



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

Customer Focus 以客為先
Premium Brand 品牌卓越
Solid Foundations 實力雄厚



INTERIM REPORT 2017/18 中期報告



1. International Commerce Centre at Kowloon Station, Hong Kong
香港九龍站環球貿易廣場
2. ITC in Shanghai, the mainland
內地上海徐家匯國貿中心
3. Victoria Harbour in North Point, Hong Kong
香港北角海璇
4. YOHO Mall in Yuen Long, Hong Kong
香港元朗形點

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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
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	2017	2016	Change (%)
Financial Highlights (HK\$ million)			
Revenue	55,166	46,343	19.0
Profit attributable to the Company's shareholders			
— Reported	33,031	20,659	59.9
— Underlying ¹	19,973	14,608	36.7
Gross rental income ²	11,506	10,803	6.5
Net rental income ²	8,891	8,273	7.5
Financial Information per Share (HK\$)			
Basic earnings per share for profit attributable to the Company's shareholders			
— Reported	11.40	7.14	59.7
— Underlying ¹	6.90	5.05	36.6
Interim dividends	1.20	1.10	9.1

Notes:

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

CORPORATE INFORMATION

Company Secretary

Yung Sheung-tat, Sandy

Auditor

Deloitte Touche Tohmatsu

Registered Office

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30 Harbour Road
Hong Kong
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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
Clifford Chance

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Sumitomo Mitsui Banking Corporation
Mizuho Bank, Ltd.
Industrial and Commercial Bank of China
(Asia) Limited
Hang Seng Bank Limited
Agricultural Bank of China Limited
China Construction Bank (Asia)
Corporation Limited
Bank of Communications Co., Ltd.

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

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

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

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

Chairman's Statement

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the six months ended 31 December 2017, excluding the effect of fair-value changes on investment properties, amounted to HK\$19,973 million, compared to HK\$14,608 million for the corresponding period last year. The increase was mainly due to the fact that most of the current financial year's development projects in Hong Kong were completed in the first half of the year. Underlying earnings per share were HK\$6.90, compared to HK\$5.05 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$33,031 million and HK\$11.40 respectively, compared to HK\$20,659 million and HK\$7.14 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\$13,181 million, compared to HK\$6,456 million for the same period last year.

DIVIDEND

The directors have declared an interim dividend payment of HK\$1.20 per share for the six months ended 31 December 2017, an increase of 9% from the corresponding period last year. The dividend will be payable on 22 March 2018.

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\$34,583 million. Profit generated from property sales was HK\$13,895 million, as compared to HK\$8,345 million for the corresponding period last year. This substantial increase was mainly due to the fact that most of the current financial year's development projects in Hong Kong were completed in the first half of the year. The Group recorded contracted sales of HK\$28,800 million in attributable terms during the period, as compared to HK\$28,600 million for the corresponding period last year. Contracted sales for this financial year so far have already reached about HK\$35,000 million.

Rental Income

Gross rental income, including contributions from joint-venture projects, rose 7% year-on-year to HK\$11,506 million and net rental income increased by 7% year-on-year to HK\$8,891 million during the period. The healthy growth was driven by continuing positive rental reversions, both in Hong Kong and on the mainland, and contributions from new investment properties.

Chairman's Statement

Property Business – Hong Kong

Land Bank

During the period under review, three new projects in Hong Kong with an aggregate gross floor area of about 5.3 million square feet were added to the Group's land bank, including the one in Shap Sz Heung spanning nearly 4.8 million square feet of gross floor area. The Shap Sz Heung project, which involves advance works including road widening and associated infrastructural works carried out by the Group, will be developed into a large residential cluster amid refreshing greenery in phases over a relatively long development cycle. The Group's new acquisitions also include a waterfront hotel site in West Kowloon and a redevelopment project in Wan Chai. Details of the sites are shown in the table below.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Tai Po Town Lot No. 157, Shap Sz Heung	Residential / Shopping Centre	100	4,788,000
New Kowloon Inland Lot No. 6550	Hotel	100	374,000
222–228 Wan Chai Road	Office	92	121,000
Total			5,283,000

The above additions brought the Group's development land bank in Hong Kong to 21.4 million square feet. Together with 30.9 million square feet of completed properties for rental and 2.8 million square feet of completed properties pending for sale, the Group's land bank in Hong Kong increased to 55.1 million square feet of attributable gross floor area as at the end of December 2017. In January this year, the Group's subsidiary SUNeVision also acquired an industrial site in Tsuen Wan with a gross floor area of about 202,000 square feet for business expansion.

With its strength in replenishing land bank from a variety of channels, particularly through the conversion of agricultural land, the Group has accomplished a sizeable land bank that is sufficient to meet its development needs of five to six years. It will continue to actively seek opportunities for land acquisition to enable a persistently high level of annual project completion in the long run. Considerable efforts will be made to convert its agricultural land, which amounts to about 29 million square feet in terms of site area, into buildable land. Some parcels are in the advanced stage of land use conversion.

Property Development

In the year 2017, Hong Kong's residential market performed well with first-hand sales setting a new record. Notwithstanding mild increases in HIBOR-based mortgage rates, homebuyers' confidence stayed strong and end-user demand remained solid amid a favourable economic environment.

As a commitment to its long-standing belief in Building Homes with Heart, the Group has aimed to deliver products and services that exceed customer expectations. The Group strives to add value in every part of the product chain, from site acquisition, project design, construction, sales to property management. These efforts have paid off and further strengthened the Group's competitiveness and premium brand name.

Chairman's Statement

The Group's contracted sales in Hong Kong reached about HK\$26,500 million in attributable terms during the period. It was mainly contributed by Wings at Sea and Wings at Sea II in Tseung Kwan O, Cullinan West II in West Kowloon and PARK YOHO Genova in Yuen Long. In January 2018, the Group launched St. Barths in Ma On Shan, Babington Hill in Mid-levels West and W212, a boutique industrial development in Tsuen Wan, all with satisfactory sales performance.

During the period, the Group completed five projects in Hong Kong comprising about 3.5 million square feet of attributable gross floor area, nearly 2.5 million square feet of which are residential. The remainder are non-residential premises being kept for long-term investment. The particulars are listed in the following table. In the second half of this financial year, around 300,000 square feet in attributable gross floor area are scheduled for completion, including about 200,000 square feet of residential premises.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Cullinan West / Cullinan West II / V Walk	28 Sham Mong Road, West Kowloon	Residential / Shopping Centre	JV	1,939,000
Ocean Wings / Ocean PopWalk	28 Tong Chun Street, Tseung Kwan O	Residential / Shopping Centre	100	563,000
Hotel VIC	1 North Point Estate Lane, North Point	Hotel	100	388,000
PARK YOHO Phase 2C	18 Castle Peak Road Tam Mi, Yuen Long	Residential	100	345,000
Two Harbour Square	180 Wai Yip Street, Kwun Tong	Office	64.3	308,000
Total				3,543,000

Property Investment

The Group's property investment portfolio in Hong Kong, which totals about 30.9 million square feet of gross floor area and comprises mainly quality office and retail space, continues to grow. During the period, inclusive of contributions from joint-venture projects, gross rental income rose 4% to HK\$9,011 million. The increase was driven by new investment properties, positive rental reversions and a high overall occupancy of around 95%.

Retail portfolio

Supported by the improving retail market and complemented by its well-thought-out leasing strategies, the Group has achieved satisfactory performance for its retail portfolio. Covering about 12 million square feet of retail space, the Group's extensive shopping mall network in Hong Kong continued to deliver high occupancies and positive rental reversions.

The recovery of the high-end retail segment has benefitted the Group's shopping malls in traditional tourist precincts. The Sun Arcade deployed effective marketing strategies and recorded robust growth in tenant sales. Capitalizing on increases in domestic consumption, other premium malls such as the IFC Mall, APM and V City performed well with better sales and higher rentals.

Chairman's Statement

The Group continues to expand its premium assets to reinforce the strong foundation of its property investment portfolio. YOHO Mall in Yuen Long, a retail hub with high occupancy, saw its footfall further increase after YOHO Mall I Extension opened in July 2017. The retail extension not only broadens product offerings but also strengthens the YOHO brand in the region. PopWalk 3, the retail space beneath The Wings III B residences in Tseung Kwan O South, opened last September and recorded full occupancy. The PopWalk series will better serve the growing population in the neighbourhood after its final phase, Ocean PopWalk, commences operation at the end of 2018.

V Walk, a large-scale shopping mall beneath the Cullinan West residential development at MTR Nam Cheong Station, is expected to open in mid 2019. Strategically located in a transportation hub, V Walk will be conveniently connected to railway networks both in Hong Kong and on the mainland. The 300,000-square-foot mall is set to become a new landmark in the area, providing customers with a unique retail environment with diverse shopping and dining options. Covering a retail space of 145,000 square feet, Harbour North within the Victoria Harbour residential development will see its first phase open in late 2018. This portion is comprised of 7,000 square feet of street-level shops with a wide range of offerings.

