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

INTERIM REPORT 2016/17 中期報告

Stock Code 股份代號 : 16

1. International Commerce Centre at Kowloon Station, Hong Kong
   香港九龍站環球貿易廣場

2. Shanghai IFC, the mainland
   內地上海國金中心

3. Grand YOHO in Yuen Long, Hong Kong
   香港元朗 Grand YOHO

4. Ultima in Ho Man Tin, Hong Kong
   香港何文田天鑄

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Board of Directors and Committees

BOARD OF DIRECTORS

Executive Directors	Kwok Ping-luen, Raymond *(Chairman & Managing Director)* Wong Chik-wing, Mike *(Deputy Managing Director)* Lui Ting, Victor *(Deputy Managing Director)* Kwok Kai-fai, Adam Kwok Kai-wang, Christopher Kwong Chun Tung Chi-ho, Eric Fung Yuk-lun, Allen Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*
Non-Executive Directors	Lee Shau-kee *(Vice Chairman)* 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 Kwok Kai-wang, Christopher 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 and Risk Management Committee	Li Ka-cheung, Eric* Yip Dicky Peter Leung Kui-king, Donald Leung Nai-pang, Norman
Remuneration Committee	Wong Yue-chim, Richard* Li Ka-cheung, Eric Kwan Cheuk-yin, William Leung Nai-pang, Norman
Nomination Committee	Wong Yue-chim, Richard* Kwan Cheuk-yin, William Yip Dicky Peter Leung Nai-pang, Norman

* *Committee Chairman*

Financial Highlights and Corporate Information

FINANCIAL HIGHLIGHTS

For the six months ended 31 December	2016	2015	Change (%)
Financial Highlights (HK$ million)			
Revenue	**46,343**	34,902	32.8
Profit attributable to the Company's shareholders			
— Reported	**20,659**	14,724	40.3
— Underlying[1]	**14,608**	9,298	57.1
Gross rental income[2]	**10,803**	10,351	4.4
Net rental income[2]	**8,273**	7,943	4.2
Financial Information per Share (HK$)			
Basic earnings per share for profit attributable to the Company's shareholders			
— Reported	**7.14**	5.11	39.7
— Underlying[1]	**5.05**	3.23	56.3
Interim dividends	**1.10**	1.05	4.8

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

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Yung Sheung-tat, Sandy

Auditor

Deloitte Touche Tohmatsu

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Share Registrar

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

Solicitors

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

Principal Bankers

Bank of China (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Bank, Ltd.
Industrial and Commercial Bank of China (Asia) Limited
Sumitomo Mitsui Banking Corporation
Agricultural Bank of China Limited
China Construction Bank (Asia) Corporation Limited
Hang Seng Bank 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 2016, excluding the effect of fair-value changes on investment properties, amounted to HK$14,608 million, compared to HK$9,298 million for the corresponding period last year. Underlying earnings per share were HK$5.05, compared to HK$3.23 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$20,659 million and HK$7.14 respectively, compared to HK$14,724 million and HK$5.11 for the corresponding period last year. The reported profit for the period included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK$6,456 million, compared to HK$5,531 million for the same period last year.

DIVIDEND

The directors have declared an interim dividend payment of HK$1.10 per share for the six months ended 31 December 2016, an increase of 4.8% from the corresponding period last year. The dividend will be payable on 23 March 2017.

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$26,147 million. Profit generated from property sales was HK$8,345 million, as compared to HK$2,474 million for the same period last year. Contracted sales during the period amounted to HK$28,600 million in attributable terms.

Rental Income

Gross rental income, including contributions from joint-venture projects, rose 4% year-on-year to HK$10,803 million and net rental income increased by 4% year-on-year to HK$8,273 million during the period. This healthy performance was attributable to positive rental reversions and higher rents from new leases. Contributions from new investment properties, particularly those on the mainland, also helped drive rental income growth.

Property Business — Hong Kong

Land Bank

As at the end of December 2016, the Group's total land bank in Hong Kong amounted to 49.3 million square feet in terms of attributable gross floor area, including 29.4 million square feet of completed investment properties and 19.9 million square feet of properties under development. The Group also held more than 30 million square feet of agricultural land in terms of site area, primarily located along existing or planned railway lines in the New Territories and under various stages of land use conversion.

The Group continued to participate in land bidding and acquired a residential site in Sha Tin through government tender during the period under review. Covering a gross floor area of about 434,000 square feet, the project is nestled amid lush greenery and will be developed into trendy, luxury accommodation offering a relaxing lifestyle. The development return is expected to be satisfactory despite intense competition in the land market. The Group will maintain a sufficient land bank to support its sustainable development in respect of growth and providing staff with opportunities to engage in a greater number of projects to realize their potential.

Chairman's Statement

Property Development

Hong Kong's primary residential market has become active again since the beginning of 2017 with new launches well received by end users. This is in contrast to a quiet market in the last two months of 2016 with low transaction volumes as a result of new stamp duty measures and interest rate hikes. Homebuyer confidence is still underpinned by a healthy labour market, sustained income growth and relatively low interest rate environment.

The Group continues to focus on lifting its brand and strengthening its leading position in the market. It constantly optimizes its products through keeping tabs on customer needs and preferences as well as market changes. Not only is the Group well acclaimed for its diverse flat mix that features efficient layouts, complemented by distinctive architecture, quality materials and finishes as well as comprehensive facilities, but it is also highly praised for its thoughtful design and attentive service. The Group's commitment to customer focus adds an extra touch of flair for residents to enjoy their premier lifestyle. Recent handovers of properties including first phases of Ultima in Ho Man Tin and Century Link in Tung Chung won high acclaim from customers and further boosted the Group's premium brand and reputation.

The Group registered impressive contracted sales of over HK$22,800 million during the period under review, contributed mainly by the first phases of Grand YOHO and Park YOHO in Yuen Long, Lime Gala in Shau Kei Wan and Ocean Wings in Tseung Kwan O South. The second phase of Grand YOHO was launched in January 2017 and the units on offer to date were virtually sold out. The remaining units represent the only available apartments directly connected to MTR Yuen Long Station for the next two to three years; the Group is selling the remainder at a proper pace to capture the potential.

During the period, the Group completed two projects in Hong Kong totalling about 1.5 million square feet of gross floor area, of which nearly one million square feet were residential. The remainder is retail premises being kept for long-term investment. Details are listed in the following table. In the second half of this financial year, nearly 3.1 million square feet in attributable gross floor area are due for completion, including about 2.6 million square feet of residential premises.

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Grand YOHO Phase 1	9 Long Yat Road, Yuen Long	Residential/ Shopping Centre	100	1,199,000
The Wings IIIB	19 Chi Shin Street, Tseung Kwan O	Residential/Shops	100	257,000
Total				**1,456,000**

Property Investment

The Group has successfully established its leading position in the leasing market of Hong Kong, underpinned by its quality and diversified portfolio in terms of location and usage. With a total gross floor area of over 29 million square feet, the investment property portfolio consists mainly of premium shopping malls and quality office towers, providing the Group with sizable and stable recurrent rental income.

Gross rental income from Hong Kong, including contributions from joint-venture projects, increased by 4% year-on-year to HK$8,643 million during the period under review. This rental growth was mainly attributable to higher rents from new leases and renewals. The overall occupancy of the Group's investment properties stood high at about 95%.

Chairman's Statement

Retail portfolio

The Group's retail portfolio continued to register high overall occupancy and positive rental reversions in the midst of a soft retail market, which saw its decline tapering off in recent months. Totalling about 11 million square feet, the portfolio will continue to expand as new investment properties gradually come on stream, serving as a driver for the Group's rental income growth.

With a combined gross floor area of about 1.1 million square feet, YOHO Mall, which comprises the retail space of the Group's YOHO developments in Yuen Long, is believed to emulate the achievement of New Town Plaza in eastern New Territories. YOHO Mall I & II recorded satisfactory performance with high occupancy during the period. With its unique market positioning, an array of fashion brands and specialty restaurants, YOHO Mall I & II have already become a shopping hotspot in western New Territories. Its scale will be expanded substantially by the upcoming 450,000-square-foot extension – the retail area beneath Grand YOHO that will also connect directly to MTR Yuen Long Station and boost the mall's accessibility and circulation. The extension is scheduled to open in the second half of 2017 and response to pre-leasing has been encouraging. Tenants will include kids' clothing outlets and a cinema to offer an audiovisual feast, culminating in a comprehensive trade mix to underscore the allure of YOHO Mall. The 107,000-square-foot retail area of Yuen Long Station Development will be another component of YOHO Mall and its development plan is being finalized.

PopWalk includes the retail portions of the Group's developments in Tseung Kwan O South, totalling a gross floor area of 240,000 square feet. It is well positioned to tap into the expanding customer base in the area as new residential projects nearby gradually come to completion. The first phase covering a shopping area of 66,000 square feet is fully let with increasing traffic. Scheduled to open in the second half of 2017, another two phases totalling 95,000 square feet are mostly pre-leased to provide shoppers with a wider selection of products. The retail area of Ocean Wings will be the last phase of PopWalk and is scheduled for completion in financial year 2017/18.

Going forward, the Group will continue to strengthen its foothold in the retail leasing market and increase its presence in different areas of the city, including North Point and Nam Cheong station. Harbour North, the retail part of an integrated complex in North Point, is set to benefit from Victoria Harbour, a residential development above it as well as Hotel Vic under the Group due to open in 2018. Adjacent to a waterfront promenade, the 140,000-square-foot mall will be filled with quality retailers including outlets of beauty products and lifestyle goods. Its extensive facade along Java Road will feature duplex stores, a distinctive element in the area which is expected to enliven the neighbourhood. Given its proximity to MTR North Point Station and the scarcity of a one-stop shopping destination in Island East, Harbour North is poised to draw heavy visitor traffic and capture the market potential.

The premium mall atop MTR Nam Cheong Station will be served by convenient transportation network, attributable to its prime location at the interchange for two rail lines and of being one station along West Rail away from the future cross-border high-speed rail link terminus. Covering a retail area of about 300,000 square feet, the mall will house a diversity of tenants including sportswear and trendy fashion brands. Customers will be able to unwind at its al fresco restaurants, some of which will have landscaped open space resembling an oasis for urbanites. Such modern, relaxing lifestyle will be one-of-a-kind in the neighbourhood, and is expected to attract shoppers from all over the city.

The Group's existing retail network spans across the territory, with major shopping malls located primarily along railway lines. During the period, the overall performance of major malls such as IFC Mall, MOKO, East Point City, Tai Po Mega Mall, Landmark North and V City was satisfactory. The Group takes a proactive approach to offer a better shopping environment, diverse lifestyles and more attentive service to shoppers as a way to elevate its brand. To further boost the malls' competitiveness, the Group leverages the latest information technologies and media channels to gauge the changing living and consumption patterns of customers, and provides them with more value-added service.

