	(1)	—	
Dividend paid (2014 final dividend HK\$2.40 per share)	—	—	—	—	(6,774)	(6,774)	—	(6,774)	
Adjustments relating to changes in interests in a subsidiary	—	5	—	—	—	5	5	10	
Dividends paid to non-controlling interests	—	—	—	—	—	—	(204)	(204)	
At 31 December 2014	63,136	871	1,158	7,233	360,743	433,141	5,516	438,657	
At 1 July 2015	68,451	847	1,249	7,097	373,382	451,026	5,792	456,818	
Profit for the period	—	—	—	—	14,724	14,724	367	15,091	
Other comprehensive loss for the period	—	—	(299)	(4,517)	—	(4,816)	(127)	(4,943)	
Total comprehensive (loss)/income for the period	—	—	(299)	(4,517)	14,724	9,908	240	10,148	
Shares issued on exercise of share options	116	(23)	—	—	—	93	—	93	
Shares issued on exercise of warrants	1,653	—	—	—	—	1,653	—	1,653	
Recognition of equity-settled share-based payments	—	2	—	—	—	2	—	2	
Shares options of a subsidiary lapsed	—	—	—	—	12	12	(12)	—	
Dividend paid (2015 final dividend HK\$2.40 per share)	—	—	—	—	(6,944)	(6,944)	—	(6,944)	
Disposal of subsidiaries	—	3	—	—	—	3	(56)	(53)	
Adjustments relating to changes in interests in a subsidiary	—	13	—	—	—	13	26	39	
Dividends paid to non-controlling interests	—	—	—	—	—	—	(316)	(316)	
At 31 December 2015	70,220	842	950	2,580	381,174	455,766	5,674	461,440	

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial information relating to the year ended 30 June 2015 included in this condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2015 to the Registrar of Companies and the Company’s auditor has reported on the consolidated financial statements. The auditor’s report was unqualified.

(b) Accounting policies

The accounting policies adopted in the condensed consolidated financial statements are consistent with those set out in the annual consolidated financial statements for the year ended 30 June 2015.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization ¹
Amendments to HKAS 27	Equity method in separate financial statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception ¹
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations ¹
HKFRS 9	Financial instruments ³
HKFRS 15	Revenue from contracts with customers ³

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2018

The Group has already commenced an assessment of the impact of these new and revised standards and amendments to the Group and is not yet in a position to state whether these would have a significant impact on the Group’s results and financial position.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION

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

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

For the six months ended 31 December 2015

	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	6,229	1,687	15	13	6,244	1,700
Mainland China	2,390	724	836	38	3,226	762
Singapore	—	—	24	12	24	12
	8,619	2,411	875	63	9,494	2,474
Property rental						
Hong Kong	6,853	5,209	1,423	1,190	8,276	6,399
Mainland China	1,642	1,255	116	58	1,758	1,313
Singapore	—	—	317	231	317	231
	8,495	6,464	1,856	1,479	10,351	7,943
Hotel operation	2,086	566	359	131	2,445	697
Telecommunications	10,228	587	—	—	10,228	587
Transport infrastructure and logistics	1,861	615	1,573	165	3,434	780
Other businesses	3,613	808	211	30	3,824	838
	34,902	11,451	4,874	1,868	39,776	13,319
Other net income		351		—		351
Unallocated administrative expenses		(610)		—		(610)
Operating profit before changes in fair value of investment properties		11,192		1,868		13,060
Increase in fair value of investment properties		5,388		609		5,997
Operating profit after changes in fair value of investment properties		16,580		2,477		19,057
Net finance costs		(1,034)		(168)		(1,202)
Profit before taxation		15,546		2,309		17,855
Taxation						
— Group		(2,478)		—		(2,478)
— Associates		—		(25)		(25)
— Joint ventures		—		(261)		(261)
Profit for the period		13,068		2,023		15,091

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION (cont'd)

For the six months ended 31 December 2014

	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	5,292	1,673	67	21	5,359	1,694
Mainland China	3,028	615	1,199	(21)	4,227	594
Singapore	—	—	—	(3)	—	(3)
	8,320	2,288	1,266	(3)	9,586	2,285
Property rental						
Hong Kong	6,273	4,796	1,382	1,159	7,655	5,955
Mainland China	1,549	1,170	82	48	1,631	1,218
Singapore	—	—	349	265	349	265
	7,822	5,966	1,813	1,472	9,635	7,438
Hotel operation	2,186	601	361	119	2,547	720
Telecommunications	8,673	628	—	—	8,673	628
Transport infrastructure and logistics	1,775	568	1,429	133	3,204	701
Other businesses	3,317	767	248	41	3,565	808
	<u>32,093</u>	<u>10,818</u>	<u>5,117</u>	<u>1,762</u>	<u>37,210</u>	<u>12,580</u>
Other net income		236		—		236
Unallocated administrative expenses		(608)		—		(608)
Operating profit before changes in fair value of investment properties		10,446		1,762		12,208
Increase in fair value of investment properties		6,934		1,422		8,356
Operating profit after changes in fair value of investment properties		17,380		3,184		20,564
Net finance costs		(1,122)		(173)		(1,295)
Profit before taxation		16,258		3,011		19,269
Taxation						
— Group		(2,279)		—		(2,279)
— Associates		—		(18)		(18)
— Joint ventures		—		(464)		(464)
Profit for the period		<u>13,979</u>		<u>2,529</u>		<u>16,508</u>

Results from property sales include selling and marketing expenses of HK\$220 million (2014: HK\$354 million) and HK\$42 million (2014: HK\$63 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively. The corresponding property sales revenue will be recognized upon completion of the projects in subsequent financial years.

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

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

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

3. NET FINANCE COSTS

	Six months ended 31 December	
	2015	2014
Interest expenses	1,294	1,376
Notional non-cash interest accretion	29	36
Less : Amount capitalized	(142)	(160)
	1,181	1,252
Interest income on bank deposits	(147)	(130)
	1,034	1,122

4. PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2015	2014
Profit before taxation is arrived at after charging:		
Cost of properties sold	5,411	5,099
Cost of inventories sold	7,926	6,178
Depreciation and amortization	779	765
Amortization of intangible assets (included in cost of sales)	224	224
Operating lease rentals for land and buildings, assets, transmission sites and leased lines	820	810
Staff costs (including directors' emoluments and retirement schemes contributions)	3,410	3,243
Share-based payments	2	7
Fair value losses on financial assets at fair value through profit or loss	156	—
and crediting:		
Profit on disposal of available-for-sale investments	41	7
Dividend income from listed and unlisted investments	80	72
Interest income from listed and unlisted debt securities	39	30
Fair value gains on financial assets at fair value through profit or loss	—	12

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

5. TAXATION

	Six months ended	
	31 December	
	2015	2014
Current taxation		
Hong Kong profits tax	1,175	1,157
Under/(over) provision in prior years	13	(5)
	1,188	1,152
Tax outside Hong Kong	592	414
Over provision in prior years	(2)	(1)
	590	413
	1,778	1,565
Deferred taxation charge		
Change in fair value of investment properties	433	485
Other origination and reversal of temporary differences	267	229
	700	714
	2,478	2,279

Hong Kong profits tax is provided at the rate of 16.5 per cent (2014: 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\$14,724 million (2014 : HK\$15,696 million).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 2,880,746,555 (2014: 2,750,648,477) shares. The diluted earnings per share is based on 2,885,717,075 (2014: 2,777,532,892) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 4,970,520 (2014: 26,884,415) shares deemed to be issued at no consideration if all outstanding options and warrants had been exercised.