The Group also makes every effort to upgrade its existing retail mall portfolio. At New Town Plaza in Sha Tin, a new cinema in Phase I is planned to open in the summer of 2018 while the renovation of Phase III is progressing well as scheduled. Metroplaza in Kwai Fong has been given a facelift with a reconfigured layout and newly introduced popular brands, bringing a refreshing shopping and dining experience to the locals. The new outdoor thematic piazza offers a series of new features that has turned it into a photo hotspot and a great place for relaxation, significantly increasing the traffic flow.

Following the rapid developments of the new economy and the increasing applications of new technology, the Group has leveraged innovative digital solutions to boost the appeal of physical stores. The recent launch of SHKP Malls mobile app, which is an integrated application, is a prime example. This new app would integrate during 2018 the Group's 26 major malls throughout the territory on a single easy-to-use platform, and offer additional functions to provide more convenient and enhanced shopping experience for customers. The Group also strives to strengthen its engagement with tenants and customers, particularly the millennials, through digital channels in different aspects. These initiatives helped to increase customer satisfaction and loyalty, enabling the Group's retail portfolio to record better sales and outperform the market.

Office portfolio

Hong Kong's office market continues to witness robust demand. With favourable Central Government initiatives such as Bond/Stock Connect and the Greater Bay Area development plan, the prospects for the office leasing market are expected to be promising over the long term. Supported by its premium quality and reputable brand, the Group's 10-million-square-foot office portfolio achieved healthy positive rental reversions with continuously high occupancies.

Renowned for its prestigious location and distinctive quality, the International Finance Centre (IFC) is perceived as one of the most preferred addresses for prominent corporations in Central. Backed by Hong Kong's strength in financial services and favourable market fundamentals such as a low level of office supply and vacancy in core areas, these landmark office buildings are fully let. Potential tenants are still in search of opportunities to conclude leases. During the period, IFC recorded noticeable positive rental reversions.

Chairman's Statement

The International Commerce Centre (ICC) is set to take advantage of the burgeoning development of West Kowloon Cultural District, which has taken another step forward following the gradual completion of Xiqu Centre and the Freespace cultural projects in 2018. The planned opening of Express Rail Link (HK section) this year will expedite border crossing and further advance the flow of people and activities in the area. Such positive factors have further strengthened ICC's position in the prime office market and continued to draw concrete demand from respected international and mainland tenants. Rental growth of the virtually fully let ICC was healthy during the period under review.

The Millennium City continues to attract and retain mid-to-large corporations who preferred offices with large floor plates outside Central. The office cluster has established a diversified tenant base, boosting the resilience of its rental performance, which has been demonstrated by high occupancies and solid positive rental reversions. Meanwhile, the leasing of premium offices at the joint-venture Two Harbour Square in Kwun Tong is progressing well, with tenants moving in during the first half of 2018. The Group's 98 How Ming Street project currently under development is expected to synergize with the Millennium City, both of which are located in a maturing office zone supported by a convenient transportation network. Planning and design of this development is under way. A majority of the floor area will be designated for office use.

The Group continues with its substantial efforts to fulfil its pledge of surpassing customer expectations and further enhance its reputable brand. In addition to the conventional asset enhancement approach, the Group also embraces innovative technology to manage its portfolio. The growing popularity of co-working environment not only poses challenges but also creates opportunities for the office market. With its office space adaptable to different work modes, the Group can capture the rising demand from co-working space operators.

Property Business – Mainland

Land Bank

As at the end of December 2017, the Group held a total land bank of 64.7 million square feet of attributable gross floor area, inclusive of completed properties pending for sale. This portfolio included around 51.0 million square feet of properties under development, about 60% of which are earmarked for developing quality residences. In addition, the Group held over 12.8 million square feet of completed properties for investment use, about 80% of which were signature offices and shopping malls located strategically in first-tier cities such as Shanghai, Beijing and Guangzhou. The Group will adhere to its selective and focused approach to exploring investment opportunities in first-tier cities.

Property Development

The residential markets in first-tier and leading second-tier cities were in a consolidation mode amid various city-specific property measures over the past year, with home prices being effectively reined in and home transactions notably declined.

The Group recorded attributable contracted sales of about RMB2,000 million on the mainland during the period under review. Major contributions came from the wholly-owned residential project Grand Waterfront in Dongguan and several joint-venture projects, including upmarket offices at Top Plaza East Tower and luxury residences at Forest Hills in Guangzhou, as well as quality residences at Long King in Foshan. These projects were all well received by the market.

Chairman's Statement

During the period under review, the Group completed about 1.6 million square feet of attributable gross floor area. The residential units of respective projects were almost sold out. Details of the projects are listed in the following table.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Park Royale Phase 2A	Huadu, Guangzhou	Residential	100	985,000
Long King Phases 1D & 2A	Chancheng, Foshan	Residential / Shops	50	591,000
Total				1,576,000

In the second half of this financial year, about one million square feet of attributable gross floor area are scheduled to be completed, including three luxury residential towers at Forest Hills in Guangzhou and two quality residential towers at Chengdu ICC.

Property Investment

The Group has made significant investments in developing large-scale integrated developments at strategic locations in prime cities on the mainland. The portfolio has continued to generate solid rental income growth over the years. During the period under review, gross rental income from the Group's mainland investment property portfolio, including joint-venture projects, rose by 13% to RMB1,815 million. The meaningful increase was mainly attributed to positive rental reversions and contributions from new investment properties. The scale of the portfolio will nearly double upon completion of another 12 million square feet of quality investment properties in terms of attributable gross floor area in five to six years.

Strategically located at the hub of three existing metro lines and two more lines under planning, the 7.6-million-square-foot ITC in the heart of Xujiahui represents another of the Group's iconic integrated development in Shanghai. The project is being developed in phases; the first phase, One ITC, was completed last year. Spanning 170,000 square feet of gross floor area, the office space at One ITC has attracted reputable multinationals and other quality tenants. The 340,000-square-foot mall at One ITC, which is expected to open in the first half of 2019, will target mainly at millennials. Response to leasing has been encouraging, attracting prospective tenants that include renowned luxury brands. These tenants are believed to bring a refreshing change to the retail landscape of Xujiahui.

Due for completion in the second half of 2018, phase 2 of ITC will provide 320,000 square feet of offices and about 43,000 square feet of retail space. Pre-leasing is currently under way. Construction of the remaining phases, which will feature office towers, shopping malls and a five-star hotel, is progressing on schedule. Two office towers – rising to 370 metres and 220 metres in height respectively — together with a 2.5-million-square-foot mall will stand out from the other structures, representing the crown jewel of the entire development. Upon its full completion by 2023, ITC is expected to give a fresh impetus to the economy of Xujiahui and further strengthen the district's position as a prominent CBD in Shanghai.

Chairman's Statement

Located in Hexi CBD, Nanjing IFC will enjoy transport convenience due to its connection to the interchange station of two existing metro lines. Targeted to be fully completed in 2020, the wholly-owned integrated project of about 3.4 million square feet of gross floor area will feature two grade-A office towers, a one-million-square-foot upscale mall and a luxury hotel. Construction of the two office towers is progressing on schedule with one of them having been topped out. Housing a number of top-tier international tenants, the premium mall is destined to become a sought-after shopping destination for luxury products, resembling the Shanghai IFC Mall. Pre-leasing for the offices and the shopping centre has commenced. These large-scale integrated developments in the pipeline, particularly ITC in Shanghai, will significantly raise the Group's future rental income from the mainland upon completion.

Shanghai IFC in Pudong and Shanghai ICC in Puxi continue to excel in the city's leasing market. The Shanghai IFC Mall achieved remarkable growth in tenant sales with high occupancy during the period under review. The application of multiple technologies for marketing events and customer loyalty programmes has significantly enhanced shoppers' engagement and experience. The two office towers sitting atop the podium mall are virtually fully let and remain a prestigious business address for leading mainland and multinational financial institutions. Notable growth in rental rates on renewals was recorded during the period. Shanghai IFC will become even more accessible after it is connected to another metro line, which is targeted to open in 2020.

The IAPM mall at Shanghai ICC recorded healthy growth in retail sales and traffic with high occupancy during the period. The luxury and trend-setting image of the mall has been further enhanced through a variety of creative marketing campaigns as well as seamless online-to-offline shopping experience for modern shoppers. One ICC office tower recorded positive rental reversions with high occupancy during the period, and Two ICC is now 95% leased.

The footprint of the Group's retail network on the mainland covers other first-tier cities. In Guangzhou, the joint-venture IGC in Zhujiang New Town is popular for its specialty dining and has recorded an upswing in traffic and sales. The mall enjoys greater accessibility after a walkway linking it to the Liede metro station opened last year. Parc Central in the Tianhe shopping district, another of the Group's joint ventures in the city, continues to attract shoppers with its multi-level parkland features that provide a unique greenery leisure shopping environment. In the capital city, Beijing APM in Wangfujing — a key commercial district — continues to refine its trade mix to further draw young locals and tourists. During the period, the mall registered high occupancy and higher rents for new leases and renewals.