The Group is also committed to enhancing the appeal of its shopping malls through asset enhancement initiatives. Metroplaza next to MTR Kwai Fong Station is undergoing a large-scale renovation, which is scheduled for completion in the second half of 2017. To better utilize its retail area, the mall's layout has been redesigned to enhance visitors' circulation and provide more shopfronts in conspicuous areas to raise its rental value. Considering the changing customer segments in the area, Metroplaza will be repositioned to capture the spending power of young people and professionals. The mall will also feature an enlivened facade to call attention to its new image.

APM in Kwun Tong is also implementing asset enhancement initiatives. Its outdoor greening project will be finished by the end of 2017 while the conversion of some office space above the mall into retail area is progressing well. Phase III of New Town Plaza in Sha Tin will shortly carry out a large-scale renovation programme involving major layout change, tenant-mix refinement and a revamp of the facade. Together with a new cinema currently under construction in Phase I, the entire shopping landmark is expected to elevate customer experience and reinforce its competitive edge in the market.

Office portfolio

The Group has established a premium office portfolio primarily along railway lines, and its premises are noted for superior building quality and professional management service. During the period, the diversified portfolio of 10 million square feet continued to perform well with occupancy sustaining at over 95%. The Group was able to attract and retain quality tenants with renewals concluded at higher rents despite a relatively slow growth pace in the local and mainland economies.

The Group's landmark development International Finance Centre (IFC) benefitted from favourable supply-demand dynamics in core Central. With its convenient location, prestigious address, exceptional quality and fabulous view of Victoria Harbour, the virtually fully-let office complex continued to draw keen interest from renowned financial institutions, including those from the mainland, and saw its rents staying at a high level.

International Commerce Centre (ICC) continued to perform well with high occupancy and positive rental reversions. Complemented by five-star hotels, comprehensive retail and entertainment facilities as well as direct access to the city's mass transit system, ICC has a strategic location that will be further enhanced by the scheduled completion of the cross-border high-speed rail link in the second half of 2018. Capitalizing on its world-class building specifications, sweeping sea view and proximity to the West Kowloon Cultural District, ICC's position as a preferred choice for reputable multinationals and mainland companies, including financial institutions, will be further bolstered.

The Millennium City office cluster in Kowloon East recorded high overall occupancy and reversions with increased rental levels during the period. With its single ownership, attentive service, large floor plates and easy access to a comprehensive transport network, the Millennium City has established a premium brand and become a major office hub. On the back of its leading position in the area, the office cluster is expected to outperform the market in Kowloon East despite abundant supply. After paying a premium for land use conversion in October 2016, the Group is finalizing the development plan for the 98 How Ming Street site. The project will be redeveloped into a 1.2-million-square-foot commercial property and is expected to synergize with the Millennium City cluster and generate additional traffic for APM upon completion.

Other premium offices such as Sun Hung Kai Centre in Wan Chai, Grand Century Place in Mong Kok, Grand Central Plaza in Sha Tin and Metroplaza in Kwai Fong also performed well. Solid demand from a diverse tenant base led to high occupancies and respectable rental reversions.

The Group continues to make a considerable effort to upgrade its office premises. The first phase of renovation at Central Plaza in Wan Chai was recently finished and the second phase is planned to commence later this year. Leasing performance of this premium office tower was satisfactory. Refurbishment at Grand Central Plaza is scheduled to begin within the year.

Chairman's Statement

Property Business — Mainland

Land Bank

The Group's total land bank on the mainland stood at an attributable 65.6 million square feet as at the end of December 2016. About 12.4 million square feet were completed investment properties for rental, comprising mainly landmark integrated projects at prime locations in Shanghai, Beijing and Guangzhou. The remaining 53.2 million square feet were properties under development, of which about 60% will be for high-end residences or serviced apartments. The Group will continue to adopt a selective and focused approach to explore investment opportunities in first-tier cities.

Property Development

The residential market on the mainland performed well for most of 2016 while the demand of late cooled off due to the government's restrictive measures introduced in the fourth quarter. Last year saw a general increase in home prices, which still stayed firm in the past few months on the back of solid end-user demand. Meanwhile, land market sentiment remained strong.

The Group recorded an attributable contracted sales of over RMB5,000 million on the mainland during the period. Such impressive results stemmed from the Group's premium building quality and after-sales service along with a positive sales momentum in the market. Luxury residential projects including Shanghai Arch, Shanghai Cullinan and Guangzhou's Forest Hills, in which the Group owns a 70% stake, continued to deliver good sales results. Other quality residential developments, including a project in Dongguan and joint-venture projects in Chengdu and Foshan, were also well received. Office projects GCC (Guangzhou Commerce Centre) and Top Plaza East Tower in Guangzhou, in which the Group has a 70% and 33.3% interest respectively, also made meaningful contributions to its property sales.

During the period, the Group completed approximately 4.6 million square feet of attributable gross floor area on the mainland, including four residential projects covering about 3.7 million square feet. The four projects were virtually sold out and highly acclaimed for their superior building quality and design. Other completions included two office developments and a hotel. Strategically located in Guangzhou's core business area, GCC and Top Plaza East Tower set a new standard for premium office space in the area. Park Hyatt Hangzhou in Qianjiang New City CBD has soft-opened since September last year. Project details are shown in the following table:

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
The Woodland Phase 4D	Zhongshan 5 Road, Zhongshan	Residential	JV	1,062,000
Grand Waterfront Phase 1	Shilong, Dongguan	Residential	100	1,011,000
Jovo Town Phase 2C	Tianfu New Area, Chengdu	Residential	91	990,000
Oriental Bund Phase 1C	Chancheng, Foshan	Residential	50	608,000
Top Plaza East Tower, Tianhui Plaza Phase 2C	Zhujiang New Town, Guangzhou	Office	33.3	455,000
GCC	Tianhe, Guangzhou	Office	70	254,000
Park Hyatt Hangzhou, Hangzhou MIXC Phase 2D	Qianjiang New City, Hangzhou	Hotel	40	176,000
Total				**4,556,000**

Chairman's Statement

Around 657,000 square feet in attributable gross floor area are due for completion in the second half of this financial year. The completions will include the first phase of ITC (International Trade City) in Xujiahui, the Group's signature project in Shanghai. Over 500,000 square feet of premium office and retail space will be provided in the first phase.

Property Investment

The Group's mainland investment portfolio has become a meaningful contributor to its total rental income. During the period under review, gross rental income from the Group's mainland investment property portfolio, including contributions from joint-venture projects, rose 12% year-on-year to RMB1,606 million. The robust growth was primarily driven by higher rents on new leases and renewals as well as rentals from new investment properties.

The Group continues to expand its investment property portfolio in major cities, particularly Shanghai. The wholly-owned mega project ITC is situated in Xujiahui, which sees its economic importance rising after being upgraded to become one of the core business districts in Shanghai. With a total gross floor area of 7.6 million square feet, ITC will include grade-A offices, premium shopping malls and a luxury hotel to be completed in phases. This integrated project has direct access to Xujiahui metro station, which serves as the interchange of three existing lines, of which Line 11 is linked to a renowned theme park opened in 2016. The station will also be the interchange of two additional lines currently planned by the government. ITC will be connected to neighbouring historical landmarks and commercial buildings by a network of footbridges, offering total convenience to office workforce and visitors.

ITC One, Phase 1 of ITC, contains about 170,000 square feet of offices in two eight-storey towers on Huashan Road and is expected to be handed over to tenants in the first half of 2017. Pre-leasing is progressing well with potential tenants ranging from local enterprises to well-known multinationals. With a focus on grand luxury, the upscale mall covering approximately 340,000 square feet of gross floor area in ITC One is scheduled to open in 2018. Response to pre-leasing has been encouraging and lease negotiations with noted international and local brands are under way. Phase 2 on Gongcheng Road is comprised of about 320,000 square feet of offices and some 43,000 square feet of retail space that will house a variety of shops and restaurants. Construction has been progressing smoothly and this phase is due for completion in financial year 2017/18.

Foundation work for another site of ITC has commenced. A landmark complex on this site, housing two office towers, one of which a 370-metre skyscraper, along with a 2.5-million-square-foot mall and a hotel, will shape the silhouette of the entire mega project and become its centrepiece. The skyscraper will feature sophisticated configurations and infrastructure that will draw multinational corporations. Visitors will be able to enjoy the pleasurable experience offered by an upscale mall with all-weather shopping and entertainment facilities. Upon completion, ITC will further strengthen Xujiahui's position as a central business district.

Nanjing IFC, another project in the pipeline, is poised to be a new commercial icon in Nanjing's core business area. Sitting atop the interchange of two metro lines, the integrated development will offer more than three million square feet of gross floor area with quality offices in two towers, a large premium shopping mall and a hotel. The entire project is due for completion in late 2019 and superstructure work of the office complex is under way. Major multinationals have shown a growing interest in taking up the two-million-square-foot office space. The 1.1-million-square-foot mall will be positioned as an upscale shopping centre and is expected to mirror the success of Shanghai IFC Mall. This, together with the gradual completion of ITC in Xujiahui, will further boost the Group's market position and future rental income.

Chairman’s Statement

Earning solid acclaim for their superior quality, the two landmark integrated projects in Shanghai continue to outperform the city’s leasing market. Shanghai IFC, one of the Group’s iconic projects, is situated at the core of Lujiazui Finance and Trade Zone. The Shanghai IFC Mall within the complex, a top-performing mall in the city, recorded robust rental reversions and respectable growth in tenant sales. The shopping hub has become more accessible with public pedestrian tunnels linking it to the nearby buildings gradually completed. As part of the Group’s tenant-mix refinement initiatives, the mall has introduced a greater variety of brands, including more luxury kids’ clothing to appeal to well-off family shoppers. The two quality office towers with high specifications attract a spectrum of tenants such as global financial institutions and law firms. The Group’s attributable office space in the premises was virtually fully leased with spot rents sustaining at a high level.

The highly popular Shanghai IAPM, part of the Shanghai ICC integrated complex, recorded robust growth in retail sales and traffic. The mall has further enhanced its interaction with customers by offering mobile applications and entertainment that incorporates simulation technology. With the recent opening of the mall’s landscaped podium garden on Nanchang Road that provides direct access to metro station exits, customers are offered added convenience along with a refreshing shopping and leisure environment. Occupancy of One ICC office tower stayed high with positive rental reversions. With continued demand from multinationals from diverse sectors such as entertainment, consumer goods and consultancy, Two ICC office tower is expected to be nearly fully let by the end of this year.