Notes to the Condensed Consolidated 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\$9,298 million (2014: HK\$8,463 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	
	2015	2014
Profit attributable to the Company's shareholders as shown in the consolidated income statement	14,724	15,696
Increase in fair value of investment properties	(5,388)	(6,934)
Effect of corresponding deferred tax charges	433	485
Fair value gains realized on disposal of investment properties net of deferred tax		
— Subsidiaries	105	248
— Associates and joint ventures	—	173
Share of results of associates and joint ventures		
— fair value gains of investment properties	(609)	(1,422)
— effect of corresponding deferred tax charges	16	179
	(5,443)	(7,271)
Non-controlling interests	17	38
Net effect of changes in the valuation of investment properties	(5,426)	(7,233)
Underlying profit attributable to the Company's shareholders	9,298	8,463

7. INVESTMENT PROPERTIES

(a) Movement during the period

	Completed	Under development	Total
Valuation			
At 1 July 2015	271,049	38,156	309,205
Additions	325	1,100	1,425
Transfer upon redevelopment	(136)	136	—
Disposals	(15)	—	(15)
Transfer to other properties	(3)	—	(3)
Exchange difference	(2,443)	(1,332)	(3,775)
Increase in fair value	4,551	837	5,388
At 31 December 2015	273,328	38,897	312,225

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

7. INVESTMENT PROPERTIES (cont'd)

- (b) The Group's investment properties were revalued at 31 December 2015 and 30 June 2015 by Knight Frank Petty Limited, an independent firm of professional qualified valuers, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors.

8. FIXED ASSETS

During the period, additions to fixed assets amounted to HK\$886 million and net book value of fixed assets disposed of amounted to HK\$9 million.

9. LOAN RECEIVABLES

	31 December	30 June
	2015	2015
Loan receivables	1,509	1,039
Less : Amount due within one year included under current assets	(626)	(219)
	883	820

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.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

10. OTHER FINANCIAL ASSETS

	31 December 2015	30 June 2015
Held-to-maturity debt securities		
Listed debt securities, overseas	246	—
Listed debt securities, Hong Kong	621	—
	867	—
Available-for-sale debt securities		
Listed debt securities, overseas	628	674
Listed debt securities, Hong Kong	507	324
	1,135	998
Available-for-sale equity securities		
Listed equity securities, overseas	545	648
Listed equity securities, Hong Kong	1,191	1,255
Unlisted equity securities	218	309
	1,954	2,212
	3,956	3,210
Market value of listed securities		
Listed overseas	1,418	1,322
Listed in Hong Kong	2,318	1,579
	3,736	2,901

11. DEBTORS, PREPAYMENTS AND OTHERS

	31 December 2015	30 June 2015
Debtors, deposits and prepayments	15,599	16,061
Deposits for acquisition of properties	331	3,938
Amounts due from customers for contract works	154	116
Short-term loans	626	219
Derivative financial instruments	249	356
	16,959	20,690

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

Included in debtors, prepayments and others of the Group are trade debtors of HK\$6,810 million (30 June 2015: HK\$8,748 million), of which 90% aged less than 60 days, 2% between 61 to 90 days and 8% more than 90 days (30 June 2015: 87%, 1% and 12% respectively).

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

12. OTHER FINANCIAL ASSETS

	31 December 2015	30 June 2015
Financial assets at fair value through profit or loss		
Listed equity securities, Hong Kong	594	746
Available-for-sale debt securities maturing within one year		
Listed debt securities, overseas	158	148
	752	894

13. TRADE AND OTHER PAYABLES

	31 December 2015	30 June 2015
Creditors and accrued expenses	23,987	23,020
Amounts due to customers for contract works	11	4
Amounts due to non-controlling interests	1,577	2,294
Derivative financial instruments	483	372
	26,058	25,690

Included in trade and other payables of the Group are trade creditors of HK\$2,985 million (30 June 2015: HK\$2,385 million), of which 83% are aged less than 60 days, 2% between 61 to 90 days and 15% more than 90 days (30 June 2015: 79%, 2% and 19% respectively).

14. SHARE CAPITAL

	Number of shares in million	Amount
Issued and fully paid:		
Ordinary shares		
At beginning of current period	2,876	68,451
Issue of shares	17	1,769
At end of current period	2,893	70,220

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

14. SHARE CAPITAL (cont'd)

(a) Exercise of warrants

On 28 February 2014, the Board of Directors announced the proposed 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 held on 14 April 2014. 225,378,231 units of Warrants were issued on 23 April 2014.

Each Warrant entitles 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. It is exercisable at any time during the period of two years commencing from 23 April 2014 and ending on 22 April 2016 (both days inclusive). During the six months ended 31 December 2015, 16,738,976 (2014: 97,735,318) units of Warrants had been exercised by the holders thereof and 16,772,492 (2014: 97,749,835) shares were issued and allotted by the Company to the holders of the Warrants. The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company. At 31 December 2015, 60,822,734 (2014: 126,746,330) units of Warrants remained outstanding.

(b) Exercise of share options

During the six months ended 31 December 2015, 846,000 shares (2014: 254,000 shares) were issued on exercise of share options.

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. Details of share option schemes adopted by the Company was stated in the paragraphs under the heading "Share Option Schemes" in the other information sections of this interim report.

The 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.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

15. SHARE OPTION SCHEMES (cont'd)

The Old Scheme (cont'd)

- (a) Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2015 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2015	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	At 31 December 2015
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	766,000	—	(766,000)	—	—
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	1,188,000	—	—	—	1,188,000
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	962,000	—	(56,000)	—	906,000
			2,916,000	—	(822,000)	—	2,094,000
Weighted average exercise prices (HK\$)			108.61	—	110.36	—	107.92

Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2014 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2014	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	At 31 December 2014
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	3,912,000	—	(120,000)	(400,000)	3,392,000
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	1,930,000	—	(48,000)	(196,000)	1,686,000
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	1,244,000	—	(61,000)	(48,000)	1,135,000
			7,086,000	—	(229,000)	(644,000)	6,213,000
Weighted average exercise prices (HK\$)			110.22	—	108.49	111.94	110.11

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

15. SHARE OPTION SCHEMES (cont'd)

The Old Scheme (cont'd)

(b) Details of share options exercised

Share options exercised during the period resulted in 822,000 (2014: 229,000) shares being issued. The related weighted average share price at the time of exercise was HK\$120.53 (2014: HK\$116.50) per share.

The New Scheme

During the period, no share options were granted under the New Scheme.

(a) Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2015 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				At 31 December 2015
			At 1 July 2015	Granted during the period	Exercised during the period	Lapsed/cancelled during the period	
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	897,000	—	(22,000)	(20,000)	855,000
11 July 2014	HK\$106.80	11.7.2015 to 10.7.2019	1,080,000	—	(2,000)	(6,000)	1,072,000
			1,977,000	—	(24,000)	(26,000)	1,927,000
Weighted average exercise prices (HK\$)			104.76	—	102.68	103.34	104.80

Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2014 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				At 31 December 2014
			At 1 July 2014	Granted during the period	Exercised during the period	Lapsed/cancelled during the period	
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	1,112,000	—	(25,000)	(52,000)	1,035,000
11 July 2014	HK\$106.80	11.7.2015 to 10.7.2019	—	1,106,000	—	—	1,106,000
			1,112,000	1,106,000	(25,000)	(52,000)	2,141,000
Weighted average exercise prices (HK\$)			102.30	106.80	102.30	102.30	104.62

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

15. SHARE OPTION SCHEMES (cont'd)

The New Scheme (cont'd)

(b) Details of share options exercised

Share options exercised during the period resulted in 24,000 (2014: 25,000) shares being issued. The related weighted average share price at the time of exercise was HK\$121.57 (2014: HK\$111.47) per share.