Other Businesses

Hotels

The performance of the Group's hotel portfolio picked up during the period under review. This was mainly attributable to increasing inbound visitors and the management team's effective marketing initiatives. Luxury hotels, including Four Seasons Hotel Hong Kong, achieved satisfactory revenue growth. The overall average occupancy of other premium hotels, including the Royal brand hotels, reached over 95% while room rates increased.

The Group will continue to expand its hotel portfolio in the territory given the promising prospects of Hong Kong as an international business and tourist hub. The city's appeal will be further strengthened by a significant increase in cross-border connectivity such as the opening of the high-speed rail this year. In November 2017, the Group acquired a prime hotel site on West Kowloon waterfront for building a premium avant-garde lodging development with magnificent views of Victoria Harbour. Supported by its unrivalled rail connectivity to CBDs and mainland cities, this project is expected to appeal to both local and overseas guests. The new development will also synergize with the residential towers of Cullinan West and the premium V Walk shopping mall at MTR Nam Cheong Station.

Chairman's Statement

The premium Hotel VIC has been recently completed and is scheduled to commence operations in mid 2018. As part of the Group's integrated development on North Point waterfront, all the guestrooms at Hotel VIC will offer stunning views of Victoria Harbour. This stylish hotel is expected to add a splash of colour to the neighbourhood. Another high-quality hotel in Sha Tin, a sister project of Royal Park Hotel, is planned to open in 2019.

On the mainland, The Ritz-Carlton Shanghai, Pudong upheld its leading position in the deluxe hotel market and registered high occupancy and rising room rates during the period. Featuring a Michelin-starred restaurant and other dining outlets, its food and beverage business also performed well. The upcoming deluxe Four Seasons Hotel in Suzhou near Jinji Lake will be the first Four Seasons hotel in the city. Construction is proceeding on schedule.

Telecommunications and Information Technology

SmarTone

During the period under review, the Hong Kong telecom market remained challenging with intense competition and pressure on pricing. Despite the competition, SmarTone grew its customer base by 10% from a year ago. Core service business remained steady, but declines in handset and roaming businesses, as well as higher spectrum costs, had led to a decline in profitability. SmarTone's strategy continued to focus on building up its loyal customer base through better service and products, and through strong network performance. Standing at the forefront of the industry, the company offers a wide range of enterprise solutions, which not only lead to a healthy growth in revenue of this segment but also pave the way to capture rising business opportunities from the new 5G technology. Moving forward, SmarTone will further invest in 4.5G/5G technologies to position itself as a leading service provider in Hong Kong. The Group remains confident in SmarTone's prospects and will continue to hold its interest in the company as a long-term investment.

SUNeVision

SUNeVision transferred its listing from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited on 22 January 2018. This will enhance the company's reputation, attract a wider base of investors and benefit its future growth. During the period under review, the company maintained its growth momentum with its core business in data centre, iAdvantage, continued to achieve promising results. In January this year, a government site in Tsuen Wan was acquired and this is expected to support the company's business growth and enhance its portfolio to attract different customer segments.

As for the company's existing data centres, the MEGA-i data centre in Chai Wan continues to be a prominent connectivity hub in Hong Kong. MEGA Plus, the company's latest development in Tseung Kwan O, represents the first facility in Hong Kong built on dedicated land for data centre usage. It is now in operation, with anchor customers gradually moving in. MEGA Two in Sha Tin has also been completely transformed into a fully dedicated data centre facility. The company is committed to providing superior infrastructure and service to its customers, and achieving sustained profitability.

Infrastructure and Other Businesses

The Group's infrastructure and transport businesses in Hong Kong provide a steady stream of recurring income. Wilson Group achieved satisfactory results during the period, while traffic on the Route 3 (Country Park Section) remained steady. Business at the Hong Kong Business Aviation Centre continued to be supported by good demand, although constraints in flight slots remained a challenge. The Airport Freight Forwarding Centre delivered healthy business growth with support from an improving global air freight market over the past months. The performance of the River Trade Terminal also recorded continuous improvement through enhancements in operational efficiency. YATA further strengthened its market position with two new store openings during the period and a renewed focus on unique Japanese merchandise.

Chairman's Statement

Corporate Finance

A key factor for the Group's long-term success is its prudent financial management. As a commitment to this principle, the Group has consistently maintained a low gearing and high liquidity in order to sustain unforeseen circumstances. As at 31 December 2017, the Group's net debt to shareholders' funds stood at a low 8.5% while its interest coverage achieved a high of over 24 times.

Given this strong financial position, the Group continued to maintain the best credit ratings among local property companies, with A1 rating affirmed by Moody's and A+ by Standard & Poor's, with a stable outlook from both.

The Group continues to extend its debt maturity profile through issuing long-dated bonds under its Medium Term Note Programme. The Group has limited foreign exchange exposure as the majority of its borrowings are denominated in Hong Kong dollars and the remainder mostly in US dollars and Renminbi. As always, the Group has not taken any speculative positions on derivatives or structured products.

Corporate Governance

Maintaining high standards of corporate governance is essential for the long-term growth and sustainability of the Group's businesses.

The Board directs and oversees the Group's overall strategies, backed by a number of Board Committees. The Executive Committee meets regularly and is primarily responsible for formulating business policies and making decisions on key business issues. Chaired by Independent Non-Executive Directors, the Remuneration, the Nomination, and the Audit and Risk Management Committees have been established to ensure proper implementation of the Group's strategies. Adequate internal controls are in place, and effective accountability and timely release of relevant information are all implemented in order to safeguard the interests of the shareholders and the Company.

The Group has received widespread acclaim from the investment community for its exceptional performance in corporate governance. The Group won the top-notch Best Developers, Overall — Global and 13 other honors at the 2017 Real Estate Awards by *Euromoney* magazine. Other recognitions included the Platinum Award at The Asset Corporate Awards from *The Asset* magazine.

Sustainable Development

The Group's spirit of Building Homes with Heart is manifested by a commitment to providing premium products and services and creating long-term value for customers and other stakeholders.

The Group's pioneering first-three-year warranty on new residential units, unrivalled in the industry, underpins its brand reputation with quality excellence. It continues to leverage the SHKP Club for keeping close tabs on customers' preferences and the latest trends in the marketplace.

For employees, the Group treasures both young and veteran staff and ensures that they can give full play to their strength and expertise through continuous learning and professional training. Such caring spirit is extended to the staff's families with a scholarship scheme for children of qualified staff to cover their entire undergraduate studies.

Chairman's Statement

During the period, through its two signature exercise-for-good events, namely the sixth SHKP Vertical Run for Charity and the third Sun Hung Kai Properties Hong Kong Cyclothon, the Group raised substantial public donations with its top-up funding to support needy children and youth. On reading promotion, the SHKP Reading Club launched a free 'linepaper' multimedia platform to encourage reading among young people via online and offline channels.

The Group's latest effort in conservation and environment includes eco-friendly and cost-effective measures for its development projects. An increasing adoption of precast facades represents the benefits of its economy of scale, while reusable aluminum formworks have minimized construction waste. At the community level, the Group organized recycling programmes for materials such as electronic products and unused festive gifts at its managed premises.

PROSPECTS

The world economy will likely continue to show synchronized and broad-based growth in 2018. The US tax cut will underpin the country's economic growth, while the euro zone economy will continue to expand. Nevertheless, uncertainties over the global economy continue to linger. These include the unexpected pace of monetary tapering in the US and other major economies, the volatility in the financial markets and some geopolitical issues.

Buoyed by growing exports, solid consumer spending and a facilitating government policy environment, the mainland will continue to see stable economic expansion with its focus shifting to high-quality growth. In view of the continuous economic development and the government's efforts to build a sustainable housing system for end users, the Group is positive about the long-term prospect of the mainland property market.

The Hong Kong economy is likely to see steady and healthy expansion supported by continuous growth in domestic spending and external demand. It will benefit from increased cross-border connectivity from 2018 onwards, contributed by the commissioning of the high-speed rail and the Hong Kong-Zhuhai-Macao Bridge. Moreover, the Greater Bay Area development plan will bring additional advantages to the local economy over the medium-to-long term. On the back of favourable economic conditions, including positive employment situations, Hong Kong's residential market will continue to perform well, notwithstanding the anticipated modest rises in interest rates.

The Group's rental income is expected to show steady and satisfactory growth, driven by the expansion of its investment property portfolio, high occupancies and positive rental reversions. V Walk in West Kowloon, Hong Kong and the mall at One ITC in Shanghai are planned to open in 2019. In the next three years, rental properties covering about 800,000 square feet of attributable gross floor area are scheduled for completion in Hong Kong, including Harbour North in North Point. On the mainland, the Group's rental properties comprising about 3.8 million square feet of attributable gross floor area are expected to be completed during the same period. Of this, the entire Nanjing IFC development and phase one of the shopping mall at Chengdu ICC are due for completion by 2020.