The Group’s position as a premium landlord has been extended to Guangzhou after Parc Central and IGC were open in 2016. With their tenants gradually moving in, both malls witnessed sales and traffic ramping up. The 50%-owned Parc Central in Tianhe commercial district covers 900,000 square feet, which provides customers with a unique experience of shopping in an urban park replete with verdant walls and other landscaping features. The million-square-foot IGC is the retail portion of the 33.3%-owned Tianhui Plaza in Zhujiang New Town. Last October saw the soft opening of IGC, which houses an array of affordable luxury retailers and trendy brands, some of which are newcomers to Guangzhou. The presence of chic anchor tenants and successful food and beverage outlets is boosting its popularity with shoppers. Cladded in multi-faceted curtain walls, the diamond-shaped mall resembles a sparkling jewel on Pearl River. The two malls are expected to become hotspots for premium shopping, entertainment and leisure in the city upon full operation.

Beijing APM, at the heart of Wangfujing commercial district, targets spending from local young shoppers and tourists. The mall recorded high occupancy and higher rents for new leases and renewals. New zones for affordable luxury retailers and casual restaurants respectively were introduced to offer a wider choice to customers. The mall’s main entrance will be refurbished to enhance its image and allure.

Other Businesses

Hotel

Hong Kong’s tourism sector has remained challenging though there were some signs of improvement. During the period under review, the Group’s hotel portfolio in Hong Kong continued to maintain its competitiveness and deliver satisfactory performance, mainly attributed to its sophisticated management, superior service, flexible sales strategies and well-planned facility enhancement initiatives.

Supported by reputable brands and prestigious locations, the Group’s deluxe hotels including Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong upheld their leading positions in the luxury hotel market amid softened demand from business travellers. The Group’s four Royal brand hotels achieved a high average occupancy of over 95%. As for the Group’s two high-quality hotels in Tseung Kwan O South, the Crowne Plaza Hong Kong Kowloon East achieved steady revenue growth while the Holiday Inn Express Hong Kong Kowloon East maintained a high occupancy of about 90%.

Chairman's Statement

The Group is confident of the long-term prospects of Hong Kong's hotel sector given that the territory's attractions and transport accessibility for business travellers and tourists from around the world will continue to be enhanced in the future. Hotel Vic, part of the Group's integrated development on North Point waterfront, is targeted to open in the first half of 2018. Located just steps away from MTR North Point Station, Hotel Vic will offer affordable luxury accommodation with trendy and stylish vibes. A new premium hotel in Sha Tin, a sister project of Royal Park Hotel, is scheduled to open in late 2018.

The Ritz-Carlton Shanghai, Pudong continued to perform well during the period, partly benefitting from the opening of a leading international theme park and increasing visitor arrivals in Shanghai. The hotel remained one of the most sought-after accommodations in the city for both leisure and corporate travellers, who are attracted by its world-class lodging and dining service and strategic location. With renowned eateries including a Michelin-starred restaurant, the hotel's food and beverage business continued to fare well.

Telecommunications and Information Technology

SmarTone

During the period under review, SmarTone's performance was under pressure amid increasingly intense competition, weaker handset business and rising spectrum costs. The increasing adoption of over-the-top (OTT) applications led to lower revenue from roaming business, though it drove a substantial growth in data usage. Against such challenges, SmarTone focused on delivering an excellent customer experience backed by its strong network performance to retain loyal customers and acquire new subscribers. The Group remains confident of SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision recorded respectable growth in revenue and underlying profit during the period. In late 2016, demand from both existing customers and new customers such as cloud service providers has contributed to business growth. Its vision is to further enhance its premier data centre business in terms of infrastructure, service and connectivity. In addition to the MEGA-i centre in Chai Wan, the transformation of the entire MEGA Two in Sha Tin into a top-tier data centre, in terms of security, power provision and facility management, is in the final stage. MEGA Plus, the new state-of-the-art data centre in Tseung Kwan O, was topped out during the period and construction is on track. Scheduled for completion in 2017, it will be the city's first purpose-built facility on a site that was specially set aside for data centre development, distinguishing itself from nearby data centres in the area. These facilities will ensure that SUNeVision can achieve scale and offer customers a range of choices in locating their IT infrastructure.

Infrastructure and Other Businesses

During the period under review, the Group's infrastructure and transport businesses continued to perform satisfactorily in the face of relatively slow economic growth. Route 3 (Country Park Section) saw lower traffic from goods vehicles, but this was offset by increases in other traffic. Meanwhile, the Wilson Group achieved satisfactory results. The Hong Kong Business Aviation Centre saw sustained strong demand from customers, but increased competition for landing slots has created challenges for the operation. The Airport Freight Forwarding Centre was able to achieve positive business growth despite the softening air-freight market. The River Trade Terminal weathered the decline in traditional cargo through diversification of its customer base. YATA, a modern Japanese lifestyle department store and supermarket, delivered positive growth in sales through offering more quality products with greater diversity.

Chairman's Statement

Corporate Finance

The Group believes that a strong financial position is crucial to sustaining business growth in the future and adheres to its prudent financial management discipline, with high liquidity and low gearing. As at 31 December 2016, the Group's net debt to shareholders' funds ratio stayed at a low level while interest coverage remained high.

Given the Group's robust financial fundamentals, both Moody's and Standard & Poor's have affirmed the Group's ratings of A1 and A+ respectively with stable outlooks. In November 2016, the Group redeemed its five-year 3.5% US$775 million bond in full upon maturity.

The Group has established a good rapport with banks, which strongly support the Group to meet its financing needs. In January 2017, the Group successfully refinanced a loan for its Shanghai IFC project on the mainland by a RMB3,700 million five-year syndicated loan at a quite competitive pricing. Such refinancing activity served to extend the Group's debt maturity profile.

A majority of the Group's borrowings are denominated in Hong Kong dollars and the Group has not entered into any derivative or structured-product transactions for speculative purposes. Regarding the funding of construction costs of mainland projects, the Group continues to make use of internal cash generated from mainland operations and onshore financing so as to manage Renminbi currency exposure.

Corporate Governance

High standards of corporate governance play an important role in sustainable development of the Group. The Board directs and approves the Group's overall strategies. The Board now comprises 18 Directors who are respected experts from various industries with extensive professional and management expertise. Seven of them are Independent Non-Executive Directors (INEDs), representing more than one-third of the Board.

The Board has the Executive, the Remuneration, the Nomination as well as the Audit and Risk Management Committees to assist it in performing its duties. The Executive Committee, consisting of all Executive Directors and four senior executives, meets regularly to formulate business policies and make decisions on key business issues. The Remuneration, the Nomination, and the Audit and Risk Management Committees are all chaired by INEDs to ensure proper implementation of the Group's strategies. The Board also maintains and assesses the effectiveness of the risk management and internal control systems through regular reviews performed by the Audit and Risk Management Committee, management and both internal and external auditors. These well-established Board Committees along with risk management and internal control systems safeguard the Group's assets and the interests of stakeholders.

The Group is committed to maintaining a high standard of transparency to ensure stakeholders are being provided with true and fair, comprehensive and timely information. Management takes a proactive approach to communicating with investors, analysts and credit rating agencies through analyst briefings, regular meetings and conference calls to keep them informed of the Group's strategy, business updates and outlook. The Group also participates frequently in large-scale investor conferences to strengthen long-term relationships with stakeholders worldwide.

The Group earned many accolades from leading international financial magazines for its high standards of corporate governance and achievements in corporate social responsibility and investor relations. The Group was awarded the Best Mixed Developer in the Global, Asia, China and Hong Kong categories and Best Developer Overall in Hong Kong by *Euromoney* magazine. Other recognitions included the Platinum Awards from *FinanceAsia* magazine that honoured the Group as Asia's Best Property Company and Best Company in Hong Kong, and the Platinum Award from *The Asset* magazine.

Chairman's Statement

Sustainable Development

A diverse strategy of sustainability is the basis for the Group's commitment to ensuring business continuity and creating long-term value for different stakeholders, including customers, employees, shareholders, investors and the wider community. The Group makes strategic use of its resources to pursue its commitment to quality and contribute to the betterment of the community in keeping with its belief in Building Homes with Heart. Such efforts earn the Group solid acclaim, which strengthens its brand recognition and accentuates its caring spirit.

Customer focus is a core fundamental that steers the Group's strategies for all its operations. The SHKP Club, which has been established for over two decades, is an effective vehicle to reinforce the bonding between the Group and its customers. With a membership of over 360,000, the Club offers a variety of privileges to members and organizes customer-engagement activities for both members and the public, allowing the Group to understand customer needs and keep tabs on the latest market trends.

To reinforce its quality pledge, the Group continues to offer its industry-leading three-year guarantee on newly sold residential units, and careful pre-handover quality checks. This quality commitment has won market recognition as illustrated by consistent high grading of new units being inspected by independent third parties and reported by the media. The Group also strives to create a refreshing environment for people to live, work and relax by integrating eco-friendly elements into its developments. Its landscaping division and subsidiaries Hong Yip and Kai Shing won 25 honours, representing half of the total, in the latest Best Landscape Award organized by the government. The honours lauded the gardens they plan or manage in residential developments, offices and shopping malls.

The Group believes that its staff is part and parcel of its quality pledge and sustainable development. During the period, the Group was named a Distinguished Family-friendly Employer in an award scheme organized by the Home Affairs Bureau and the Family Council. The Group also encourages its employees to pursue life-long learning through, among other channels, the SHKP Quality Academy.

At community level, the Group recognizes that a sustainable city needs a healthy populace and a harmonious environment imbued with positive energy. The Group raises substantial donations to support child and youth services through its signature annual sporting events, amplifying the positive message of sports for charity. The fifth SHKP Vertical Run for Charity – Race to Hong Kong ICC was once again the grand finale of an international stairs climbing circuit and drew a record of over 1,700 runners. Separately, the Group continued to be the title and charity sponsor of the second Sun Hung Kai Properties Hong Kong Cyclothon organized by the Hong Kong Tourism Board. The event attracted a greater number of cycling enthusiasts than the previous year, reaching over 4,600.

The Group is convinced of the importance of a balanced physical and intellectual development. During the period, the SHKP Reading Club reinforced its efforts to promote happy reading through appealing initiatives, such as to develop a new free reading platform targeting at young people. It also worked with 80 local schools to stage engaging programmes to inspire students' creativity and enthusiasm for reading. The Group's other attempts to support youth development included its sponsorship of office and co-working space for the Hong Kong X-Tech Startup Platform, which is an initiative to help local university graduates start an innovative business based on new technologies. The first phase of the co-working space opened in mid December.