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	
	2015	2014	2015	2014
Interest income	—	—	43	14
Rental income (a)	—	—	1	1
Rental expenses (a)	—	—	27	22
Other revenue from services rendered (b)	113	25	6	16
Purchase of goods and services (b)	—	—	345	402

(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.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

17. CONTINGENT LIABILITIES AND COMMITMENTS

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

	31 December 2015	30 June 2015
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	3,286	2,489
Authorized but not contracted for	1,888	1,424
(b) Group's share of capital commitments of joint ventures		
Contracted but not provided for	267	282
Authorized but not contracted for	702	527
(c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK\$2,771 million (30 June 2015: HK\$700 million) and other guarantees of HK\$2 million (30 June 2015: HK\$2 million).		

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Available-for-sale debt securities and listed equity 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 securities 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 carrying amounts of mortgage loan receivables, which carry variable interest rates and reprice with reference to market changes, approximate their fair values.

The carrying amounts of other financial assets and liabilities in the condensed consolidated 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 Condensed Consolidated 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, categorized across the levels of fair value hierarchy defined as follows:

Level 1 Fair values measured at quoted prices (unadjusted) in active markets.

Level 2 Fair values measured using inputs other than quoted prices where those inputs are based on observable market data.

As at 31 December 2015

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities	1,293	—	1,293
Available-for-sale equity securities	1,736	15	1,751
Financial assets at fair value through profit or loss	594	—	594
Derivative financial instruments			
Interest rate swaps	—	209	209
Currency swaps	—	40	40
	3,623	264	3,887
Financial liabilities			
Derivative financial instruments			
Interest rate swap	—	3	3
Currency swaps	—	480	480
	—	483	483

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

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

As at 30 June 2015

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities	1,146	—	1,146
Available-for-sale equity securities	1,903	107	2,010
Financial assets at fair value through profit or loss	746	—	746
Derivative financial instruments			
Interest rate swaps	—	306	306
Currency swaps	—	50	50
	3,795	463	4,258
Financial liabilities			
Derivative financial instruments			
Interest rate swap	—	3	3
Currency swaps	—	369	369
	—	372	372

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 2015	30 June 2015	31 December 2015	30 June 2015
Secured bank loans	1,766	2,366	1,766	2,366
Unsecured bank loans	35,120	34,062	34,976	33,905
Other unsecured loans	29,251	35,888	29,442	36,012
	66,137	72,316	66,184	72,283

Financial Review

REVIEW OF RESULTS

Underlying profit attributable to the Company's shareholders for the six months ended 31 December 2015, which excluded the net effect of fair value changes in investment properties, was HK\$9,298 million, an increase of HK\$835 million or 9.9% compared to HK\$8,463 million for the same period last year. The increase was mainly due to higher profit from development profit and rental income.

When including the revaluation gains on investment properties, profit attributable to the Company's shareholders for the six months ended 31 December 2015 decreased by HK\$972 million or 6.2% year-on-year to HK\$14,724 million, mainly due to lower investment property valuation surplus. The Group has recognized in the consolidated profit and loss account an increase of HK\$5,388 million (2014: HK\$6,934 million) in fair value of investment properties (before related deferred taxation and non-controlling interests) and a share of an increase of HK\$609 million (2014: HK\$1,422 million) in fair value of investment properties held by its joint ventures and associates.

Profit from property sales for the first half of the financial year, including share of profit from joint ventures, increased by HK\$189 million or 8.3% to HK\$2,474 million compared to HK\$2,285 million for the same period last year. Profit from property sales in Hong Kong was HK\$1,700 million, contributed mostly by residential units sold in Ultima Phase 1, Park Vista Phase 1, Deauville and Riva. Property sales in the Mainland contributed a profit of HK\$762 million, which comprised mainly residential units sold in Shanghai Arch Phase 1, Shanghai Cullinan and Forest Hills Phase 1A & 1B. At the reporting date, the Group had contracted property sales of HK\$30 billion not yet recognized as revenue, of which HK\$26 billion was related to presale of residential units for Hong Kong development projects including Century Link Phase 1 and 2, The Wings IIIA and IIIB, Imperial Kennedy and King's Hill.

The Group's diverse rental portfolio continued to perform well and record steady growth. Net rental income for the period, including contributions from joint ventures and associates, increased 6.8% or HK\$505 million to HK\$7,943 million, primarily driven by positive rental reversions. Net rental income from the Group's Hong Kong and Mainland rental portfolio amounted to HK\$6,399 million and HK\$1,313 million, which increased year-on-year by 7.5% and 7.8%, respectively.

Smartone reported an operating profit of HK\$587 million for the period, decreased by HK\$41 million or 6.5% over the same period last year. The decrease was mainly due to lower profit from handset business while profit from service business continued to grow, reflecting solid improvement in the profitability of its core service business.

The Group's hotel operations (including share of joint ventures) contributed an operating profit of HK\$697 million, decreased slightly by HK\$23 million or 3.2% over the same period last year. The profit decline reflects the impact of declining tourist arrivals in Hong Kong and keen competition in room rates in the local hotel industry. The Group has put in additional resources to attract new customers and taken proactive measures to improve efficiency to optimize earnings amid the difficult business environment.

The Group's transport infrastructure and logistics businesses (including share of joint ventures and associates) continued to improve, contributing HK\$780 million in operating profit, an increase of HK\$79 million or 11.3% over the same period last year. The Group's other businesses (including share of joint ventures), comprising mainly property management, data centre business operated by SUNeVision and department store operation, have been growing steadily with operating profit increased by 3.7% to HK\$838 million.

Financial Review

FINANCIAL RESOURCES AND LIQUIDITY

(a) Capital management, net debt and gearing

The Group aims to maintain a strong capital base with adequate financial resources to support business development and growth. The Group regularly reviews and monitors its capital structure to ensure that its financial position remains sound, so that the Group can continue to provide returns to shareholders while maintaining a prudent level of financial leverage.

The Group's balance sheet remained strong, with total shareholders' equity increased by HK\$4.7 billion to HK\$455.8 billion or HK\$157.5 per share since 30 June 2015. The increase was mainly attributable to the increase in the Group's underlying retained earnings, revaluation gains from investment properties as well as a HK\$1.7 billion increase in the Company's share capital in connection with exercise of warrants. These increases were partially offset by a HK\$4.5 billion decrease in exchange reserve mostly arising from translation of the financial statements of the Mainland China subsidiaries and joint ventures with functional currency of Renminbi into the Group's presentation currency at the period-end exchange rate, due to the strengthening of Hong Kong dollar. As at 31 December 2015, about 20% of the Group's net assets were denominated in Renminbi. All exchange differences resulting from the translation of foreign operations were recorded in the exchange reserve under shareholders' equity, and there was no impact on the Group's earnings.

The Group's strong balance sheet allows it to continue to raise long-term financing at competitive rates, helping to reduce the overall cost of capital. The Group's financial position remains sound with a low debt leverage and high interest cover. Gearing ratio as at 31 December 2015, calculated on the basis of net debt to Company's shareholders' funds, was 12.4% compared to 11.2% at 30 June 2015. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 9.7 times compared to 8.4 times for the previous period.