Between 2021 and 2023, the Group is expected to complete around 2.1 million square feet of investment property in terms of attributable gross floor area in Hong Kong, including the commercial development at 98 How Ming Street. In addition, around 8.1 million square feet of investment property on the mainland are expected to be completed during the same period. This will include the major portion of ITC and the joint-venture TODTOWN, two integrated projects in Shanghai which are planned for full completion in stages by 2023. The developments are expected to further boost the Group's recurrent income significantly over the medium-to-long term.

Chairman's Statement

The Group's development business for sale will continue to perform well with satisfactory development margins. Although the existing land bank enables the Group to achieve a relatively high level of residential completion over the next several years, the Group will continue to seek opportunities for land bank replenishment in Hong Kong through active participation in public tenders and alternative means, including land use conversion, to fulfil its long-term development needs. On the mainland, the Group will adhere to its selective and focused strategy and continue to pursue business opportunities in first-tier cities.

The Group is confident of its performance in property sales during the current financial year. About 40% of residential floor area scheduled for completion in the coming financial year has already been pre-sold. Over the next 10 months, major new projects to be offered for sale in Hong Kong will include Phase 2C of PARK YOHO in Yuen Long, a premium residential development in Pak Shek Kok, Tai Po, and two quality residential projects in Tuen Mun. In addition, units at Victoria Harbour in North Point, Babington Hill in Mid-levels West and the 2.8 million square feet of completed properties pending for sale, including Cullinan West II in West Kowloon, will be put on the market at a gradual pace. The Group's medium-term target for its annual property sales value in Hong Kong is HK\$40,000 million. On the mainland, major projects to be put on the market this year will likely comprise quality apartments of joint-venture projects TODTOWN in Shanghai, The Arch Suites in Chengdu and the wholly-owned Grand Waterfront in Dongguan.

The Group is facing a fast-changing operating environment amid recent developments in the new economy and keen competitions in both land and residential sales markets. Nonetheless, with its consistent but flexible business strategies, the Group has taken a proactive approach to turn challenges into opportunities. By making good use of new technology, the Group is able to further raise its overall competitiveness through offering products and services that enhance customer satisfaction and shoppers' experience as well as adopting a more efficient construction process. This, together with a strong balance sheet, seasoned management and a sizeable and growing recurrent income, will enable the Group to continue moving forward and prospering in the years to come.

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

APPRECIATION

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

Kwok Ping-luen, Raymond

Chairman & Managing Director

Hong Kong, 27 February 2018

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF SUN HUNG KAI PROPERTIES LIMITED

(incorporated in Hong Kong with limited liability)

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 16 to 36, which comprise the consolidated statement of financial position as at 31 December 2017, and the related consolidated income statement, consolidated statement of comprehensive income, condensed consolidated statement of cash flows and consolidated statement of changes in equity for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 February 2018

Consolidated Income Statement

For the six months ended 31 December 2017
(Expressed in millions of Hong Kong dollars)

		(Unaudited)	
		Six months ended	
		31 December	
	Notes	2017	2016
Revenue	2	55,166	46,343
Cost of sales		(28,479)	(26,246)
Gross profit		26,687	20,097
Other net income		523	679
Selling and marketing expenses		(2,858)	(2,418)
Administrative expenses		(1,240)	(1,149)
Operating profit before changes in fair value of investment properties	2	23,112	17,209
Increase in fair value of investment properties		9,716	5,079
Operating profit after changes in fair value of investment properties		32,828	22,288
Finance costs		(910)	(1,055)
Finance income		188	131
Net finance costs	3	(722)	(924)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$4,459 million (2016 : HK\$2,028 million)) of:			
Associates		434	234
Joint ventures		6,033	3,514
	2	6,467	3,748
Profit before taxation	4	38,573	25,112
Taxation	5	(5,094)	(4,038)
Profit for the period		33,479	21,074
Attributable to:			
Company's shareholders		33,031	20,659
Perpetual capital securities holders		87	–
Non-controlling interests		361	415
		33,479	21,074
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	6(a)		
Basic		\$11.40	\$7.14
Diluted		\$11.40	\$7.14
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		\$6.90	\$5.05
Diluted		\$6.90	\$5.05

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2017
(Expressed in millions of Hong Kong dollars)

	(Unaudited)	
	Six months ended 31 December	
	2017	2016
Profit for the period	33,479	21,074
Items that may be reclassified subsequently to profit or loss:		
Translation difference on foreign operations	3,352	(3,597)
Cash flow hedge		
– fair value losses recognized during the period	–	(1)
– fair value losses transferred to consolidated income statement	–	2
	–	1
Available-for-sale investments		
– fair value gains recognized during the period	27	60
– fair value gains transferred to consolidated income statement on disposal	(1)	(3)
– deferred tax on fair value change	–	1
	26	58
Share of other comprehensive income/(loss) of associates and joint ventures	748	(973)
Other comprehensive income/(loss) for the period	4,126	(4,511)
Total comprehensive income for the period	37,605	16,563
Total comprehensive income for the period attributable to:		
Company's shareholders	37,051	16,269
Perpetual capital securities holders	87	–
Non-controlling interests	467	294
	37,605	16,563

Consolidated Statement of Financial Position

As at 31 December 2017
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) 31 December 2017	(Audited) 30 June 2017
Non-current assets			
Investment properties	7	354,667	337,980
Fixed assets	8	32,958	26,977
Associates		5,135	4,724
Joint ventures		63,193	59,117
Loan receivables	9	4,986	4,981
Other financial assets	10	3,206	3,375
Intangible assets		5,250	5,524
		469,395	442,678
Current assets			
Properties for sale		151,578	146,409
Inventories		552	444
Debtors, prepayments and others	11	25,664	17,813
Other financial assets	12	888	798
Bank deposits and cash		31,677	31,274
		210,359	196,738
Current liabilities			
Bank and other borrowings		(9,361)	(5,390)
Trade and other payables	13	(30,624)	(26,908)
Deposits received on sales of properties		(6,716)	(10,458)
Taxation		(9,310)	(8,216)
		(56,011)	(50,972)
Net current assets		154,348	145,766
Total assets less current liabilities		623,743	588,444
Non-current liabilities			
Bank and other borrowings		(66,975)	(61,936)
Deferred taxation		(20,745)	(18,930)
Other long-term liabilities		(188)	(215)
		(87,908)	(81,081)
Net assets		535,835	507,363
Capital and reserves			
Share capital	14	70,582	70,516
Reserves		455,965	427,699
Shareholders' funds		526,547	498,215
Perpetual capital securities		3,910	3,910
Non-controlling interests		5,378	5,238
Total equity		535,835	507,363

Directors:

Kwok Ping-luen, Raymond

Lui Ting, Victor

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2017
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2017	2016
Net cash from operating activities	8,564	25,873
Net cash used in investing activities	(7,149)	(7,207)
Net cash from/(used in) financing activities		
– net drawdown/(repayment) of bank and other borrowings	8,503	(4,359)
– decrease in bank deposits maturing after more than three months	4,689	1,480
– proceeds from issue of shares	59	41
– payment for repurchase of shares by a subsidiary	(120)	–
– distributions paid to perpetual capital securities holders	(87)	–
– dividends paid to shareholders	(8,690)	(8,107)
– dividends paid to non-controlling interests	(298)	(399)
– net interest paid	(874)	(1,116)
– others	6	(499)
	3,188	(12,959)
Increase in cash and cash equivalents	4,603	5,707
Cash and cash equivalents at beginning of period	25,074	17,902
Effect of foreign exchange rates changes	417	(332)
Cash and cash equivalents at end of period	30,094	23,277
Analysis of the balances of cash and cash equivalents at end of period		
Bank deposits and cash	31,677	33,951
Bank overdrafts	(228)	(161)
	31,449	33,790
Less: Bank deposits maturing after more than three months	(1,348)	(10,506)
Pledged bank deposits	(7)	(7)
	30,094	23,277

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2017
(Expressed in millions of Hong Kong dollars)

	Unaudited								
	Attributable to Company's shareholders						Perpetual capital securities	Non- controlling interests	Total
	Share capital	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits	Total			
At 1 July 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
At 1 July 2017	70,516	681	1,158	(695)	426,555	498,215	3,910	5,238	507,363
Profit for the period	–	–	–	–	33,031	33,031	87	361	33,479
Other comprehensive income for the period	–	–	26	3,994	–	4,020	–	106	4,126
Total comprehensive income for the period	–	–	26	3,994	33,031	37,051	87	467	37,605
Shares issued on exercise of share options	66	(7)	–	–	–	59	–	–	59
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	2	2
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	–	1	–	–	(1)	–	–	–	–
Dividend paid (2017 final dividend HK\$3.00 per share)	–	–	–	–	(8,690)	(8,690)	–	–	(8,690)
Adjustments relating to changes in interests in a subsidiary	–	(88)	–	–	–	(88)	–	(19)	(107)
Distributions paid to perpetual capital securities holders	–	–	–	–	–	–	(87)	–	(87)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(310)	(310)
At 31 December 2017	70,582	587	1,184	3,299	450,895	526,547	3,910	5,378	535,835

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 2017 included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2017 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 2017, 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 (“HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 July 2017.