Chairman's Statement

The Group's caring deeds cover different age groups and diverse sectors of society. To promote intergenerational harmony and address housing needs of young people, the Group has made a commitment to donating a site in Yuen Long to Hong Kong Sheng Kung Hui Welfare Council for the development of the city's first purpose-built integrated service facility. Scheduled to be completed in five to six years, the facility will include a youth hostel, elderly home, and special-need childcare centre. Given its deep roots in Hong Kong, the Group will continue with its efforts to engage with the community and build a sustainable future for the next generation.

PROSPECTS

In the year ahead, growth for most of the developed economies will continue to gain traction from the highly accommodative monetary policies or expansionary fiscal policies. This, together with improving commodity prices, will help reflate the global economy. However, worries over trade protectionism, geopolitical risk and the pace of US interest rate hikes may create uncertainties in the global markets.

On the mainland, the economy is expected to achieve steady and reasonable growth on the back of continuous economic reforms and positive fiscal measures such as increased spending on transport and public infrastructure. The government's recent city-specific land and housing policies should also provide a positive and stable home purchase environment over the long term.

Underpinned by resilient domestic consumption, a healthy labour market and the continual major infrastructure works including the third-runway project, the Hong Kong economy is likely to continue with its modest growth amid the relatively strong US dollar and risks of trade protectionism. Notwithstanding more stringent restrictive measures in the residential market and the anticipated increase in mortgage rates, the underlying demand for local residential properties is expected to be supported by steady income growth, relatively positive demographics and low home ownership rates. Given that Hong Kong has a unique advantage of capitalizing on the growth initiatives on the mainland, the Group remains confident of the Hong Kong economy and the property sector in the medium-to-long term.

The Group's business of property development for sale will continue to perform satisfactorily, despite a tougher operating environment since late last year. With its well-recognized brand and seasoned sales team, the Group will put a number of development projects for sale on the market and is expected to record impressive contracted sales in the current year.

Over the next 10 months, major residential developments offered for sale in Hong Kong will include Cullinan West at MTR Nam Cheong Station, Victoria Harbour in North Point, Eight Regency in Tuen Mun, Phase 2A of the Park YOHO series in Yuen Long, Babington Hill in Mid-levels, a premium residential project in Ma On Shan, St. Moritz in Kau To and Phase 1 of LOHAS Park Package 4 in Tseung Kwan O. On the mainland, major developments to be put on the market will include Phase 2 of Shanghai Arch in Lujiazui that comprises premium apartments and prestigious townhouses as well as new phases of Grand Waterfront in Dongguan and apartments of Chengdu ICC.

Given its sufficient land bank under development, the Group is going to complete over three million square feet of residential floor area for sale per annum in Hong Kong over the next few years. Meanwhile, the Group is seeking opportunities for land acquisitions, particularly in Hong Kong, through various channels including the conversion of agricultural land. This will help the Group sustain a high volume of residential production in the medium-to-long term and achieve continuous growth in its core business of property development for sale.

Chairman's Statement

Several major investment projects in Hong Kong and on the mainland are expected to be completed over the next five to six years. With an aggregate gross floor area of about 15 million square feet in attributable terms, these new developments represent approximately 35% of the Group's existing portfolio in terms of floor area. The YOHO Mall extension in Yuen Long is due to open later this year while Harbour North on North Point waterfront and a premium shopping mall at MTR Nam Cheong Station are scheduled to open beginning 2018. On the mainland, ITC in Xujiahui, a mega integrated complex in Shanghai, is earmarked for completion in stages by 2023. Together with the phased completion of Nanjing IFC, these projects coming on stream over the medium term are expected to significantly boost the Group's leading position in the market and overall rental income.

In the face of a more competitive operating environment and the ever-rising expectations of homebuyers, the Group continues with its customer-focus approach and strives to deliver quality products that meet or even surpass customer anticipations. The Group's premium brand is an essential element that helps it stay ahead of the market. In addition to quality enhancement measures, the Group will take a proactive approach to further boost its brand awareness and recognition through both traditional and online social media platforms. It will continue with its strategy of maintaining a balanced earnings mix from property development for sale and investment properties for rental, although the relative importance of rental income is likely to rise somewhat going forward. On the back of its premium brand, visionary business strategy and strong financial position along with a professional and experienced management team, the Group will be able to sustain its business development and continue to move forward in the years ahead.

Barring unforeseen circumstances, the Group's results for the current financial year are expected to be satisfactory.

APPRECIATION

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

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 28 February 2017

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SUN HUNG KAI PROPERTIES LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sun Hung Kai Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 37, which comprise the consolidated statement of financial position as at 31 December 2016, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 February 2017

Consolidated Income Statement

For the six months ended 31 December 2016
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) Six months ended 31 December 2016	2015
Revenue	2	**46,343**	34,902
Cost of sales		**(26,246)**	(21,333)
Gross profit		**20,097**	13,569
Other net income		**679**	351
Selling and marketing expenses		**(2,418)**	(1,599)
Administrative expenses		**(1,149)**	(1,129)
Operating profit before changes in fair value of investment properties	2	**17,209**	11,192
Increase in fair value of investment properties		**5,079**	5,388
Operating profit after changes in fair value of investment properties		**22,288**	16,580
Finance costs		**(1,055)**	(1,181)
Finance income		**131**	147
Net finance costs	3	**(924)**	(1,034)
Share of results (including increase in fair value of investment properties net of deferred tax of HK$2,028 million (2015: HK$593 million)) of:			
Associates		**234**	174
Joint ventures		**3,514**	1,849
	2	**3,748**	2,023
Profit before taxation	4	**25,112**	17,569
Taxation	5	**(4,038)**	(2,478)
Profit for the period		**21,074**	15,091
Attributable to:			
Company's shareholders		**20,659**	14,724
Non-controlling interests		**415**	367
		21,074	15,091
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	6(a)		
Basic		**$7.14**	$5.11
Diluted		**$7.14**	$5.10
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		**$5.05**	$3.23
Diluted		**$5.05**	$3.22

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2016
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2016	2015
Profit for the period	**21,074**	15,091
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	**(3,597)**	(3,866)
– exchange gains released on disposal of foreign operations	**–**	(112)
	(3,597)	(3,978)
Cash flow hedge		
– fair value losses recognized during the period	**(1)**	(1)
– fair value losses transferred to consolidated income statement	**2**	1
	1	–
Available-for-sale investments		
– fair value gains/(losses) recognized during the period	**60**	(213)
– fair value gains transferred to consolidated income statement on disposal	**(3)**	(84)
– deferred tax on fair value change	**1**	–
	58	(297)
Share of other comprehensive loss of associates and joint ventures	**(973)**	(668)
Other comprehensive loss for the period	**(4,511)**	(4,943)
Total comprehensive income for the period	**16,563**	10,148
Total comprehensive income for the period attributable to:		
Company's shareholders	**16,269**	9,908
Non-controlling interests	**294**	240
	16,563	10,148

Consolidated Statement of Financial Position

As at 31 December 2016
(Expressed in millions of Hong Kong dollars)

	Notes	**(Unaudited) 31 December 2016**	(Audited) 30 June 2016
Non-current assets			
Investment properties	7	**323,931**	318,517
Fixed assets	8	**26,040**	25,446
Associates		**4,511**	4,576
Joint ventures		**56,744**	56,231
Loan receivables	9	**3,465**	1,035
Other financial assets	10	**3,099**	3,326
Intangible assets		**5,799**	3,754
		423,589	412,885
Current assets			
Properties for sale		**137,449**	144,844
Inventories		**576**	596
Debtors, prepayments and others	11	**24,344**	25,024
Other financial assets	12	**1,092**	1,118
Bank deposits and cash		**33,951**	30,048
		197,412	201,630
Current liabilities			
Bank and other borrowings		**(11,012)**	(17,486)
Trade and other payables	13	**(27,288)**	(27,493)
Deposits received on sales of properties		**(11,126)**	(6,976)
Taxation		**(6,976)**	(7,116)
		(56,402)	(59,071)
Net current assets		**141,010**	142,559
Total assets less current liabilities		**564,599**	555,444
Non-current liabilities			
Bank and other borrowings		**(64,699)**	(63,275)
Deferred taxation		**(17,664)**	(17,410)
Other long-term liabilities		**(227)**	(251)
		(82,590)	(80,936)
Net assets		**482,009**	474,508
Capital and reserves			
Share capital	14	**70,432**	70,384
Reserves		**406,402**	398,323
Shareholders' funds		**476,834**	468,707
Non-controlling interests		**5,175**	5,801
Total equity		**482,009**	474,508

Directors:

Kwok Ping-luen, Raymond

Lui Ting, Victor

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2016	2015
Net cash from operating activities	**25,873**	2,288
Net cash used in investing activities	**(7,207)**	(3,190)
Net cash (used in)/from financing activities		
– net repayment of bank and other borrowings	**(4,359)**	(1,034)
– decrease in bank deposits maturing after more than three months	**1,480**	4,785
– proceeds from issue of shares	**41**	1,746
– dividends paid to shareholders	**(8,107)**	(6,944)
– dividends paid to non-controlling interests	**(399)**	(309)
– net interest paid	**(1,116)**	(1,152)
– others	**(499)**	362
	(12,959)	(2,546)
Increase/(decrease) in cash and cash equivalents	**5,707**	(3,448)
Cash and cash equivalents at beginning of period	**17,902**	18,866
Effect of foreign exchange rates changes	**(332)**	(257)
Cash and cash equivalents at end of period	**23,277**	15,161
Analysis of the balances of cash and cash equivalents at end of period		
Bank deposits and cash	**33,951**	24,131
Bank overdrafts	**(161)**	(175)
	33,790	23,956
Less: Bank deposits maturing after more than three months	**(10,506)**	(8,784)
Pledged bank deposits	**(7)**	(11)
	23,277	15,161

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016
(Expressed in millions of Hong Kong dollars)

	Unaudited							
	Attributable to Company's shareholders							
	Share capital	**Capital reserves**	**Investment revaluation reserve**	**Exchange reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
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
At 1 July 2016	**70,384**	**856**	**961**	**475**	**396,031**	**468,707**	**5,801**	**474,508**
Profit for the period	**–**	**–**	**–**	**–**	**20,659**	**20,659**	**415**	**21,074**
Other comprehensive income/(loss) for the period	**–**	**1**	**59**	**(4,450)**	**–**	**(4,390)**	**(121)**	**(4,511)**
Total comprehensive income/(loss) for the period	**–**	**1**	**59**	**(4,450)**	**20,659**	**16,269**	**294**	**16,563**
Shares issued on exercise of share options	**48**	**(7)**	**–**	**–**	**–**	**41**	**–**	**41**
Recognition of equity-settled share-based payments	**–**	**1**	**–**	**–**	**–**	**1**	**2**	**3**
Shares options lapsed	**–**	**(21)**	**–**	**–**	**21**	**–**	**–**	**–**
Dividend paid (2016 final dividend HK$2.80 per share)	**–**	**–**	**–**	**–**	**(8,107)**	**(8,107)**	**–**	**(8,107)**
Deemed disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(503)**	**(503)**
Adjustments relating to changes in interests in a subsidiary	**–**	**(77)**	**–**	**–**	**–**	**(77)**	**(10)**	**(87)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(409)**	**(409)**
At 31 December 2016	**70,432**	**753**	**1,020**	**(3,975)**	**408,604**	**476,834**	**5,175**	**482,009**

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 2016 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 2016 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 2016, except for the changes set out below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (collectively, "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2016.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

The adoption of the above new HKFRSs has had no significant impact on the Group's result and financial position.