As at 31 December 2015, the Group's gross borrowings totalled HK\$80,682 million. Net debt, after deducting bank deposits and cash of HK\$24,131 million, amounted to HK\$56,551 million, an increase of HK\$5,980 million since 30 June 2015. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2015	30 June 2015
	HK\$ Million	HK\$ Million
Repayable:		
Within one year	14,545	10,816
After one year but within two years	10,216	17,415
After two years but within five years	33,902	29,563
After five years	22,019	25,338
Total bank and other borrowings	80,682	83,132
Bank deposits and cash	24,131	32,561
Net debt	56,551	50,571

Financial Review

The Group has also procured substantial undrawn committed 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. The Group regularly reviews its liquidity and financing requirements to ensure that sufficient financial resources are maintained to cover the funding needs.

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

(b) Treasury policies

The Group adopts a prudent policy in cash and debt management. The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 31 December 2015, about 80% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 20% 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 2015, about 62% of the Group's total borrowings were denominated in Hong Kong dollars and 24% in US dollars, all of which were raised for financing the Group's business operations in Hong Kong and the remaining 14% in Renminbi for financing the construction cost of property projects on the Mainland. All land acquisition costs for the Mainland projects are financed by capital injection funded by the Group's equity and internally generated funds. The Group is financing the Mainland China's business operations through borrowings denominated in Renminbi to minimize currency risk exposure.

The Group maintained an appropriate mix of fixed and floating rate borrowings to mitigate interest rate risk. As at 31 December 2015, about 60% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps and 40% 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 2015, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK\$3,223 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in notional principal amount of HK\$168 million and currency swaps (to hedge principal repayment of foreign currency borrowings) in the aggregate notional principal amount of HK\$9,451 million.

As at 31 December 2015, about 76% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 23% in Renminbi and 1% in US dollars. The Renminbi deposits were held in the Mainland subsidiaries for the purpose of meeting the funding needs of the Mainland projects.

Financial Review

CHARGES OF ASSETS

As at 31 December 2015, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$11 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\$2,536 million have been charged as security for bank borrowings. Except for the above charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK\$2,773 million (30 June 2015: HK\$702 million).

Other Information

DIRECTORS

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

KWOK Ping-luen, Raymond

Hon LLD, Hon DBA, MBA, MA (Cantab), JP
Chairman & Managing Director (Age: 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 the Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 37 years. Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. Mr. Kwok is the chairman and an executive director of SUNeVision Holdings Ltd. He is also the chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a director of The Real Estate Developers Association of Hong Kong and a member of the council of The Chinese University of Hong Kong.

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

For the year ended 30 June 2015, Mr. Kwok is entitled to receive a fee of HK\$320,000 for being Chairman of the Company. Also, he is entitled to receive other emoluments of a total of approximately HK\$2.89 million, including fees of approximately HK\$40,000 and HK\$150,000 for being the chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited respectively.

Dr. the Hon LEE Shau-kee

DBA(Hon), DSSc(Hon), LLD(Hon), GBM
Vice Chairman & Non-Executive Director (Age: 88)

Dr. Lee has been a Non-Executive Director of the Company for the last 44 years. He is the founder and chairman and managing director of Henderson Land Development Company Limited. He continues to act as an executive director of Henderson Investment Limited after his stepping down as chairman and managing director in July 2015. He has been engaged in property development in Hong Kong for more than 60 years. Dr. Lee is also the chairman of The Hong Kong and China Gas Company Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment 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 2015, Dr. Lee is entitled to receive a fee of HK\$310,000 for being the Vice Chairman of the Company.

Other Information

WONG Chik-wing, Mike

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

Deputy Managing Director (Age: 60)

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

For the year ended 30 June 2015, Mr. Wong is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$20.38 million.

LUI Ting, Victor

BBA

Deputy Managing Director (Age: 61)

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

For the year ended 30 June 2015, Mr. Lui is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$20.62 million.

YIP Dicky Peter

MBA, BBS, MBE, JP

Independent Non-Executive Director (Age: 69)

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 was the chief representative for the Asia-Pacific Region of Institute of International Finance from July 2012 to July 2015. Mr. Yip is currently an independent non-executive director of South China Holdings Company Limited and Ping An Insurance (Group) Company of China, Ltd., and an independent director of DSG International (Thailand) PLC.

Other Information

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

Mr. Yip is active in community and youth activities in Hong Kong and is a member of a number of service 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 2015, Mr. Yip is entitled to receive 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: 63)

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

Professor Wong serves as an independent non-executive director of Great Eagle Holdings Limited, Orient Overseas (International) Limited, Pacific Century Premium Developments Limited and Link Asset Management Limited as the manager of Link Real Estate Investment Trust. He was an independent non-executive director of CK Life Sciences Int'l., (Holdings) Inc. and a member of the managing board of the Kowloon-Canton Railway Corporation.

For the year ended 30 June 2015, Professor Wong is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$70,000 for being the Chairman of each of the Nomination Committee and the Remuneration Committee of the Company.

Other Information

Dr. LI Ka-cheung, Eric

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

Independent Non-Executive Director (Age: 62)

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 Beer (Holdings) Company Limited (formerly known as China Resources Enterprise, Limited) and RoadShow Holdings Limited. He was an independent non-executive director of Bank of Communications Co., Ltd.

Dr. Li is a member of The 12th National Committee of the Chinese People's Political Consultative Conference. He was a former member of the Legislative Council of Hong Kong, the chairman of its Public Accounts Committee, a past president of the Hong Kong Institute of Certified Public Accountants and a former convenor-cum-member of the Financial Reporting Review Panel.

For the year ended 30 June 2015, Dr. Li is entitled to receive 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 is entitled to receive 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: 67)

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 is the group chairman of Li & Fung Limited, chairman and non-executive director of Global Brands Group Holding Limited, and a non-executive director of Convenience Retail Asia Limited and Trinity Limited, all within the Fung Group. He is also an independent non-executive director of VTech Holdings Limited, Shui On Land Limited, The Hongkong and Shanghai Hotels, Limited and 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 Hong Kong Committee for Pacific Economic Cooperation (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 2015, Dr. Fung is entitled to receive 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: 75)

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. He was appointed as a member of the Audit Committee of the Company with effect from 13 November 2015. Dr. Leung is the chairman and an independent non-executive director of Transport International Holdings Limited. He was the executive chairman of Television Broadcasts Limited.

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

For the year ended 30 June 2015, Dr. Leung is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

LEUNG Kui-king, Donald

BSc

Independent Non-Executive Director (Age: 59)

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 2015, Mr. Leung is entitled to receive 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

LEUNG KO May-yee, Margaret

SBS, JP

Independent Non-Executive Director (Age: 63)

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

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

For the year ended 30 June 2015, Mrs. Leung is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

Sir Po-shing WOO

Hon.LLD., FCIArb, F.I.Mgt., FlntD, FHKMA

Non-Executive Director (Age: 86)

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 is the father of Mr. Woo Ka-biu, Jackson.