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 30 June 2018.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION

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

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

For the six months ended 31 December 2017

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

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. SEGMENT INFORMATION (cont'd)

For the six months ended 31 December 2016

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

Results from property sales include selling and marketing expenses of HK\$236 million (2016: HK\$264 million) and HK\$46 million (2016: HK\$11 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.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

3. NET FINANCE COSTS

	Six months ended 31 December	
	2017	2016
Interest expenses	1,128	1,241
Notional non-cash interest accretion	12	19
Less : Amount capitalized	(230)	(205)
	910	1,055
Interest income on bank deposits	(188)	(131)
	722	924

4. PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2017	2016
Profit before taxation is arrived at after charging:		
Cost of properties sold	18,074	14,761
Cost of inventories sold	2,102	3,182
Depreciation and amortization	721	720
Amortization of intangible assets (included in cost of sales)	272	242
Operating lease rentals for land and buildings, transmission sites and leased lines	818	810
Staff costs (including directors' emoluments and retirement schemes contributions)	3,772	3,647
Share-based payments	2	3
and crediting:		
Profit on disposal of available-for-sale investments	4	28
Dividend income from listed and unlisted investments	85	76
Interest income from debt securities	43	48
Fair value gains on financial assets at fair value through profit or loss	102	19

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

5. TAXATION

	Six months ended 31 December	
	2017	2016
Current taxation		
Hong Kong profits tax	3,194	2,224
Under provision in prior years	6	20
	3,200	2,244
Tax outside Hong Kong	721	905
(Over)/under provision in prior years	(3)	16
	718	921
	3,918	3,165
Deferred taxation charge		
Change in fair value of investment properties	946	628
Other origination and reversal of temporary differences	230	245
	1,176	873
	5,094	4,038

Hong Kong profits tax is provided at the rate of 16.5 per cent (2016: 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\$33,031 million (2016 : HK\$20,659 million).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 2,896,552,660 (2016: 2,895,308,529) shares. The diluted earnings per share is based on 2,896,748,956 (2016: 2,895,467,095) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 196,296 (2016: 158,566) shares deemed to be issued at no consideration if all outstanding options had been exercised.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

6. EARNINGS PER SHARE (cont'd)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK\$19,973 million (2016: HK\$14,608 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	
	2017	2016
Profit attributable to the Company's shareholders as shown in the consolidated income statement	33,031	20,659
Increase in fair value of investment properties		
Subsidiaries	(9,716)	(5,079)
Associates	(44)	(12)
Joint ventures	(4,499)	(2,046)
Effect of corresponding deferred tax charges		
Subsidiaries	946	628
Joint ventures	84	30
Non-controlling interests	48	23
Unrealized fair value gains of investment properties net of deferred tax	(13,181)	(6,456)
Fair value gains realized on disposal of investment properties net of deferred tax	123	405
Net effect of changes in fair value of investment properties	(13,058)	(6,051)
Underlying profit attributable to the Company's shareholders	19,973	14,608

7. INVESTMENT PROPERTIES

(a) Movement during the period

	Completed	Under development	Total
Valuation			
At 1 July 2017	292,074	45,906	337,980
Additions	392	3,103	3,495
Transfer upon completion	4,975	(4,975)	–
Transfer from other properties	11	–	11
Disposals	(179)	–	(179)
Exchange difference	2,301	1,343	3,644
Increase in fair value	9,343	373	9,716
At 31 December 2017	308,917	45,750	354,667

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

7. INVESTMENT PROPERTIES (cont'd)

- (b) The Group's investment properties were revalued at 31 December 2017 and 30 June 2017 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\$6,582 million (of which HK\$6,118 million related to properties under development) and net book value of fixed assets disposed of amounted to HK\$8 million.

9. LOAN RECEIVABLES

	31 December 2017	30 June 2017
Loan receivables	6,068	5,430
Less : Amount due within one year included under current assets	(1,082)	(449)
	4,986	4,981

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.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

10. OTHER FINANCIAL ASSETS

	31 December 2017	30 June 2017
Held-to-maturity debt securities		
Listed debt securities, overseas	40	81
Listed debt securities, Hong Kong	502	582
	542	663
Available-for-sale debt securities		
Listed debt securities, overseas	–	40
Listed debt securities, Hong Kong	321	368
Unlisted debt securities	–	11
	321	419
Available-for-sale equity securities		
Listed equity securities, overseas	672	689
Listed equity securities, Hong Kong	1,378	1,318
Unlisted equity securities	293	286
	2,343	2,293
	3,206	3,375
Market value of listed securities		
Listed overseas	713	811
Listed in Hong Kong	2,206	2,279
	2,919	3,090

11. DEBTORS, PREPAYMENTS AND OTHERS

	31 December 2017	30 June 2017
Debtors, deposits and prepayments	23,818	16,880
Deposits for acquisition of properties	448	176
Amounts due from customers for contract works	127	93
Short-term loans	1,082	449
Derivative financial instruments	189	215
	25,664	17,813

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\$16,443 million (30 June 2017: HK\$9,376 million), of which 92% are aged less than 60 days, 1% between 61 to 90 days and 7% more than 90 days (30 June 2017: 88%, 2% and 10% respectively).

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

12. OTHER FINANCIAL ASSETS

	31 December 2017	30 June 2017
Financial assets at fair value through profit or loss		
Listed equity securities, overseas	8	8
Listed equity securities, Hong Kong	691	578
Listed debt securities, overseas	83	75
	782	661
Available-for-sale debt securities maturing within one year		
Listed debt securities, overseas	40	98
Unlisted debt securities	11	–
	51	98
Held-to-maturity debt securities maturing within one year		
Listed debt securities, overseas (Market value: HK\$40 million (30 June 2017: HK\$40 million))	39	39
Listed debt securities, Hong Kong (Market value: HK\$16 million (30 June 2017: Nil))	16	–
	55	39
	888	798

13. TRADE AND OTHER PAYABLES

	31 December 2017	30 June 2017
Creditors and accrued expenses	29,298	25,548
Amounts due to customers for contract works	1	1
Amounts due to non-controlling interests	1,194	1,188
Derivative financial instruments	131	171
	30,624	26,908

Included in trade and other payables of the Group are trade creditors of HK\$3,208 million (30 June 2017: HK\$2,320 million), of which 77% are aged less than 60 days, 2% between 61 to 90 days and 21% more than 90 days (30 June 2017: 67%, 5% and 28% respectively).

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

14. SHARE CAPITAL

	Number of shares in million	Amount
Issued and fully paid:		
Ordinary shares		
At beginning of current period	2,896	70,516
Issue of shares	1	66
At end of current period	2,897	70,582

During the six months ended 31 December 2017, 568,000 shares (2016: 409,000 shares) were issued on exercise of share options.

15. SHARE OPTION SCHEMES

The Company has a share option scheme which was adopted on 15 November 2012 (“the New Scheme”) to replace a former scheme previously adopted on 5 December 2002 (“the Old Scheme”), whereby the directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Details of share option schemes adopted by the Company was stated in the paragraphs under the heading “Share Option Schemes” in the other information sections of this interim report.

The Old Scheme

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

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

15. SHARE OPTION SCHEMES (cont'd)

The Old Scheme (cont'd)

- (a) Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2017 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				At 31 December 2017
			At 1 July 2017	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	31,000	–	(31,000)	–	–

Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2016 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				At 31 December 2016
			At 1 July 2016	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	
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

- (b) Details of share options exercised

Share options exercised during the period resulted in 31,000 (2016: 266,000) shares being issued. The related weighted average share price at the time of exercise was HK\$115.64 (2016: HK\$114.72) per share.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

15. SHARE OPTION SCHEMES (cont'd)

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 2017 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2017	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	At 31 December 2017
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	622,000	–	(297,000)	–	325,000
11 July 2014	HK\$106.80	11.7.2015 to 10.7.2019	946,000	–	(240,000)	–	706,000
			1,568,000	–	(537,000)	–	1,031,000
Weighted average exercise prices (HK\$)			105.01	–	104.31	–	105.38

Movements in share options to subscribe for ordinary shares in the Company during the six months ended 31 December 2016 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			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

- (b) Details of share options exercised

Share options exercised during the period resulted in 537,000 (2016: 143,000) shares being issued. The related weighted average share price at the time of exercise was HK\$129.69 (2016: HK\$116.84) per share.

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

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		Joint ventures	
		Six months ended		Six months ended	
		31 December		31 December	
		2017	2016	2017	2016
Interest income		–	–	16	23
Rental income	(a)	–	–	1	1
Rental expenses	(a)	–	–	28	27
Other revenue from services rendered	(b)	25	67	23	10
Purchase of goods and services	(b)	–	–	267	302

- (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.

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 2017	30 June 2017
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	4,750	4,214
Authorized but not contracted for	1,547	555
(b) Group's share of capital commitments of joint ventures		
Contracted but not provided for	770	1,289
Authorized but not contracted for	39	40

- (c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK\$1,399 million (30 June 2017: HK\$1,500 million) and other guarantees of HK\$4 million (30 June 2017: HK\$4 million).