(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 2016

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	19,206	6,663	37	28	19,243	6,691
Mainland China	4,926	1,103	1,957	541	6,883	1,644
Singapore	–	–	21	10	21	10
	24,132	7,766	2,015	579	26,147	8,345
Property rental						
Hong Kong	7,201	5,477	1,442	1,192	8,643	6,669
Mainland China	1,664	1,309	173	60	1,837	1,369
Singapore	–	–	323	235	323	235
	8,865	6,786	1,938	1,487	10,803	8,273
Hotel operation	2,171	617	358	118	2,529	735
Telecommunications	5,372	527	–	–	5,372	527
Transport infrastructure and logistics	1,930	610	1,613	213	3,543	823
Other businesses	3,873	842	215	52	4,088	894
	46,343	17,148	6,139	2,449	52,482	19,597
Other net income		679		–		679
Unallocated administrative expenses		(618)		–		(618)
Operating profit before changes in fair value of investment properties		17,209		2,449		19,658
Increase in fair value of investment properties		5,079		2,058		7,137
Operating profit after changes in fair value of investment properties		22,288		4,507		26,795
Net finance costs		(924)		(187)		(1,111)
Profit before taxation		21,364		4,320		25,684
Taxation						
– Group		(4,038)		–		(4,038)
– Associates		–		(28)		(28)
– Joint ventures		–		(544)		(544)
Profit for the period		17,326		3,748		21,074

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION (cont'd)

For the six months ended 31 December 2015

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	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

Results from property sales include selling and marketing expenses of HK$264 million (2015: HK$220 million) and HK$11 million (2015: HK$42 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively. The corresponding property sales revenue is recognized in subsequent financial years upon completion.

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

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

(Expressed in millions of Hong Kong dollars)

3. NET FINANCE COSTS

	Six months ended 31 December	
	2016	2015
Interest expenses	**1,241**	1,294
Notional non-cash interest accretion	**19**	29
Less: Amount capitalized	**(205)**	(142)
	1,055	1,181
Interest income on bank deposits	**(131)**	(147)
	924	1,034

4. PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2016	2015
Profit before taxation is arrived at after charging:		
Cost of properties sold	**14,761**	5,411
Cost of inventories sold	**3,182**	7,926
Depreciation and amortization	**720**	779
Amortization of intangible assets (included in cost of sales)	**242**	224
Operating lease rentals for land and buildings, transmission sites and leased lines	**810**	820
Staff costs (including directors' emoluments and retirement schemes contributions)	**3,647**	3,410
Share-based payments	**3**	2
Fair value losses on financial assets at fair value through profit or loss	**–**	156
and crediting:		
Profit on disposal of available-for-sale investments	**28**	41
Dividend income from listed and unlisted investments	**69**	80
Interest income from listed and unlisted debt securities	**55**	39
Fair value gains on financial assets at fair value through profit or loss	**19**	–

(Expressed in millions of Hong Kong dollars)

5. TAXATION

	Six months ended 31 December	
	2016	2015
Current taxation		
Hong Kong profits tax	**2,224**	1,175
Under provision in prior years	**20**	13
	2,244	1,188
Tax outside Hong Kong	**905**	592
Under/(over) provision in prior years	**16**	(2)
	921	590
	3,165	1,778
Deferred taxation charge		
Change in fair value of investment properties	**628**	433
Other origination and reversal of temporary differences	**245**	267
	873	700
	4,038	2,478

Hong Kong profits tax is provided at the rate of 16.5 per cent (2015: 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$20,659 million (2015: HK$14,724 million).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 2,895,308,529 (2015: 2,880,746,555) shares. The diluted earnings per share is based on 2,895,467,095 (2015: 2,885,717,075) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 158,566 (2015: 4,970,520) shares deemed to be issued at no consideration if all outstanding options and warrants had been exercised.

(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$14,608 million (2015: HK$9,298 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	
	2016	2015
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**20,659**	14,724
Increase in fair value of investment properties	**(5,079)**	(5,388)
Effect of corresponding deferred tax charges	**628**	433
Fair value gains realized on disposal of investment properties net of deferred tax	**405**	105
Share of results of associates and joint ventures		
– fair value gains of investment properties	**(2,058)**	(609)
– effect of corresponding deferred tax charges	**30**	16
	(6,074)	(5,443)
Non-controlling interests	**23**	17
Net effect of changes in the valuation of investment properties	**(6,051)**	(5,426)
Underlying profit attributable to the Company's shareholders	**14,608**	9,298

7. INVESTMENT PROPERTIES

(a) Movement during the period

	Completed	**Under development**	**Total**
Valuation			
At 1 July 2016	**275,477**	**43,040**	**318,517**
Additions	**492**	**3,968**	**4,460**
Transfer upon completion	**252**	**(252)**	**–**
Transfer from properties for sales	**4**	**–**	**4**
Disposals	**(294)**	**–**	**(294)**
Transfer to other properties	**(64)**	**–**	**(64)**
Exchange difference	**(2,368)**	**(1,403)**	**(3,771)**
Increase in fair value	**4,372**	**707**	**5,079**
At 31 December 2016	**277,871**	**46,060**	**323,931**

(Expressed in millions of Hong Kong dollars)

7. INVESTMENT PROPERTIES (cont'd)

(b) The Group's investment properties were revalued at 31 December 2016 and 30 June 2016 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$1,399 million and net book value of fixed assets disposed of amounted to HK$5 million.

9. LOAN RECEIVABLES

	31 December 2016	30 June 2016
Loan receivables	**4,118**	1,617
Less: Amount due within one year included under current assets	**(653)**	(582)
	3,465	1,035

Loan receivables include mortgage loan receivables which are secured on properties and repayable by monthly instalments with various tenors not more than 25 years at the end of the reporting period and carry interest at rates with reference to banks' lending rates.

(Expressed in millions of Hong Kong dollars)

10. OTHER FINANCIAL ASSETS

	31 December 2016	30 June 2016
Held-to-maturity debt securities		
Listed debt securities, overseas	**120**	121
Listed debt securities, Hong Kong	**579**	616
	699	737
Available-for-sale debt securities		
Listed debt securities, overseas	**142**	246
Listed debt securities, Hong Kong	**401**	369
	543	615
Available-for-sale equity securities		
Listed equity securities, overseas	**504**	611
Listed equity securities, Hong Kong	**1,107**	1,135
Unlisted equity securities	**246**	228
	1,857	1,974
	3,099	3,326
Market value of listed securities		
Listed overseas	**769**	981
Listed in Hong Kong	**2,095**	2,142
	2,864	3,123

11. DEBTORS, PREPAYMENTS AND OTHERS

	31 December 2016	30 June 2016
Debtors, deposits and prepayments	**22,977**	23,485
Deposits for acquisition of properties	**181**	378
Amounts due from customers for contract works	**201**	149
Short-term loans	**653**	582
Derivative financial instruments	**332**	430
	24,344	25,024

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$15,174 million (30 June 2016: HK$14,969 million), of which 93% are aged less than 60 days, 1% between 61 to 90 days and 6% more than 90 days (30 June 2016: 94%, 1% and 5% respectively).

(Expressed in millions of Hong Kong dollars)

12. OTHER FINANCIAL ASSETS

	31 December 2016	30 June 2016
Financial assets at fair value through profit or loss		
Listed equity securities, Hong Kong	**577**	573
Available-for-sale debt securities maturing within one year		
Listed debt securities, overseas	**252**	278
Listed debt securities, Hong Kong	**146**	148
	398	426
Held-to-maturity debt securities maturing within one year		
Listed debt securities, overseas (Market value: HK$118 million (30 June 2016: HK$125 million))	**117**	119
	1,092	1,118

13. TRADE AND OTHER PAYABLES

	31 December 2016	30 June 2016
Creditors and accrued expenses	**25,534**	25,672
Amounts due to customers for contract works	**41**	8
Amounts due to non-controlling interests	**1,256**	1,588
Derivative financial instruments	**457**	225
	27,288	27,493

Included in trade and other payables of the Group are trade creditors of HK$2,933 million (30 June 2016: HK$2,303 million), of which 78% are aged less than 60 days, 3% between 61 to 90 days and 19% more than 90 days (30 June 2016: 75%, 2% and 23% respectively).

14. SHARE CAPITAL

	Number of shares in million	Amount
Issued and fully paid:		
Ordinary shares		
At beginning of current period	**2,895**	**70,384**
Issue of shares	**–**	**48**
At end of current period	**2,895**	**70,432**

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 units of Warrants had been exercised by the holders thereof and 16,772,492 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 units of Warrants remained outstanding. The subscription rights attaching to the remaining unexercised units of Warrants lapsed at 4:00 p.m. on 22 April 2016.

(b) Exercise of share options

During the six months ended 31 December 2016, 409,000 shares (2015: 846,000 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.