For the year ended 30 June 2015, Sir Po-shing Woo is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

Other Information

KWAN Cheuk-yin, William

LLB

Non-Executive Director (Age: 81)

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 53 years of experience in legal practice. He is a former director and advisor and currently a voting member of the Tung Wah Group of Hospitals, a past member of the Stamp Advisory Committee, vice chairman of the Hong Kong Scout Foundation Management Committee, vice chairman of the Scout Performing Arts Committee, chairman of Air Activities Committee, adviser of Air Activities Development Fund Committee, elected member of Scout Counsel of Hong Kong, chairman of Scout Association of Hong Kong Leadership Training Institute Foundation Management Committee, 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 and 2004 International Stamp Exhibitions and was commissioner general and chairman of the Organizing Committees of the Hong Kong 2009 and 2015 International Stamp Exhibitions. He served on the Hong Kong Golf Club General Committee on several occasions in various capacities. He graduated from King's College, London University and is a fellow of King's College London, the Institute of Arbitrators and the Royal Philatelic Society, London.

For the year ended 30 June 2015, Mr. Kwan is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

KWOK Kai-fai, Adam

MBA, BSc

Executive Director (Age: 32)

Mr. Kwok has been an Executive Director of the Company since December 2014. He is also a member of the Executive Committee of the Company. Mr. Kwok acted as an Alternate Director to Mr. Kwok Ping-kwong, Thomas from July 2012 until the resignation of Mr. Kwok Ping-kwong, Thomas as Chairman and Managing Director of the Company in December 2014. 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 has substantial experience in corporate finance. He was the project director taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region. Since April 2013, he has taken up the overall responsibilities for the property business in Southern China.

Other Information

In addition, Mr. Kwok is a vice-president of The Real Estate Developers Association of Hong Kong, a member of board of directors of The Community Chest of Hong Kong, a member of the Working Group on Transportation under Economic Development Commission of the Government of the Hong Kong Special Administrative Region, a member of board of directors of the Faculty of Business and Economics of The University of Hong Kong and a vice-chairman of Hong Kong United Youth Association. He is also a member of Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a member of All-China Youth Federation and a vice-chairman of Friends of Hong Kong Association Development Foundation.

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

Mr. Kwok is entitled to receive a fee of approximately HK\$159,000 for being a Director of the Company and other emoluments of approximately HK\$1.54 million for the period from 19 December 2014 (being the date of his appointment as a Director) to 30 June 2015.

KWONG Chun

Executive Director (Age: 86)

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

Mr. Kwong is the younger brother of Madam Kwong Siu-hing, who is the mother of Mr. Kwok Ping-luen, Raymond and the grandmother of Messrs. Kwok Kai-fai, Adam 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 2015, Mr. Kwong is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$5.26 million.

TUNG Chi-ho, Eric

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

Executive Director (Age: 56)

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

For the year ended 30 June 2015, Mr. Tung is entitled to receive a fee of HK\$300,000 for being a Director of the Company. Also, he is entitled to receive other emoluments of a total of approximately HK\$16.62 million, including emoluments of HK\$42,000 for being a director of SUNeVision Holdings Ltd.

Other Information

FUNG Yuk-lun, Allen

BA, Ph.D.

Executive Director (Age: 47)

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

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

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, the president of the Hong Kong Society for the Protection of Children, a council member of both 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 an advisory member of the Faculty of Business and Economics at The University of Hong Kong, and a council member of Sir Edward Youde Memorial Fund.

For the year ended 30 June 2015, Mr. Fung is entitled to receive a fee of HK\$300,000 for being a Director of the Company. Also, he is entitled to receive other emoluments of a total of approximately HK\$15.50 million, including fees of HK\$32,800 and HK\$128,000 for being a vice chairman and a director of SUNeVision Holdings Ltd. as well as a deputy chairman and a director of SmarTone Telecommunications Holdings Limited respectively.

KWOK Ho-lai, Edward

BA

Alternate Director to KWOK Ping-luen, Raymond (Age: 35)

Mr. Kwok has been an Alternate Director to Mr. Kwok Ping-luen, Raymond since July 2012. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. 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 is also an alternate director to Mr. Kwok Ping-luen, Raymond, a non-executive director of Wing Tai Properties Limited.

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

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

Other Information

WOO Ka-Biu, Jackson

MA (Oxon)

Alternate Director to Sir Po-shing WOO (Age: 53)

Mr. Woo has been an Alternate Director to Sir Po-shing Woo since 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 as well as a China-Appointed Attesting Officer appointed by the Ministry of Justice, PRC. Mr. Woo is a director of Kailey group of companies, the chief executive officer of Challenge Capital Management Limited, chairman (international) of Guantao Law Firm and a consultant of Messrs. Guantao & Chow. 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. 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.

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

SENIOR MANAGEMENT

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

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2015, 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 and underlying shares held under equity derivatives					Sub-total	Total	% of issued voting shares as at 31.12.2015
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	Shares	188,743	–	–	501,957,186 ^{3&7}	502,145,929	502,145,929	17.35	
	Equity Derivatives	–	–	–	–	–	–	–	
							502,145,929	17.35	
Lee Shau-kee	Shares	526,868	–	58,607,000 ⁴	–	59,133,868	59,133,868	2.04	
	Equity Derivatives	–	–	28,584 ⁴	–	28,584	28,584	0.00	
	warrants	–	–	–	–	–	–	–	
							59,162,452	2.04	
Wong Chik-wing, Mike	Shares	317,695	–	–	–	317,695	317,695	0.01	
	Equity Derivatives	–	–	–	–	–	–	–	
							317,695	0.01	
Lui Ting, Victor	Shares	60,000	–	–	–	60,000	60,000	0.00	
	Equity Derivatives	–	–	–	–	–	–	–	
	warrants	5,000	–	–	–	5,000	5,000	0.00	
	share options	100,000	–	–	–	100,000	105,000	0.00	
							165,000	0.00	
Wong Yue-chim, Richard	Shares	–	1,000 ⁵	–	–	1,000	1,000	0.00	
	Equity Derivatives	–	–	–	–	–	–	–	
	warrants	–	83 ⁵	–	–	83	83	0.00	
							1,083	0.00	
Li Ka-cheung, Eric	Shares	–	4,028 ⁵	–	–	4,028	4,028	0.00	
	Equity Derivatives	–	–	–	–	–	–	–	
	warrants	–	335 ⁵	–	–	335	335	0.00	
							4,363	0.00	

Other Information

Name of Director		Number of shares and underlying shares held under equity derivatives					Sub-total	Total	% of issued voting shares as at 31.12.2015
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Fung Kwok-lun, William	Shares	220,000	9,739 ⁵	–	–	229,739	229,739	0.01	
	Equity Derivatives warrants	18,333	811 ⁵	–	–	19,144	19,144	0.00	
							248,883	0.01	
Leung Nai-pang, Norman	Shares	–	10,833 ⁵	–	–	10,833	10,833	0.00	
	Equity Derivatives	–	–	–	–	–	–	–	
							10,833	0.00	
Leung Kui-king, Donald	Shares	–	2,000 ⁵	–	–	2,000	2,000	0.00	
	Equity Derivatives	–	–	–	–	–	–	–	
							2,000	0.00	
Leung Ko May-yee, Margaret	Shares	15,372	–	–	–	15,372	15,372	0.00	
	Equity Derivatives warrants	1,268	–	–	–	1,268	1,268	0.00	
							16,640	0.00	
Woo Po-shing	Shares	1,540,913	–	–	–	1,540,913	1,540,913	0.05	
	Equity Derivatives	–	–	–	–	–	–	–	
							1,540,913	0.05	
Kwok Kai-fai, Adam	Shares	9,000	–	–	627,392,747 ^{6,7&8}	627,401,747	627,401,747	21.68	
	Equity Derivatives share options	23,000	–	–	–	23,000	23,000	0.00	
							627,424,747	21.68	
Kwong Chun	Shares	762,722	339,358 ⁵	–	–	1,102,080	1,102,080	0.04	
	Equity Derivatives warrants	63,560	28,279 ⁵	–	–	91,839	91,839	0.00	
							1,193,919	0.04	
Tung Chi-ho, Eric	Shares	–	–	–	–	–	–	–	
	Equity Derivatives share options	100,000	–	–	–	100,000	100,000	0.00	
							100,000	0.00	
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	Shares	9,000	–	–	628,910,601 ^{3,7&8}	628,919,601	628,919,601	21.74	
	Equity Derivatives share options	23,000	–	–	–	23,000	23,000	0.00	
							628,942,601	21.74	
Woo Ka-biu, Jackson (Alternate Director to Woo Po-shing)	Shares	–	1,000 ⁵	–	–	1,000	1,000	0.00	
	Equity Derivatives	–	–	–	–	–	–	–	
							1,000	0.00	