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

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

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

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

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

As at 31 December 2017

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities	372	–	372
Available-for-sale equity securities	2,050	50	2,100
Financial assets at fair value through profit or loss	782	–	782
Derivative financial instruments			
Interest rate swaps	–	97	97
Currency swaps	–	92	92
	3,204	239	3,443
Financial liabilities			
Derivative financial instruments			
Interest rate swaps	–	120	120
Forward foreign exchange contract	–	11	11
	–	131	131

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

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

As at 30 June 2017

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities	517	–	517
Available-for-sale equity securities	2,007	8	2,015
Financial assets at fair value through profit or loss	661	–	661
Derivative financial instruments			
Interest rate swaps	–	158	158
Currency swaps	–	57	57
	3,185	223	3,408
Financial liabilities			
Derivative financial instruments			
Interest rate swaps	–	165	165
Currency swaps	–	2	2
Forward foreign exchange contract	–	4	4
	–	171	171

The fair values of long-term borrowings as 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 2017	30 June 2017	31 December 2017	30 June 2017
Secured bank loans	1,147	1,320	1,147	1,320
Unsecured bank loans	34,531	30,574	34,438	30,468
Bonds and notes	31,297	30,042	31,134	30,192
	66,975	61,936	66,719	61,980

Financial Review

REVIEW OF OPERATING RESULTS

Underlying profit attributable to the Company's shareholders was HK\$19,973 million for the six months ended 31 December 2017. This has excluded the net effect of fair value changes in investment properties and represents an increase of HK\$5,365 million or 36.7% compared to HK\$14,608 million for the corresponding period last year. The increase was mainly attributable to increase in Hong Kong property development profit and sustained growth in rental income.

After taking into account the revaluation gains on investment properties, reported profit attributable to the Company's shareholders for the half year ended 31 December 2017 increased by HK\$12,372 million or 59.9% year-on-year to HK\$33,031 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\$9,716 million (2016: HK\$5,079 million) and a share of an increase of HK\$4,543 million (2016: HK\$2,058 million) in fair value of investment properties held by its joint ventures and associates.

Property sales for the first half of the financial year, including share of joint ventures, reported a profit of HK\$13,895 million, increased by HK\$5,550 million or 66.5% when compared to HK\$8,345 million of the same period last year. Profit from property sales in Hong Kong totalled HK\$12,671 million, an increase of HK\$5,980 million or 89% over the same period in the previous year. The substantial increase in profit recognized for the period was mainly due to the fact that most of the current financial year's development projects in Hong Kong were completed in the first half of the year. Major profit contributions were derived from residential units sold in Cullinan West, Cullinan West II and Ocean Wings. Property sales in the Mainland generated a profit of HK\$1,224 million, primarily from sale of residential units in Shanghai Arch, Park Royale Phase 2A, Long King Phases 1D & 2A, and office units sold in Top Plaza East Tower. As at 31 December 2017, the Group had contracted property sales of HK\$23.7 billion not yet recognized, of which HK\$17.5 billion was derived from the presale of residential units for Hong Kong development projects including Wings at Sea, Wings at Sea II, Lime Gala, Eight Regency and Victoria Harbour.

The Group's diverse rental portfolio continued to deliver satisfactory results and growth. Net rental income for the period, including contributions of joint ventures and associates, increased by 7.5% or HK\$618 million to HK\$8,891 million on the back of positive rental reversions and contributions from new investment properties. Net rental income from the Group's rental portfolios in Hong Kong and the Mainland grew by 4.6% and 20.6% to HK\$6,973 million and HK\$1,651 million respectively over the same period last year.

The Group's hotel operations (including share of joint ventures) improved steadily on the strength of increase in visitor arrivals to Hong Kong, led mainly by the growth in overnight visitors, and achieved an operating profit of HK\$776 million for the period, increased by HK\$41 million or 5.6% over the same period a year ago.

SmarTone reported an operating profit of HK\$453 million for the period, a decrease of HK\$74 million or 14% when compared to the same period last year. SmarTone will continue its strategy in building up its loyal customer base and position itself as the leading provider of mobile telecommunication services in Hong Kong.

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\$952 million for the period, representing a year-on-year increase of HK\$129 million or 15.7%.

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 performed satisfactorily with operating profit increased by 2% to HK\$910 million.

Financial Review

FINANCIAL RESOURCES AND LIQUIDITY

(a) Capital management, net debt and gearing

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

The Group's financial position remains strong, with total shareholders' equity increased by HK\$28.3 billion to HK\$526.5 billion or HK\$181.8 per share as at 31 December 2017. The increase represented mainly the total comprehensive income for the period attributable to the Company's shareholders, as reduced by dividends paid.

The Group's strong balance sheet allows it to continue raising long-term financing at competitive rates, hence 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 2017, calculated on the basis of net debt to shareholders' funds of the Company, was 8.5% compared to 7.2% at 30 June 2017. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 24.6 times compared to 15.5 times for the previous period. During the period, the Group paid land premiums in total sums of HK\$19 billion for land acquisitions, including a residential site in Shap Sz Heung and a waterfront hotel site in West Kowloon.

As at 31 December 2017, the Group's gross borrowings totalled HK\$76,336 million. Net debt, after deducting bank deposits and cash of HK\$31,677 million, amounted to HK\$44,659 million, representing an increase of HK\$8,607 million since 30 June 2017. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2017	30 June 2017
	HK\$ Million	HK\$ Million
Repayable:		
Within one year	9,361	5,390
After one year but within two years	13,032	10,311
After two years but within five years	39,530	39,040
After five years	14,413	12,585
Total bank and other borrowings	76,336	67,326
Bank deposits and cash	31,677	31,274
Net debt	44,659	36,052

The Group has also procured substantial undrawn committed banking facilities, most of which are arranged on a medium to long term basis, to help minimize refinancing risk and strengthen the Group's financing flexibility. The Group regularly reviews its liquidity and financing requirements to ensure that available financial resources are sufficient to support its financing needs. The Group issued senior guaranteed perpetual capital securities of US\$500 million in May 2017, which are redeemable on or after 23 May 2020 at the option of the Group. The perpetual capital securities have no maturity date and are accounted for as equity in the financial statements. The issuance has broadened the Group's sources of long-term funding and strengthened its capital structure.

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.

Financial Review

(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 2017, about 78% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 22% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollars, which is the Group's presentation currency. The Group may borrow in foreign currencies to finance its operations in Hong Kong, which exposes the Group to currency risk. When appropriate, the Group may enter into currency swaps to hedge the currency risks associated with these borrowings. As at 31 December 2017, about 71% of the Group's total borrowings were denominated in Hong Kong dollars (after currency swaps) and 15% 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 in the Mainland. The Group is exposed to currency translation risk arising from translating the financial statements of foreign subsidiaries and joint ventures, which are mostly in Mainland China. Land acquisition costs for the Mainland projects are principally financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through internal resources and borrowings in Renminbi as natural hedges to minimize the Group's exposure to exchange rate risk. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in Mainland China. As at 31 December 2017, approximately 19% of the Group's net assets were denominated in Renminbi. During the period, the translation of foreign operations into the Group's presentation currency has resulted in an increase of HK\$4 billion in the exchange reserve recorded under shareholders' equity.

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

The Group maintained an appropriate combination of fixed and floating rate borrowings to mitigate interest rate risk. As at 31 December 2017, about 62% 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 38% were on fixed rate basis.

As at 31 December 2017, the Group has entered into certain interest rate swaps, currency swaps and forward foreign exchange contracts in the aggregate notional amount of HK\$15,212 million to manage its interest rate risk and currency risk exposures. The use of derivative instruments is strictly controlled and solely for managing the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 31 December 2017, about 55% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 35% in Renminbi, and 10% 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 2017, 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\$2,025 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had contingent liabilities in respect of guarantees for bank borrowings of certain joint ventures and other guarantees in the aggregate amount of HK\$1,403 million (30 June 2017: HK\$1,504 million).

Other Information

DIRECTORS

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

Kwok Ping-luen, Raymond

Hon LLD, Hon DBA, MBA, MA (Cantab), JP
Chairman & Managing Director (Age: 64)

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 39 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. He is also a member of the 13th National Committee of the Chinese People's Political Consultative Conference.

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 2017, 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\$3.18 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: 90)

Dr. Lee has been a Non-Executive Director of the Company for the last 46 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 the 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 2017, 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: 62)

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 2017, 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\$22.09 million.

Lui Ting, Victor

BBA

Deputy Managing Director (Age: 63)

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 2017, 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\$23.18 million.

Yip Dicky Peter

MBA, BBS, MBE, JP

Independent Non-Executive Director (Age: 71)

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. and an independent director of DSG International (Thailand) Public Company Limited (whose shares were delisted voluntarily from the Stock Exchange of Thailand). Mr. Yip was the chief representative for the Asia-Pacific Region of Institute of International Finance from July 2012 to July 2015. He is currently an independent non-executive director of South China Holdings Company Limited and Ping An Insurance (Group) Company of China, Ltd., and an independent director of S. F. Holding Co., Ltd.