(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 2016 are as follows:

			Number of share options				
Date of grant	**Exercise price**	**Exercisable period**	**At 1 July 2016**	**Granted during the period**	**Exercised during the period**	**Lapsed/ cancelled during the period**	**At 31 December 2016**
11 July 2011	HK$116.90	11.7.2012 to 10.7.2016	**1,088,000**	**–**	**–**	**(1,088,000)**	**–**
11 July 2012	HK$96.15	11.7.2013 to 10.7.2017	**877,000**	**–**	**(266,000)**	**(24,000)**	**587,000**
			1,965,000	**–**	**(266,000)**	**(1,112,000)**	**587,000**
Weighted average exercise prices (HK$)			**107.64**	**–**	**96.15**	**116.45**	**96.15**

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

			Number of share options				
Date of grant	Exercise price	Exercisable period	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

(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 266,000 (2015: 822,000) shares being issued. The related weighted average share price at the time of exercise was HK$114.72 (2015: HK$120.53) 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 2016 are as follows:

			Number of share options				
Date of grant	**Exercise price**	**Exercisable period**	**At 1 July 2016**	**Granted during the period**	**Exercised during the period**	**Lapsed/ cancelled during the period**	**At 31 December 2016**
12 July 2013	HK$102.30	12.7.2014 to 11.7.2018	**843,000**	**–**	**(117,000)**	**–**	**726,000**
11 July 2014	HK$106.80	11.7.2015 to 10.7.2019	**1,072,000**	**–**	**(26,000)**	**–**	**1,046,000**
			1,915,000	**–**	**(143,000)**	**–**	**1,772,000**
Weighted average exercise prices (HK$)			**104.82**	**–**	**103.12**	**–**	**104.96**

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

			Number of share options				
Date of grant	Exercise price	Exercisable period	At 1 July 2015	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	At 31 December 2015
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

(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 143,000 (2015: 24,000) shares being issued. The related weighted average share price at the time of exercise was HK$116.84 (2015: HK$121.57) per share.

16. RELATED PARTY DISCLOSURES

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 Six months ended 31 December		**Joint ventures Six months ended 31 December**	
		2016	2015	**2016**	2015
Interest income		**–**	–	**23**	43
Rental income	(a)	**–**	–	**1**	1
Rental expenses	(a)	**–**	–	**27**	27
Other revenue from services rendered	(b)	**67**	113	**10**	6
Purchase of goods and services	(b)	**–**	–	**302**	345

(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.

(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 2016	30 June 2016
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	**5,213**	4,702
Authorized but not contracted for	**812**	470
(b) Group's share of capital commitments of joint ventures		
Contracted but not provided for	**1,505**	1,582
Authorized but not contracted for	**26**	48

(c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK$1,287 million (30 June 2016: HK$1,108 million) and other guarantees of HK$4 million (30 June 2016: HK$4 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.

(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 2016

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities	**941**	**–**	**941**
Available-for-sale equity securities	**1,611**	**9**	**1,620**
Financial assets at fair value through profit or loss	**577**	**–**	**577**
Derivative financial instruments			
Interest rate swaps	**–**	**105**	**105**
Currency swaps	**–**	**226**	**226**
Forward foreign exchange contract	**–**	**1**	**1**
	3,129	**341**	**3,470**
Financial liabilities			
Derivative financial instruments			
Interest rate swap	**–**	**1**	**1**
Currency swaps	**–**	**456**	**456**
	–	**457**	**457**

(Expressed in millions of Hong Kong dollars)

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

As at 30 June 2016

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities	1,041	–	1,041
Available-for-sale equity securities	1,746	11	1,757
Financial assets at fair value through profit or loss	573	–	573
Derivative financial instruments			
Interest rate swaps	–	235	235
Currency swaps	–	195	195
	3,360	441	3,801
Financial liabilities			
Derivative financial instruments			
Interest rate swap	–	2	2
Currency swaps	–	223	223
	–	225	225

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 2016	30 June 2016	**31 December 2016**	30 June 2016
Secured bank loans	**1,512**	1,592	**1,512**	1,592
Unsecured bank loans	**34,197**	33,366	**34,078**	33,235
Guaranteed notes	**28,990**	28,317	**28,902**	29,065
	64,699	63,275	**64,492**	63,892

Financial Review

REVIEW OF OPERATING RESULTS

Underlying profit attributable to the Company's shareholders for the six months ended 31 December 2016, after excluding the net effect of fair value changes in investment properties, was HK$14,608 million, representing an increase of HK$5,310 million or 57.1% compared to HK$9,298 million for the corresponding period last year. The increase was largely due to higher contribution from development profit and rental income.

With the inclusion of the revaluation gains on investment properties, profit attributable to the Company's shareholders for the half year ended 31 December 2016 increased by HK$5,935 million or 40.3% year-on-year to HK$20,659 million. The Group has recognized in the consolidated income statement an increase in fair value of its investment properties (before related deferred taxation and non-controlling interests) of HK$5,079 million (2015: HK$5,388 million) and a share of an increase of HK$2,058 million (2015: HK$609 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 joint ventures and associates, amounted to HK$8,345 million, increased by HK$5,871 million or 237.3% when compared to HK$2,474 million for the same period a year ago. Profit from property sales in Hong Kong amounted to HK$6,691 million, with major contributions from residential units sold in Grand YOHO Phase 1, Park YOHO Venezia and Sicilia, Park Vista, The Wings IIIB and The Cullinan. Property sales in the Mainland delivered a profit of HK$1,644 million, which mainly comprised residential units sold in Shanghai Arch, The Woodland Phase 4D, Jovo Town Phase 2C, and office units sold in Top Plaza East Tower and Guangzhou Commerce Centre. At the end of the reporting period, the Group had contracted property sales of HK$20.2 billion not yet recognized, of which HK$14.2 billion was derived from the presale of residential and office units for Hong Kong development projects including Ocean Wings, Lime Gala, Twin Regency, King's Hill and W668.

The diverse rental portfolio of the Group continued to perform satisfactorily and report healthy growth. Net rental income for the period, including contributions of joint ventures and associates, increased by 4.2% or HK$330 million to HK$8,273 million, primarily driven by positive rental reversions. Net rental income from the Group's rental portfolios in Hong Kong and the Mainland grew by 4.2% and 4.3% to HK$6,669 million and HK$1,369 million respectively over the same period last year.

The Group's hotel operations (including share of joint ventures) recorded an operating profit of HK$735 million for the period, increased by HK$38 million or 5.5% over the same period last year. The improvements reflect benefits materialized from the opening of the new rooftop floors in The Royal Garden and better contributions from The Ritz-Carlton Shanghai, Pudong.

SmarTone reported an operating profit of HK$527 million for the period, a decrease of HK$60 million or 10.2% when compared to the same period last year, reflecting the impacts of intense competition and rising costs. SmarTone will continue its focus on delivering quality services to excel itself among competition.

The Group's transport infrastructure and logistics businesses (including share of joint ventures and associates) continued to improve and contributed an operating profit of HK$823 million for the period, translating into year-on-year increase of HK$43 million or 5.5%.

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management, data centre business of SUNeVision, and department store operation, have been growing steadily with operating profit increased by 6.7% to HK$894 million.

Financial Review

FINANCIAL RESOURCES AND LIQUIDITY

(a) Capital management, net debt and gearing

The Group has continually maintained a strong capital base with adequate financial resources to support business development and growth. The Group regularly reviews and manages 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 financial position remains strong, with total shareholders' equity increased by HK$8.1 billion to HK$476.8 billion or HK$164.7 per share as at 31 December 2016. The increase was mainly attributable to the increase in the Group's underlying retained earnings and revaluation gains from investment properties. The effects of these increases were partially offset by a HK$4.4 billion decrease in exchange reserve mostly arising from translation of the financial statements of subsidiaries and joint ventures in Mainland China with functional currency of Renminbi into the Group's presentation currency at the period-end exchange rate, due to the weakening of Renminbi. As at 31 December 2016, about 19% 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 raising long-term financing at competitive rates, thus reducing the overall cost of capital. The Group's financial position remains sound with a low debt leverage and high interest cover. Gearing ratio as at 31 December 2016, calculated on the basis of net debt to shareholders' funds of the Company, was 8.8% compared to 10.8% at 30 June 2016. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 15.5 times compared to 9.7 times for the previous period.

As at 31 December 2016, the Group's gross borrowings totalled HK$75,711 million. Net debt, after deducting bank deposits and cash of HK$33,951 million, amounted to HK$41,760 million, representing a decrease of HK$8,953 million since 30 June 2016. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2016 HK$ Million	30 June 2016 HK$ Million
Repayable:		
Within one year	**11,012**	17,486
After one year but within two years	**15,191**	3,642
After two years but within five years	**30,898**	39,452
After five years	**18,610**	20,181
Total bank and other borrowings	**75,711**	80,761
Bank deposits and cash	**33,951**	30,048
Net debt	**41,760**	50,713

The Group has also procured substantial undrawn committed banking facilities, most of which are arranged on a medium to long term basis, to help minimize refinancing risk and strengthen the Group's financing flexibility. The Group regularly reviews its liquidity and financing requirements to ensure that 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 2016, about 79% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 21% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollars. As at 31 December 2016, approximately 68% of the Group's total borrowings were denominated in Hong Kong dollars and 18% in US dollars, these were raised for financing the Group's business operations in Hong Kong while the remaining 14% were in Renminbi and 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 combination of fixed and floating rate borrowings to mitigate interest rate risk. As at 31 December 2016, about 63% 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 37% were on fixed rate basis. The use of derivative instruments is strictly controlled and solely for managing the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 31 December 2016, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK$2,223 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in notional principal amount of HK$146 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 2016, about 66% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 32% in Renminbi, and 2% in US dollars. The Renminbi deposits were held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

Financial Review

CHARGES OF ASSETS

As at 31 December 2016, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$7 million were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$2,275 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK$1,291 million (30 June 2016: HK$1,112 million) as at 31 December 2016.

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: 63)

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 38 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 Messrs. Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward. He is also an uncle of Mr. Kwok Kai-fai, Adam.

For the year ended 30 June 2016, Mr. Kwok is entitled to receive a fee of HK$320,000 for being the Chairman of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$3.06 million, including fees of approximately HK$48,000 and HK$180,000 for being the chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited respectively.

Dr. the Hon Lee Shau-kee

DBA(Hon), DSSc(Hon), LLD(Hon), GBM
Vice Chairman & Non-Executive Director (Age: 89)

Dr. Lee has been a Non-Executive Director of the Company for the last 45 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. 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 2016, 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: 61)

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. He is currently responsible for project management matters of the Group's development projects.

For the year ended 30 June 2016, 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$20.96 million.

Lui Ting, Victor

BBA

Deputy Managing Director (Age: 62)

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 2016, 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$21.72 million.

Yip Dicky Peter

MBA, BBS, MBE, JP

Independent Non-Executive Director (Age: 70)

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of both the Audit and Risk Management Committee and the Nomination Committee of the Company. He joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in London, China and San Francisco. Mr. Yip worked in a number of departments of HSBC, which included trade services, corporate banking, group consultancy service and regional training. His previous assignment prior to becoming CEO China had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. From January 2003 to April 2005, Mr. Yip was appointed chief executive China business, based in Shanghai; meanwhile, he was also a director of Bank of Shanghai, Ping An Insurance and Ping An Bank in China. Mr. Yip became a general manager of HSBC in April 2005 until his retirement from HSBC in June 2012. He was the executive vice president of Bank of Communications Co., Ltd. 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. He was appointed as an independent director of S. F. Holding Co., Ltd. with effect from 15 February 2017.