Other Information

Notes:

1. *The warrants issued by the Company are regarded for the time being as listed physically settled equity derivatives. Each warrant entitles the holder thereof to subscribe at any time during the period from 23 April 2014 to 22 April 2016 (both days inclusive) for one fully paid new share in the Company at an initial subscription price of HK\$98.60 per new share (subject to adjustment).*
2. *The share options granted by the Company are regarded for the time being as unlisted physically settled equity derivatives. Details of the share options are set out in the section headed "Share Option Schemes" below.*
3. *Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were deemed to be interested in 501,957,186 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. *Dr. Lee Shau-kee was deemed to be interested in the 58,607,000 shares and 28,584 warrants of the Company held through Superfun Enterprises Limited ("Superfun") and Kinnox Investment Limited ("Kinnox"). Superfun was wholly-owned by The Hong Kong and China Gas Company Limited ("HK China Gas") which was 41.52% held by Henderson Land Development Company Limited ("Henderson Land"). Henderson Land was taken to be 71.56% held by Henderson Development Limited ("Henderson Development"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust owned all the issued ordinary shares of Henderson Development. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as respective trustees of two discretionary trusts held units in this unit trust. Kinnox was wholly-owned by Financial Enterprise Investments Limited ("Financial Enterprise") which was wholly-owned by Shau Kee Financial Enterprises Limited ("SK Financial"). Lee Financial (Cayman) Limited ("Lee Financial") as trustee of another unit trust owned all the issued shares of SK Financial. Leeworld (Cayman) Limited ("Leeworld") and Leesons (Cayman) Limited ("Leesons") as respective trustees of another two discretionary trusts held units in this unit trust. The entire issued share capital of Hopkins, Rimmer, Riddick, Lee Financial, Leeworld and Leesons were owned by Dr. Lee Shau-kee. He was taken to be interested in the 58,607,000 shares and 28,584 warrants of the Company held by Superfun and Kinnox by virtue of Part XV of the SFO.*
5. *These shares and/or warrants of the Company were held by the spouse of the Director concerned.*
6. *Mr. Kwok Kai-fai, Adam was deemed to be interested in 500,439,332 shares in the Company by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.*
7. *Of the said 501,957,186 shares and 500,439,332 shares in the Company as stated in Notes 3 and 6 above respectively, Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 54,199,223 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*
8. *Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were also deemed to be interested in 126,953,415 shares in the Company by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of 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 and underlying shares held under equity derivatives			Total	% of issued voting shares as at 31.12.2015
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests		
Kwok Ping-luen, Raymond	Shares	–	–	3,485,000 ^{1&2}	3,485,000	0.15
	Equity Derivatives	–	–	–	–	–
					3,485,000	0.15
Wong Chik-wing, Mike	Shares	218,000	–	–	218,000	0.01
	Equity Derivatives	–	–	–	–	–
					218,000	0.01
Lui Ting, Victor	Shares	356	–	–	356	0.00
	Equity Derivatives	–	–	–	–	–
					356	0.00
Leung Nai-pang, Norman	Shares	41,000	142 ³	–	41,142	0.00
	Equity Derivatives	–	–	–	–	–
					41,142	0.00
Leung Ko May-yee, Margaret	Shares	1,000	2,000 ³	–	3,000	0.00
	Equity Derivatives	–	–	–	–	–
					3,000	0.00
Kwok Kai-fai, Adam	Shares	–	–	11,927,658 ^{1&4}	11,927,658	0.51
	Equity Derivatives	–	–	–	–	–
					11,927,658	0.51
Kwong Chun	Shares	600,000	–	–	600,000	0.03
	Equity Derivatives	–	–	–	–	–
					600,000	0.03
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	Shares	–	–	13,272,658 ^{1,2&4}	13,272,658	0.57
	Equity Derivatives	–	–	–	–	–
					13,272,658	0.57

Other Information

Notes:

1. Messrs. 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.
2. Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were also deemed to be interested in 1,345,000 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.
3. These shares in SUNeVision were held by the spouse of the Director concerned.
4. Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were 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.

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

Name of Director		Number of shares and underlying shares held under equity derivatives			Total	% of issued voting shares as at 31.12.2015
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
Kwok Ping-luen, Raymond	Shares	–	–	4,565,544 ¹	4,565,544	0.43
	Equity Derivatives	–	–	–	–	–
					4,565,544	0.43
Lee Chau-kee	Shares	–	546,000 ²	–	546,000	0.05
	Equity Derivatives	–	–	–	–	–
					546,000	0.05
Kwok Kai-fai, Adam	Shares	–	–	6,057,364 ³	6,057,364	0.57
	Equity Derivatives	–	–	–	–	–
					6,057,364	0.57
Fung Yuk-lun, Allen	Shares	247,500	–	–	247,500	0.02
	Equity Derivatives	–	–	–	–	–
					247,500	0.02
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	Shares	–	–	10,622,908 ^{1&3}	10,622,908	1.00
	Equity Derivatives	–	–	–	–	–
					10,622,908	1.00

Other Information

Notes:

1. Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were deemed to be interested in 4,565,544 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.
2. Dr. Lee Shau-kee was deemed to be interested in 546,000 shares in SmarTone held through Good Treasure Limited ("Good Treasure"). Good Treasure was wholly-owned by Financial Enterprise Group Limited, which was a wholly-owned subsidiary of Furnline Limited. Furnline Limited was wholly-owned by Jetwin International Limited ("Jetwin"). Triton (Cayman) Limited ("Triton") as trustee of a unit trust owned all the issued shares of Jetwin. Victory (Cayman) Limited ("Victory") and Triumph (Cayman) Limited ("Triumph") as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Triton, Victory and Triumph were owned by Dr. Lee Shau-kee. He was taken to be interested in the 546,000 shares in SmarTone held by Good Treasure by virtue of Part XV of the SFO.
3. Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 6,057,364 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 ("Transport International")

Name of Director		Number of shares and underlying shares held under equity derivatives		% of issued voting shares as at 31.12.2015
		Personal interests (held as beneficial owner)	Total	
Kwok Ping-luen, Raymond	Shares	393,350 ¹	393,350	0.10
	Equity Derivatives	–	–	–
			393,350	0.10

Note:

1. Of these shares in Transport International, 390,225 shares were held jointly with the spouse of Mr. Kwok Ping-luen, Raymond.