Other Information

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

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

For the year ended 30 June 2017, Mr. Yip is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$280,000 for being a member of the Audit and Risk Management Committee of the Company and HK\$60,000 for being a member of the Nomination Committee of the Company.

Professor Wong Yue-chim, Richard

SBS, JP

Independent Non-Executive Director (Age: 65)

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 2017, 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., HonDSocSc (EdUHK), B.A., GBS, OBE, JP
Independent Non-Executive Director (Age: 64)

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 and China Resources Beer (Holdings) Company Limited. Dr. Li resigned as an independent non-executive director of RoadShow Holdings Limited with effect from 12 December 2017.

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

For the year ended 30 June 2017, Dr. Li is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$320,000 for being the Chairman of the Audit and Risk Management Committee of the Company and HK\$60,000 for being a member of the Remuneration Committee of the Company. He is also entitled to receive other emoluments in the total sum of HK\$288,000 for being a director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Fung Kwok-lun, William

SBS, OBE, JP
Independent Non-Executive Director (Age: 69)

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

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 and The Hongkong and Shanghai Hotels, Limited. Formerly, Dr. Fung was an independent non-executive director of Singapore Airlines Limited.

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

For the year ended 30 June 2017, 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: 77)

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 2017, Dr. Leung is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$280,000 for being a member of the Audit and Risk Management Committee of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

Leung Kui-king, Donald

BSc

Independent Non-Executive Director (Age: 61)

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 2017, Mr. Leung is entitled to receive fees of HK\$300,000 and HK\$280,000 for being a Director of the Company and a member of the Audit and Risk Management Committee of the Company respectively.

Other Information

Leung Ko May-yee, Margaret

SBS, JP

Independent Non-Executive Director (Age: 65)

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 was the chief executive of Chong Hing Bank Limited before stepping down in April 2017, and she remains as its deputy chairman and managing director. She is also an independent non-executive director of First Pacific Company Limited, Li & Fung Limited, and Hong Kong Exchanges and Clearing Limited. In addition, Mrs. Leung was an independent non-executive director of Swire Pacific Limited, Hutchison Whampoa Limited, China Construction Bank Corporation and QBE Insurance Group Limited.

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

For the year ended 30 June 2017, 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., FCI Arb, F.I.Mgt., FInstD, FHKMA

Non-Executive Director (Age: 88)

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 2017, 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: 83)

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 55 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 2017, 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: 34)

Mr. Kwok has been an Executive Director of the Company since December 2014. He is also a member of the Executive Committee of the Company. Mr. Kwok acted as an Alternate Director to Mr. Kwok Ping-kwong, Thomas from July 2012 until the resignation of Mr. Kwok Ping-kwong, Thomas as Chairman and Managing Director of the Company in December 2014. He holds a Bachelor of Science degree in Management Science and Engineering from Stanford University and a Master's degree in Business Administration from Harvard Business School. He worked in an international investment bank prior to joining the Group in November 2008, and has substantial experience in corporate finance. He was the project director taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region. Since April 2013, he has taken up the overall responsibilities for the property business in Southern China.

Other Information

In addition, Mr. Kwok is a vice-president of The Real Estate Developers Association of Hong Kong, a member of board of directors of The Community Chest of Hong Kong, a member of the Working Group on Transportation under Economic Development Commission of the Government of the Hong Kong Special Administrative Region, a member of the International Advisory Council of the Faculty of Business and Economics of The University of Hong Kong, an advisor of Our Hong Kong Foundation and a vice-chairman of Hong Kong United Youth Association. He is also a standing committee member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a 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 2017, 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\$7.88 million.

Kwok Kai-wang, Christopher

MBA, BSc

Executive Director (Age: 31)

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

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

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.

For the year ended 30 June 2017, Mr. Kwok is entitled to receive a fee of HK\$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK\$4.37 million, including a fee of HK\$15,000 for being a director of SUNeVision Holdings Ltd. for the period from 1 February 2017 to 30 June 2017.

Other Information

Kwong Chun

Executive Director (Age: 88)

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 2017, 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\$6.20 million.

Tung Chi-ho, Eric

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

Executive Director (Age: 58)

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 2017, 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\$18.69 million, including emoluments of HK\$48,000 for being a director of SUNeVision Holdings Ltd.

Fung Yuk-lun, Allen

BA, Ph.D.

Executive Director (Age: 49)

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. Mr. Fung resigned as a non-executive director of RoadShow Holdings Limited with effect from 12 December 2017.

Other Information

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, a member of the board of the Asian Youth Orchestra and a member of the Advisory Committee on Gifted Education of the Education Bureau of the Government of the Hong Kong Special Administrative Region.

For the year ended 30 June 2017, 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\$17.56 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: 37)

Mr. Kwok has been an Alternate Director to Mr. Kwok Ping-luen, Raymond since July 2012. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. He has also obtained an Executive MBA degree from the Kellogg School of Management and the HKUST Business School in December 2017. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. 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: 55)

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 currently an independent non-executive director of Henderson Land Development Company Limited. He was an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. 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 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Number of shares held				Sub-total	Number of underlying shares held under equity derivatives ¹	Total	% of issued voting shares as at 31.12.2017
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	188,743	–	–	514,093,186 ^{2&6}	514,281,929	–	514,281,929	17.75
Lee Chau-kee	526,868	–	61,533,000 ³	–	62,059,868	–	62,059,868	2.14
Wong Chik-wing, Mike	417,695	–	–	–	417,695	–	417,695	0.01
Lui Ting, Victor	160,000	–	–	–	160,000	–	160,000	0.01
Wong Yue-chim, Richard	5,000	1,000 ⁴	–	–	6,000	–	6,000	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
Kwok Kai-fai, Adam	9,000	–	–	639,528,747 ^{5,6&7}	639,537,747	23,000	639,560,747	22.08
Kwok Kai-wang, Christopher	110,000 ⁸	60,000 ⁴	–	641,046,601 ^{2,6&7}	641,216,601	–	641,216,601	22.14
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 <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	9,000	–	–	641,046,601 ^{2,6&7}	641,055,601	23,000	641,078,601	22.13
Woo Ka-biu, Jackson <i>(Alternate Director to Woo Po-shing)</i>	–	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 61,533,000 shares in the Company held by Kinnox Investment Limited ("Kinnox"). 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 a unit trust owned all the issued shares of SK Financial. Leeworld (Cayman) Limited ("Leeworld") and Leesons (Cayman) Limited ("Leesons") as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Lee Financial, Leeworld and Leesons were owned by Dr. Lee Shau-kee. He was taken to be interested in 61,533,000 shares in the Company held by Kinnox for the purpose of Part XV of the SFO.*
4. *These shares in the Company were held by 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.*

Other Information

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

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

Name of Director	Number of shares held			Sub-total	Number of underlying shares held under equity derivatives ¹	Total	% of issued voting shares as at 31.12.2017
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests				
Kwok Ping-luen, Raymond	–	–	3,485,000 ^{2&3}	3,485,000	–	3,485,000	0.15
Wong Chik-wing, Mike	218,000	–	–	218,000	–	218,000	0.01
Lui Ting, Victor	356	–	–	356	–	356	0.00
Leung Nai-pang, Norman	41,000	142 ⁴	–	41,142	–	41,142	0.00
Leung Ko May-yee, Margaret	1,000	2,000 ⁴	–	3,000	–	3,000	0.00
Kwok Kai-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.

Other Information

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

Name of Director	Number of shares held			Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2017
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	–	–	5,005,048 ¹	5,005,048	–	5,005,048	0.45
Lee Shau-kee	–	546,000 ²	–	546,000	–	546,000	0.05
Kwok Kai-fai, Adam	–	–	6,640,478 ³	6,640,478	–	6,640,478	0.59
Kwok Kai-wang, Christopher	–	–	11,645,526 ¹⁸³	11,645,526	–	11,645,526	1.04
Fung Yuk-lun, Allen	428,210	–	–	428,210	–	428,210	0.04
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	–	–	11,645,526 ¹⁸³	11,645,526	–	11,645,526	1.04

Notes:

- Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 5,005,048 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.
- Dr. Lee Shau-kee was deemed to be interested in 546,000 shares in SmarTone held by Good Treasure Limited (“Good Treasure”). Good Treasure was wholly-owned by Financial Enterprise Group Limited, which was a wholly-owned subsidiary of Furnline Limited. Furnline Limited was wholly-owned by Jetwin International Limited (“Jetwin”). Triton (Cayman) Limited (“Triton”) as trustee of a unit trust owned all the issued shares of Jetwin. Victory (Cayman) Limited (“Victory”) and Triumph (Cayman) Limited (“Triumph”) as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Triton, Victory and Triumph were owned by Dr. Lee Shau-kee. He was taken to be interested in the 546,000 shares in SmarTone held by Good Treasure for the purpose of Part XV of the SFO.
- Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 6,640,478 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.