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 2016, 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 and Risk Management Committee of the Company and HK$60,000 for being a member of the Nomination Committee of the Company.

Professor Wong Yue-chim, Richard

SBS, JP

Independent Non-Executive Director (Age: 64)

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

For the year ended 30 June 2016, 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: 63)

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

Dr. Li is the 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 and RoadShow Holdings Limited.

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 2016, 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 and Risk Management Committee of the Company and HK$60,000 for being a member of the Remuneration Committee of the Company. He is also entitled to receive other emoluments in the total sum of HK$288,000 for being a director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Fung Kwok-lun, William

SBS, OBE, JP

Independent Non-Executive Director (Age: 68)

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 2016, 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: 76)

Dr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee of the Company. Dr. Leung is the chairman and an independent non-executive director of Transport International Holdings Limited. 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, council chairman of City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of City University of Hong Kong from 2005 to 2016. He is the council chairman of The Chinese University of Hong Kong.

For the year ended 30 June 2016, 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. In addition, he is entitled to receive a fee of approximately HK$151,000 for being a member of the Audit and Risk Management Committee of the Company for the period from 13 November 2015 (being the date of his appointment as a member of this Committee) to 30 June 2016.

Leung Kui-king, Donald

BSc

Independent Non-Executive Director (Age: 60)

Mr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit and Risk Management Committee of the Company. Mr. Leung graduated from The University of California, Berkeley with a Bachelor of Science degree in Business Administration and completed Harvard University's Advanced Management Program. He 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 2016, Mr. Leung is entitled to receive fees of HK$300,000 and HK$240,000 for being a Director of the Company and a member of the Audit and Risk Management Committee of the Company respectively.

Other Information

Leung Ko May-yee, Margaret

SBS, JP

Independent Non-Executive Director (Age: 64)

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 chief executive 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 and QBE Insurance Group Limited. In addition, she was an independent non-executive director of Swire Pacific Limited, Hutchison Whampoa Limited and China Construction Bank Corporation.

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 2016, 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., FInstD, FHKMA

Non-Executive Director (Age: 87)

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 2016, 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: 82)

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of both the Nomination Committee and the Remuneration Committee of the Company. As a managing partner with the solicitors firm of Woo Kwan Lee & Lo, Mr. Kwan has 54 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, honorary 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 2016, 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: 33)

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.

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, an advisor of Our Hong Kong Foundation 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 deputy chairman of Hong Kong Guangdong Youth Association, 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 Messrs. Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward.

For the year ended 30 June 2016, Mr. Kwok is entitled to receive a fee of HK$300,000 for being a Director of the Company and other emoluments of approximately HK$5.93 million.

Kwok Kai-wang, Christopher

MBA, BSc
Executive Director (Age: 30)

Mr. Kwok has been an Executive Director of the Company since April 2016. He is also a member of the Executive Committee of the Company. Mr. Kwok holds a Bachelor of Science Degree in Chemistry from Harvard University and a Master's degree in Business Administration from Stanford Graduate School of Business. He worked in an international management consultancy firm before joining the Group in 2011. He is responsible for sales, project management and leasing of major residential and commercial properties of the Group in Hong Kong and mainland China. He assists the Chairman of the Company in all other businesses, in particular, the non-property related matters. Mr. Kwok was appointed as a non-executive director of SUNeVision Holdings Ltd. with effect from 1 February 2017.

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 and the younger brother of Mr. Kwok Ho-lai, Edward.

Mr. Kwok is entitled to receive a fee of approximately HK$54,000 for being a Director of the Company and other emoluments of approximately HK$0.35 million for the period from 26 April 2016 (being the date of his appointment as a Director of the Company) to 30 June 2016.

Other Information

Kwong Chun

Executive Director (Age: 87)

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

Mr. Kwong is the younger brother of Madam Kwong Siu-hing, who is the mother of Mr. Kwok Ping-luen, Raymond and the grandmother of Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher 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 2016, 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$5.60 million.

Tung Chi-ho, Eric

BA(AS)Hons, BArch, HKIA, Registered Architect, Authorized Person (List of Architects)
Executive Director (Age: 57)

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 2016, Mr. Tung is entitled to receive a fee of HK$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$17.03 million, including emoluments of HK$48,000 for being a director of SUNeVision Holdings Ltd.

Other Information

Fung Yuk-lun, Allen

BA, Ph.D.

Executive Director (Age: 48)

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, an honorary treasurer of The Hong Kong Federation of Youth Groups and a council member of The Hong Kong Management Association. He is also a council member of Sir Edward Youde Memorial Fund and a member of the board of the Asian Youth Orchestra.

For the year ended 30 June 2016, Mr. Fung is entitled to receive a fee of HK$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$16.57 million, including fees of HK$42,000 and HK$162,000 for being a vice chairman and a director of SUNeVision Holdings Ltd. as well as a deputy chairman and a director of SmarTone Telecommunications Holdings Limited respectively.

Kwok Ho-lai, Edward

BA

Alternate Director to Kwok Ping-luen, Raymond (Age: 36)

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 and the elder brother of Mr. Kwok Kai-wang, Christopher.

Other Information

Woo Ka-biu, Jackson

MA (Oxon)
Alternate Director to Sir Po-shing Woo (Age: 54)

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 and a consultant of Guantao & Chow Solicitors and Notaries. 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 of the Company 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 annual general meetings 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 the senior management of the Group.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

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

	Number of shares held							
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests	Sub-total	Number of underlying shares held under equity derivatives[1]	Total	% of issued voting shares as at 31.12.2016
Kwok Ping-luen, Raymond	188,743	–	–	514,093,186[2&6]	514,281,929	–	514,281,929	17.76
Lee Shau-kee	526,868	–	61,876,000[3]	–	62,402,868	–	62,402,868	2.16
Wong Chik-wing, Mike	417,695	–	–	–	417,695	–	417,695	0.01
Lui Ting, Victor	60,000	–	–	–	60,000	100,000	160,000	0.01
Wong Yue-chim, Richard	–	1,000[4]	–	–	1,000	–	1,000	0.00
Li Ka-cheung, Eric	–	4,028[4]	–	–	4,028	–	4,028	0.00
Fung Kwok-lun, William	220,000	9,739[4]	–	–	229,739	–	229,739	0.01
Leung Nai-pang, Norman	–	10,833[4]	–	–	10,833	–	10,833	0.00
Leung Kui-king, Donald	–	2,000[4]	–	–	2,000	–	2,000	0.00
Leung Ko May-yee, Margaret	15,372	–	–	–	15,372	–	15,372	0.00
Woo Po-shing	1,540,913	–	–	–	1,540,913	–	1,540,913	0.05
Kwok Kai-fai, Adam	9,000	–	–	639,528,747[5,6&7]	639,537,747	23,000	639,560,747	22.09
Kwok Kai-wang, Christopher	110,000[8]	60,000[4]	–	641,046,601[2,6&7]	641,216,601	–	641,216,601	22.15
Kwong Chun	762,722	339,358[4]	–	–	1,102,080	–	1,102,080	0.04
Tung Chi-ho, Eric	–	–	–	–	–	100,000	100,000	0.00
Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*	9,000	–	–	641,046,601[2,6&7]	641,055,601	23,000	641,078,601	22.14
Woo Ka-biu, Jackson *(Alternate Director to Woo Po-shing)*	–	1,000[4]	–	–	1,000	–	1,000	0.00

Other Information

Notes:

1. *These underlying shares held under equity derivatives represented the share options granted by the Company (being regarded for the time being as unlisted physically settled equity derivatives). Details of the share options are set out in the section headed "Share Option Schemes" below.*

2. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 514,093,186 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 amongst them.*

3. *Dr. Lee Shau-kee was deemed to be interested in the 61,876,000 shares in 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 72.68% 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 61,876,000 shares in the Company held by Superfun and Kinnox by virtue of Part XV of the SFO.*

4. *These shares in the Company were held by the spouse of the Director concerned.*

5. *Mr. Kwok Kai-fai, Adam was deemed to be interested in 512,575,332 shares in the Company by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.*

6. *Of the said 514,093,186 shares and 512,575,332 shares in the Company as stated in Notes 2 and 5 above respectively, Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 66,335,223 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.*

7. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher 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 amongst them.*

8. *These shares in the Company were held jointly with the spouse of Mr. Kwok Kai-wang, Christopher.*

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

(a) SUNeVision Holdings Ltd. ("SUNeVision")

	Number of shares held						
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests	Sub-total	Number of underlying shares held under equity derivatives[1]	Total	% of issued voting shares as at 31.12.2016
Kwok Ping-luen, Raymond	–	–	3,485,000[2&3]	3,485,000	–	3,485,000	0.15
Wong Chik-wing, Mike	218,000	–	–	218,000	–	218,000	0.01
Lui Ting, Victor	356	–	–	356	–	356	0.00
Leung Nai-pang, Norman	41,000	142[4]	–	41,142	–	41,142	0.00
Leung Ko May-yee, Margaret	1,000	2,000[4]	–	3,000	–	3,000	0.00
Kwok Kai-fai, Adam	–	–	11,927,658[2&5]	11,927,658	–	11,927,658	0.51
Kwok Kai-wang, Christopher	–	–	13,272,658[2,3&5]	13,272,658	–	13,272,658	0.57
Kwong Chun	600,000	–	–	600,000	–	600,000	0.03
Fung Yuk-lun, Allen	–	–	–	–	4,000,000	4,000,000	0.17
Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*	–	–	13,272,658[2,3&5]	13,272,658	–	13,272,658	0.57

Notes:

1. *These underlying shares held under equity derivatives represented the share options granted by SUNeVision (being regarded for the time being as unlisted physically settled equity derivatives). Details of the share options are set out in the section headed "Share Option Schemes" below.*

2. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 2,140,000 shares in SUNeVision by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

3. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were also deemed to be interested in 1,345,000 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

4. *These shares in SUNeVision were held by the spouse of the Director concerned.*

5. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher 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 amongst them.*

(b) SmarTone Telecommunications Holdings Limited ("SmarTone")

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2016
Kwok Ping-luen, Raymond	–	–	4,708,523[1]	4,708,523	–	4,708,523	0.43
Lee Shau-kee	–	546,000[2]	–	546,000	–	546,000	0.05
Kwok Kai-fai, Adam	–	–	6,247,063[3]	6,247,063	–	6,247,063	0.57
Kwok Kai-wang, Christopher	–	–	10,955,586[1&3]	10,955,586	–	10,955,586	1.00
Fung Yuk-lun, Allen	402,841	–	–	402,841	–	402,841	0.04
Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*	–	–	10,955,586[1&3]	10,955,586	–	10,955,586	1.00