Other Information

(d) RoadShow Holdings Limited (“RoadShow”)

Name of Director		Number of shares and underlying shares held under equity derivatives		% of issued voting shares as at 31.12.2015
		Personal interests (held as beneficial owner)	Total	
Kwok Ping-luen, Raymond	Shares	37,400 ¹	37,400	0.00
	Equity Derivatives	–	–	–
			37,400	0.00

Note:

1. These shares in RoadShow were held jointly with the spouse of Mr. Kwok Ping-luen, Raymond.

(e) Each of Messrs. 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 issued voting shares held through corporation as at 31.12.2015	Actual shares held through corporation	Actual % of interests in issued voting shares as at 31.12.2015
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-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.

Other Information

- (f) 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 issued voting shares as at 31.12.2015
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
System Link Development Limited	2 ¹⁶	50.00
Tartar Investments Limited	300 ¹⁷	30.00
Teamfield Property Limited	4,918 ¹⁸	49.18
Topcycle Development Limited	1 ¹⁹	50.00
World Space Investment Limited	4,918 ¹⁸	49.18

Notes:

- Dr. Lee Shau-kee was deemed to be interested in the 58,607,000 shares and 28,584 warrants of the Company held through Superfun and Kinnox. Superfun was wholly-owned by HK China Gas which was 41.52% held by Henderson Land. Henderson Land was taken to be 71.56% held by Henderson Development. Hopkins as trustee of a unit trust owned all the issued ordinary shares of Henderson Development. Rimmer and Riddick as respective trustees of two discretionary trusts held units in this unit trust. Kinnox was wholly-owned by Financial Enterprise which was wholly-owned by SK Financial. Lee Financial as trustee of another unit trust owned all the issued shares of SK Financial. Leeworld and Leesons as respective trustees of another two discretionary trusts held units in this unit trust. The entire issued share capital of Hopkins, Rimmer, Riddick, Lee Financial, Leeworld and Leesons were owned by Dr. Lee Shau-kee. He was taken to be interested in the 58,607,000 shares and 28,584 warrants of the Company held by Superfun and Kinnox by virtue of Part XV of the SFO.
- Dr. Lee Shau-kee was deemed to be interested in the two shares held through Everise (H.K.) Limited which was 50% held by Masterland Limited ("Masterland").
- Dr. Lee Shau-kee was deemed to be interested in the one share held through Chico Investment Limited ("Chico").
- Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Central Waterfront Property Investment Holdings Limited which was 34.21% held by Starland International Limited ("Starland").

Other Information

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 which was wholly-owned by HK China Gas. HK China Gas was 41.52% held by Henderson Land.*
6. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Starland.*
7. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Citiright Development Limited.*
8. *Dr. Lee Shau-kee was deemed to be interested in the one share held through E Man Construction Company Limited.*
9. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Masterland.*
10. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Atex Resources Limited which was wholly-owned by Mightymark Investment Limited.*
11. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Citiplus Limited.*
12. *Dr. Lee Shau-kee was deemed to be interested in the 2,459 shares held through Chico.*
13. *Dr. Lee Shau-kee was deemed to be interested in the 3,050 shares held through Quickcentre Properties Limited, a wholly-owned subsidiary of Henderson (China) Investment Company Limited which in turn was wholly-owned by Andco Limited. Andco Limited was a wholly-owned subsidiary of Henderson China Holdings Limited which was wholly-owned by Brightland Enterprises Limited.*
14. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Well Born Real Estate Management Limited.*
15. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Benewick Limited which was wholly-owned by Dorway Investment Limited.*
16. *Dr. Lee Shau-kee was deemed to be interested in the two shares held through Mightymark Investment Limited.*
17. *Dr. Lee Shau-kee was deemed to be interested in the 300 shares held through Kenforce Investment Limited which was wholly-owned by Henderson China Properties Limited.*
18. *Dr. Lee Shau-kee was deemed to be interested in the 4,918 shares held through Billion Ventures Limited which was 50% held by Chico.*
19. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Dandy Investments Limited.*
20. *Masterland, Chico, Starland and companies mentioned in Notes 7, 8, 10, 11, 13 to 17 and 19 above were wholly-owned subsidiaries of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1 above.*

Save as disclosed above, as at 31 December 2015, 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 that were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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 made by the Company, all Directors have confirmed that they have complied with the Model Code during the six months ended 31 December 2015.

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, 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.

During the six months ended 31 December 2015, no share options were granted under the New Scheme. 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 2015 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				Balance as at 31.12.2015	Closing price per share (HK\$)
				Balance as at 01.07.2015	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period		
(I) Old Scheme									
(i) Directors									
Wong Chik-wing, Mike	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	-	(100,000)	-	-	123.30 ²
Lui Ting, Victor	11.07.2012	96.15	11.07.2013 to 10.07.2017	100,000	-	-	-	100,000	N/A
Chan Kwok-wai, Patrick <i>(retired as a Director on 12 November 2015)</i>	11.07.2011	116.90	11.07.2012 to 10.07.2016	100,000	-	-	-	N/A ³	N/A
(ii) Associate of a Director									
	12.07.2010	111.40	12.07.2011 to 11.07.2015	6,000	-	(6,000)	-	-	115.10 ²
(iii) Other employees									
	12.07.2010	111.40	12.07.2011 to 11.07.2015	660,000	-	(660,000)	-	-	119.39 ²
	11.07.2011	116.90	11.07.2012 to 10.07.2016	1,088,000	-	-	-	1,088,000 100,000 ³	N/A
	11.07.2012	96.15	11.07.2013 to 10.07.2017	862,000	-	(56,000)	-	806,000	119.51 ²

Other Information

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				Closing price per share (HK\$)	
				Balance as at 01.07.2015	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		Balance as at 31.12.2015
(II) New Scheme									
(i) Directors									
Kwok Kai-fai, Adam	12.07.2013	102.30	12.07.2014 to 11.07.2018	23,000	–	–	–	23,000	N/A
Tung Chi-ho, Eric	11.07.2014	106.80	11.07.2015 to 10.07.2019	100,000	–	–	–	100,000	N/A
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	12.07.2013	102.30	12.07.2014 to 11.07.2018	23,000	–	–	–	23,000	N/A
(ii) Other employees									
	12.07.2013	102.30	12.07.2014 to 11.07.2018	851,000	–	(22,000)	(20,000)	809,000	121.29 ²
	11.07.2014	106.80	11.07.2015 to 10.07.2019	980,000	–	(2,000)	(6,000)	972,000	119.80 ²
Total				4,893,000	–	(846,000)	(26,000)	4,021,000	

Notes:

1. The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
2. This represented the weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised.
3. Mr. Chan Kwok-wai, Patrick retired as a Director of the Company by rotation at the annual general meeting of the Company held on 12 November 2015 and resigned as the Chief Financial Officer of the Company with effect from 1 January 2016.
4. The accounting policy adopted for the share options is set out in note 1(t) to the consolidated financial statements for the year ended 30 June 2015 contained in the 2014/15 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 2015.