Notes:

1. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 4,708,523 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

2. *Dr. Lee Shau-kee was deemed to be interested in the 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, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 6,247,063 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 amongst them.*

(c) Transport International Holdings Limited ("Transport International")

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	Number of shares held: Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2016
Kwok Ping-luen, Raymond	417,077[1]	417,077	–	417,077	0.10

Note:

1. *Of these shares in Transport International, 413,764 shares were held jointly with the spouse of Mr. Kwok Ping-luen, Raymond.*

(d) RoadShow Holdings Limited ("RoadShow")

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	Number of shares held: Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2016
Kwok Ping-luen, Raymond	37,400[1]	37,400	–	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, Kwok Kai-wang, Christopher 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 31.12.2016	Actual shares held through corporation	Actual % of interests in issued voting shares as at 31.12.2016
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, Kwok Kai-wang, Christopher 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.*

(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 31.12.2016
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:

1. *Dr. Lee Shau-kee was deemed to be interested in the 61,876,000 shares in 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 72.68% 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 61,876,000 shares in the Company held by Superfun and Kinnox by virtue of Part XV of the SFO.*

2. *Dr. Lee Shau-kee was deemed to be interested in the two shares held through Everise (H.K.) Limited which was 50% held by Masterland Limited ("Masterland").*

3. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Chico Investment Limited ("Chico").*

4. *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").*

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 Andcoe Limited. Andcoe 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 2016, 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.

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 2016.

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 of the Company 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 2016, 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 2016 were as follows:

				Number of share options					
Grantees	**Date of grant**	**Exercise price per share (HK$)**	**Exercise period[1]**	**Balance as at 01.07.2016**	**Granted during the period**	**Exercised during the period**	**Cancelled/ Lapsed during the period**	**Balance as at 31.12.2016**	**Closing price per share (HK$)**
(I) Old Scheme									
(i) Director									
Lui Ting, Victor	11.07.2012	96.15	11.07.2013 to 10.07.2017	100,000	–	–	–	100,000	N/A
(ii) Other employees	11.07.2011	116.90	11.07.2012 to 10.07.2016	1,088,000	–	–	(1,088,000)	–	N/A
	11.07.2012	96.15	11.07.2013 to 10.07.2017	777,000	–	(266,000)	(24,000)	487,000	114.38[2]

Other Information

Grantees	Date of grant	Exercise price per share (HK$)	Exercise period[1]	Number of share options: Balance as at 01.07.2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 31.12.2016	Closing price per share (HK$)
(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	797,000	–	(117,000)	–	680,000	115.12[2]
	11.07.2014	106.80	11.07.2015 to 10.07.2019	972,000	–	(26,000)	–	946,000	116.27[2]
Total				3,880,000	–	(409,000)	(1,112,000)	2,359,000	

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 dates on which the share options were exercised.*

3. *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 2016 contained in the 2015/16 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 2016.

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. Since SUNeVision did not proceed with the application for the transfer of listing of its shares (as announced by it on 10 June 2012), not all the conditions to which the SUNeVision Proposed Scheme was subject were fulfilled and the SUNeVision Proposed Scheme therefore did not take effect. Consequently, the SUNeVision Proposed Scheme can no longer be implemented as originally contemplated and no share options have been and will be granted under the SUNeVision Proposed Scheme.

Due to the expiry of the SUNeVision Old Scheme on 3 December 2012, the SUNeVision Shareholders approved the adoption of a new share option scheme (the "SUNeVision New Scheme") and the termination of the SUNeVision Old Scheme at the annual general meeting of SUNeVision held on 1 November 2012. The adoption of the SUNeVision New Scheme and the termination of the SUNeVision Old Scheme became effective on 15 November 2012 following the passing of an ordinary resolution approving the same by the Shareholders at the annual general meeting of the Company held on 15 November 2012. No share options can be granted under the SUNeVision Old Scheme upon its termination.

During the six months ended 31 December 2016, no share options were granted under the SUNeVision New Scheme. Particulars of the outstanding share options granted under the SUNeVision New Scheme and their movements during the six months ended 31 December 2016 were as follows:

				Number of share options				
Grantees	**Date of grant**	**Exercise price per share (HK$)**	**Exercise period[1]**	**Balance as at 01.07.2016**	**Granted during the period**	**Exercised during the period**	**Cancelled/ Lapsed during the period**	**Balance as at 31.12.2016**
SUNeVision New Scheme								
(i) Directors of SUNeVision								
Fung Yuk-lun, Allen	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	–	–	–	4,000,000
Other director of SUNeVision	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	–	–	–	4,000,000
(ii) Other employees of SUNeVision	08.03.2016	2.45	08.03.2017 to 07.03.2021	6,600,000	–	–	(200,000)	6,400,000
Total				14,600,000	–	–	(200,000)	14,400,000

Note:

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.*

Save as disclosed above, there were no outstanding share options granted under the SUNeVision Old Scheme and the SUNeVision New Scheme during the six months ended 31 December 2016.

(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 the 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.

During the six months ended 31 December 2016, SmarTone granted 3,000,000 share options under the SmarTone New Scheme on 25 July 2016. Particulars of the outstanding share options granted under the SmarTone Schemes and their movements during the six months ended 31 December 2016 were as follows:

Grantees	Date of grant	Exercise price per share (HK$)	Exercise period[1]	Number of share options: Balance as at 01.07.2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 31.12.2016	Closing price per share (HK$)
(I) SmarTone Old Scheme									
(i) Employees of SmarTone	30.11.2011	13.02	30.11.2012 to 29.11.2016	277,500	–	–	(277,500)	–	N/A
(II) SmarTone New Scheme									
(i) Director of SmarTone	25.07.2016	14.28	25.07.2017 to 24.07.2021	N/A	3,000,000	–	–	3,000,000	13.82[2]
(ii) Other employees of SmarTone	30.12.2011	13.52	30.12.2012 to 29.12.2016	75,000	–	–	(75,000)	–	N/A
Total				352,500	3,000,000	–	(352,500)	3,000,000	

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 closing price of the shares of SmarTone immediately before the date on which the share options were granted.*

Save as disclosed above, there were no outstanding share options granted under the SmarTone Schemes during the six months ended 31 December 2016.

The fair values of the share options granted by SmarTone were determined by using the binominal option pricing model (the "Binominal Model") which is one of the generally accepted methodologies to calculate the value of an option. The value of the share options granted on 25 July 2016 under the SmarTone New Scheme was HK$7,544,000. The significant inputs into the Binominal Model were as follows:

Annual risk-free interest rate	0.72%[1]
Expected option life	5 years[2]
Volatility	38.04%[3]
Dividend yield	4.5%[4]
Exercise price	HK$14.28
Share price at the date of grant	HK$14.28

Notes:

1. *This represented the rate of safety investment, which is based on the market yield rates of Hong Kong government bond (maturing 6 December 2021) as of the valuation date.*

2. *This represented the life of the share options as measured from the date of grant.*

3. *This represented the average standard deviation of historical share price movement of SmarTone in the relevant periods matching expected life of the share options.*

4. *This represented the dividend yield determined by reference to the forecast 2016 dividend yield of SmarTone as extracted from Bloomberg.*

The value of the share options of SmarTone is subject to a number of assumptions and with regard to the limitation of the Binominal Model. Therefore, the value may be subjective and would change should any of the assumptions change.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2016, substantial shareholders of the Company and other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

	Number of shares held				
	Personal interests (held as beneficial owner)	**Corporate interests (interests of controlled corporation)**	**Other interests**	**Total**	**% of issued voting shares as at 31.12.2016**
(I) Substantial shareholders					
HSBC Trustee (C.I.) Limited	–	–	947,250,381[1,2,3&4]	947,250,381	32.71
Kwong Siu-hing	25,024	–	759,883,737[1&4]	759,908,761	26.24
Adolfa Limited ("Adolfa")	231,182,838	66,335,223	–	297,518,061[4]	10.28
Bertana Limited ("Bertana")	231,182,838	66,335,223	–	297,518,061[4&5]	10.28
Cyric Limited ("Cyric")	231,182,838	66,335,223	–	297,518,061[4&6]	10.28
(II) Other persons					
Credit Suisse Trust Limited	–	–	216,581,592[7&8]	216,581,592	7.48
HSBC Trustee (Guernsey) Limited	–	–	215,057,271[9]	215,057,271	7.43
Kwok Ping-sheung, Walter	81,250	–	211,173,896[2&10]	211,255,146	7.30
Thriving Talent Limited	191,351,595[9]	–	–	191,351,595	6.61
Rosy Result Limited	189,149,595[7]	–	–	189,149,595	6.53
Asporto Limited	187,357,707[2&10]	–	–	187,357,707	6.47

Notes:

1. *Madam Kwong Siu-hing was deemed to be interested in 759,883,737 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 by virtue of it being the trustee of certain discretionary trusts and were therefore duplicated between these two substantial shareholders.*

2. *HSBC Trustee (C.I.) Limited was also 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 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.*

3. *In addition to the deemed interests as stated in Notes 1 and 2 above, HSBC Trustee (C.I.) Limited was deemed to be interested in 8,937 shares in the Company by virtue of it being the trustee of certain discretionary trusts for the purpose of Part XV of the SFO.*

Other Information

4. *Of the respective shares in the Company held by Adolfa, Bertana and Cyric, 66,335,223 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 66,335,223 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 between them.*

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

7. *Credit Suisse Trust Limited was deemed to be interested in 216,575,125 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 189,149,595 shares represented the same interests held by Rosy Result Limited and were therefore duplicated between them.*

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

8. *In addition to the deemed interests as stated in Note 7 above, Credit Suisse Trust Limited was deemed to be interested in 6,467 shares in 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 between 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.*

Save as disclosed above, as at 31 December 2016, there were no other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

Other Information

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2016, the Group employed more than 37,000 employees. The related employees' costs before reimbursements for the six months ended 31 December 2016 amounted to approximately HK$5,087 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 2016.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$1.10 per share (2015: HK$1.05 per share) for the six months ended 31 December 2016 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 15 March 2017. The interim dividend will be payable in cash on Thursday, 23 March 2017. Shares of the Company will be traded ex-dividend as from Monday, 13 March 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 15 March 2017, during which no transfer of shares will be registered. In order to establish entitlements to the interim dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 14 March 2017.

Other Information

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2016 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 and Risk Management Committee of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2016, 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, 28 February 2017

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