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. On 10 June 2012, SUNeVision announced that since SUNeVision did not proceed with the application for the transfer of listing of its shares, 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 2015, there were no outstanding share options under the SUNeVision Old Scheme and 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 became 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 became 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 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 2015, no share options were granted under the SmarTone New Scheme. Particulars of the outstanding share options granted under the SmarTone Schemes and their movements during the six months ended 31 December 2015 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise Period ¹	Number of share options				Closing price per share (HK\$)	
				Balance as at 01.07.2015	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		Balance as at 31.12.2015
(I) SmarTone Old Scheme									
(i) Directors of SmarTone	13.06.2011	12.78	13.06.2012 to 12.06.2016	13,400,000	–	(2,725,500)	(7,145,000)	3,529,500	13.81 ²
(ii) Other employees of SmarTone	13.06.2011	12.78	13.06.2012 to 12.06.2016	9,378,500	–	(1,932,000)	(191,500)	7,255,000	14.53 ²
	30.11.2011	13.02	30.11.2012 to 29.11.2016	277,500	–	–	–	277,500	N/A
(II) SmarTone New Scheme									
(i) Other employees of SmarTone	30.12.2011	13.52	30.12.2012 to 29.12.2016	112,500	–	–	(37,500)	75,000	N/A
Total				23,168,500	–	(4,657,500)	(7,374,000)	11,137,000	

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 2015.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2015, substantial shareholders of the Company and other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

		Number of shares and underlying shares held under equity derivatives			% of issued voting shares as at 31.12.2015	
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		Total
(I) Substantial shareholders						
HSBC Trustee (C.I.) Limited	Shares	–	–	935,105,444 ^{2,3&4}	935,105,444	32.32
	Equity Derivatives	–	–	–	–	–
					935,105,444	32.32
Kwong Siu-hing	Shares	25,024	–	747,747,737 ^{2&4}	747,772,761	25.84
	Equity Derivatives	–	–	–	–	–
					747,772,761	25.84
(II) Other persons						
Adolfa Limited (“Adolfa”)	Shares	231,182,838	54,199,223	–	285,382,061 ⁴	9.86
	Equity Derivatives	–	–	–	–	–
					285,382,061	9.86
Bertana Limited (“Bertana”)	Shares	231,182,838	54,199,223	–	285,382,061 ^{4&5}	9.86
	Equity Derivatives	–	–	–	–	–
					285,382,061	9.86
Cyrac Limited (“Cyrac”)	Shares	231,182,838	54,199,223	–	285,382,061 ^{4&6}	9.86
	Equity Derivatives	–	–	–	–	–
					285,382,061	9.86
Credit Suisse Trust Limited	Shares	–	–	216,606,592 ^{7&8}	216,606,592	7.49
	Equity Derivatives	–	–	–	–	–
	warrants	–	–	4,351 ⁸	4,351	0.00
					216,610,943	7.49
HSBC Trustee (Guernsey) Limited	Shares	–	–	215,057,271 ⁹	215,057,271	7.43
	Equity Derivatives	–	–	–	–	–
					215,057,271	7.43
Kwok Ping-sheung, Walter	Shares	81,250	–	211,173,896 ^{3&10}	211,255,146	7.30
	Equity Derivatives	–	–	–	–	–
					211,255,146	7.30
Thriving Talent Limited	Shares	191,351,595 ⁹	–	–	191,351,595	6.61
	Equity Derivatives	–	–	–	–	–
					191,351,595	6.61
Rosy Result Limited	Shares	189,149,595 ⁷	–	–	189,149,595	6.54
	Equity Derivatives	–	–	–	–	–
					189,149,595	6.54
Asporto Limited	Shares	187,357,707 ^{3&10}	–	–	187,357,707	6.48
	Equity Derivatives	–	–	–	–	–
					187,357,707	6.48

Other Information

Notes:

1. *The warrants issued by the Company are regarded for the time being as listed physically settled equity derivatives. Each warrant entitles the holder thereof to subscribe at any time during the period from 23 April 2014 to 22 April 2016 (both days inclusive) for one fully paid new share in the Company at an initial subscription price of HK\$98.60 per new share (subject to adjustment).*
2. *Madam Kwong Siu-hing was deemed to be interested in 747,747,737 shares in the Company by virtue of her being a founder and a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. These shares formed part of the shares in the Company in which HSBC Trustee (C.I.) Limited was deemed to be interested in by virtue of it being the trustee of certain discretionary trusts and were therefore duplicated between these two substantial shareholders.*
3. *In addition to the deemed interests as stated in Note 2 above, HSBC Trustee (C.I.) Limited was deemed to be interested in 187,357,707 shares in the Company 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 held by Asporto Limited and also formed part of the shares in the Company in which Mr. Kwok Ping-sheung, Walter was deemed to be interested in by virtue of him being a founder and/or a beneficiary of a discretionary trust for the purpose of Part XV of the SFO and were therefore duplicated amongst them.*
4. *Of the respective shares in the Company held by Adolfa, Bertana and Cyric, 54,199,223 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 54,199,223 shares represented the same interests and were therefore duplicated amongst these companies. Further, the respective shares held by Adolfa, Bertana and Cyric formed part of the shares in the Company in which each of Madam Kwong Siu-hing and HSBC Trustee (C.I.) Limited was deemed to be interested.*
5. *These shares were the same shares in the Company included in "other interests" of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated with them.*
6. *These shares were the same shares in the Company 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.*
7. *Credit Suisse Trust Limited was deemed to be interested in 216,575,125 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 189,149,595 shares represented the same interests held by Rosy Result Limited and were therefore duplicated between them.*

The 216,575,125 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond 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.
8. *In addition to the deemed interests as stated in Note 7 above, Credit Suisse Trust Limited was deemed to be interested in 31,467 shares and 4,351 warrants of the Company by virtue of it being the trustee of certain discretionary trusts for the purpose of Part XV of the SFO.*
9. *HSBC Trustee (Guernsey) Limited was deemed to be interested in 215,057,271 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 191,351,595 shares represented the same interests held by Thriving Talent Limited and were therefore duplicated between them.*

The 215,057,271 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated with them.
10. *Mr. Kwok Ping-sheung, Walter was deemed to be interested in 211,173,896 shares in the Company by virtue of him being a founder and/or a beneficiary of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 187,357,707 shares represented the same interests held by Asporto Limited and deemed to be held by HSBC Trustee (C.I.) Limited and were therefore duplicated amongst them.*

Other Information

Save as disclosed above, as at 31 December 2015, there were no other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2015, the Group employed close to 37,000 employees. The related employees' costs before reimbursements for the six months ended 31 December 2015 amounted to approximately HK\$4,785 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. A share option scheme is in place to provide appropriate long-term incentive to the key staff of the Group.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2015.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$1.05 per share (2014: HK\$0.95 per share) for the six months ended 31 December 2015 to the Shareholders whose names appear on the register of members of the Company on Monday, 14 March 2016. The interim dividend will be payable in cash on Tuesday, 22 March 2016. Shares of the Company will be traded ex-dividend as from Thursday, 10 March 2016.

Other Information

CLOSURE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS

For the purpose of ascertaining Shareholders' entitlement to the interim dividend, the register of members and the register of warrant holders of the Company will be closed on Monday, 14 March 2016, during which no transfer of shares or warrants (including the allotment of shares upon exercise of the subscription rights thereof) will be registered. In order to establish entitlements to the interim dividend,

- (i) Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the "Share Transfer Documents") for registration not later than 4:30 p.m. on Friday, 11 March 2016; and
- (ii) warrant holders of the Company (the "Warrant holders") must lodge all subscription forms accompanied by the relevant warrant certificates and exercise moneys (together the "Warrant Exercise Documents") for registration not later than 4:30 p.m. on Monday, 7 March 2016.

The Share Transfer Documents and the Warrant Exercise Documents shall be lodged for registration with Computershare Hong Kong Investor Services Limited, which also act as the registrar maintaining the register of Warrant holders, at Shop Nos. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2015 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 2015, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that there is no separation of the roles of chairman and chief executive as required under Code Provision A.2.1. However, the powers and authorities have not been concentrated as all major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are three 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, 26 February 2016