Other Information

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

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2017
	Personal interests (held as beneficial owner)	Sub-total			
Kwok Ping-luen, Raymond	437,799 ¹	437,799	–	437,799	0.10
Lui Ting, Victor	300,000	300,000	–	300,000	0.07

Note:

1. Of these shares in Transport International, 434,322 shares were held jointly with the spouse of Mr. Kwok Ping-luen, Raymond.

(d) Each of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher 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 31.12.2017	Actual shares held through corporation	Actual % of interests in issued voting shares as at 31.12.2017
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.

Other Information

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

Name of associated corporation	Total number of shares held	% of issued voting shares as at 31.12.2017
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
Metro Trade International Limited	16 ⁷	26.67
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 61,533,000 shares in the Company held by Kinnox. Kinnox was wholly-owned by Financial Enterprise which was wholly-owned by SK Financial. Lee Financial as trustee of a unit trust owned all the issued shares of SK Financial. Leeworld and Leasons as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Lee Financial, Leeworld and Leasons were owned by Dr. Lee Shau-kee. He was taken to be interested in 61,533,000 shares in the Company held by Kinnox for the purpose of Part XV of the SFO.
2. Dr. Lee Shau-kee was deemed to be interested in two shares held by Everise (H.K.) Limited which was 50% held by Masterland Limited ("Masterland").
3. Dr. Lee Shau-kee was deemed to be interested in one share held by Chico Investment Limited ("Chico").
4. Dr. Lee Shau-kee was deemed to be interested in 100 shares held by Central Waterfront Property Investment Holdings Limited which was 34.21% held by Starland International Limited ("Starland").

Other Information

5. *Dr. Lee Shau-kee was deemed to be interested in a total of 50 shares of which 34.21 shares were held by Starland and 15.79 shares were held by Prominence Properties Limited ("Prominence Properties") which was wholly-owned by The Hong Kong and China Gas Company Limited ("HK China Gas"). HK China Gas was 41.53% held by Henderson Land Development Company Limited ("Henderson Land"), which in turn was taken to be 72.44% held by Henderson Development Limited ("Henderson Development"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust owned all the issued ordinary shares of Henderson Development. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau-kee. He was taken to be interested in a total of 50 shares held by Starland and Prominence Properties for the purpose of Part XV of the SFO.*
6. *Dr. Lee Shau-kee was deemed to be interested in one share held by Starland.*
7. *Dr. Lee Shau-kee was deemed to be interested in 100 shares in Daily Win Development Limited and 16 shares in Metro Trade International Limited respectively held by Citiright Development Limited ("Citiright").*
8. *Dr. Lee Shau-kee was deemed to be interested in one share held by E Man Construction Company Limited.*
9. *Dr. Lee Shau-kee was deemed to be interested in one share held by Masterland.*
10. *Dr. Lee Shau-kee was deemed to be interested in one share held by Atex Resources Limited which was wholly-owned by Mightymark Investment Limited.*
11. *Dr. Lee Shau-kee was deemed to be interested in one share held by Citiplus Limited.*
12. *Dr. Lee Shau-kee was deemed to be interested in 2,459 shares held by Chico.*
13. *Dr. Lee Shau-kee was deemed to be interested in 3,050 shares held by Quickcentre Properties Limited, a wholly-owned subsidiary of Henderson (China) Investment Company Limited which in turn was wholly-owned by Andco Limited. Andco Limited was a wholly-owned subsidiary of Henderson China Holdings Limited which was wholly-owned by Brightland Enterprises Limited.*
14. *Dr. Lee Shau-kee was deemed to be interested in one share held by Well Born Real Estate Management Limited.*
15. *Dr. Lee Shau-kee was deemed to be interested in one share held by Benewick Limited which was wholly-owned by Dorway Investment Limited.*
16. *Dr. Lee Shau-kee was deemed to be interested in two shares held by Mightymark Investment Limited.*
17. *Dr. Lee Shau-kee was deemed to be interested in 300 shares held by Kenforce Investment Limited which was wholly-owned by Henderson China Properties Limited.*
18. *Dr. Lee Shau-kee was deemed to be interested in 4,918 shares held by Billion Ventures Limited which was 50% held by Chico.*
19. *Dr. Lee Shau-kee was deemed to be interested in one share held by Dandy Investments Limited.*
20. *Masterland, Chico, Starland, Citiright and companies mentioned in Notes 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 5 above.*

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations that were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or that were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company follows the Model Code in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the six months ended 31 December 2017.

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, and all outstanding share options granted under the Old Scheme and yet to be exercised shall remain valid.

During the six months ended 31 December 2017, 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 2017 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				Closing price per share (HK\$)	
				Balance as at 01.07.2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		Balance as at 31.12.2017
(I) Old Scheme									
(i) Employees	11.07.2012	96.15	11.07.2013 to 10.07.2017	31,000	–	(31,000)	–	–	115.41 ²
(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	576,000	–	(297,000)	–	279,000	128.93 ²
	11.07.2014	106.80	11.07.2015 to 10.07.2019	846,000	–	(240,000)	–	606,000	128.96 ²
Total				1,599,000	–	(568,000)	–	1,031,000	

Other Information

Notes:

1. The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
2. 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 2017 contained in the 2016/17 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 2017.

2. Share option schemes of the subsidiaries

(I) SUNeVision

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

During the six months ended 31 December 2017, no share options were granted under the SUNeVision Scheme. Particulars of the outstanding share options granted under the SUNeVision Scheme and their movements during the six months ended 31 December 2017 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				Balance as at 31.12.2017	Closing price per share (HK\$)
				Balance as at 01.07.2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		
(i) Directors of SUNeVision									
Fung Yuk-lun, Allen	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	–	–	–	4,000,000	N/A
Other director of SUNeVision	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	–	–	–	4,000,000	N/A
(ii) Other employees of SUNeVision									
	08.03.2016	2.45	08.03.2017 to 07.03.2021	6,159,000	–	(100,000)	–	6,059,000	5.35 ²
Total				14,159,000	–	(100,000)	–	14,059,000	

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 SUNeVision immediately before the dates on which the share options were exercised.

Save as disclosed above, there were no outstanding share options granted under the SUNeVision Scheme during the six months ended 31 December 2017.

Other Information

(II) SmarTone

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

During the six months ended 31 December 2017, no share options were granted under the SmarTone Scheme. Particulars of the outstanding share options granted under the SmarTone Scheme and their movements during the six months ended 31 December 2017 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				
				Balance as at 01.07.2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 31.12.2017
Director of SmarTone	25.07.2016	14.28	25.07.2017 to 24.07.2021	3,000,000	–	–	–	3,000,000
Total				3,000,000	–	–	–	3,000,000

Note:

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.

Save as disclosed above, there were no outstanding share options granted under the SmarTone Scheme during the six months ended 31 December 2017.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2017, substantial shareholders of the Company and other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

	Number of shares held			Total	% of issued voting shares as at 31.12.2017
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
(I) Substantial shareholders					
Kwong Siu-hing	25,024	–	759,883,737 ^{1&3}	759,908,761	26.23
HSBC Trustee (C.I.) Limited	–	–	759,886,791 ^{1,2&3}	759,886,791	26.23
Adolfa Limited (“Adolfa”)	231,182,838	66,335,223	–	297,518,061 ³	10.27
Bertana Limited (“Bertana”)	231,182,838	66,335,223	–	297,518,061 ^{3&4}	10.27
Cyric Limited (“Cyric”)	231,182,838	66,335,223	–	297,518,061 ^{3&5}	10.27
(II) Other persons					
Credit Suisse Trust Limited	–	–	216,581,592 ^{6&7}	216,581,592	7.48
HSBC Trustee (Guernsey) Limited	–	–	215,057,271 ⁸	215,057,271	7.42
Kwok Ping-sheung, Walter	81,250	–	211,173,896 ^{9&10}	211,255,146	7.29
Thriving Talent Limited	191,351,595 ⁸	–	–	191,351,595	6.61
Rosy Result Limited	189,149,595 ⁶	–	–	189,149,595	6.53
Asporto Limited	187,357,707 ^{9&10}	–	–	187,357,707	6.47
Genesis Trust & Corporate Services Ltd.	–	–	187,357,707 ¹⁰	187,357,707	6.47

Notes:

- 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.
- HSBC Trustee (C.I.) Limited was also deemed to be interested in 3,054 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 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.
- 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.
- 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.

Other Information

6. *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.

7. *In addition to the deemed interests as stated in Note 6 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.*
8. *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.

9. *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 Genesis Trust & Corporate Services Ltd. and were therefore duplicated amongst them.*
10. *Genesis Trust & Corporate Services Ltd. was deemed to be interested in 187,357,707 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. These shares represented the same interests held by Asporto Limited and also formed part of the shares in the Company in which Mr. Kwok Ping-sheung, Walter was deemed to be interested 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.*

Save as disclosed above, as at 31 December 2017, there were no other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2017, the Group employed close to 37,000 employees. The related employees' costs before reimbursements for the six months ended 31 December 2017 amounted to approximately HK\$5,382 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.

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2017.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$1.20 per share (2016: HK\$1.10 per share) for the six months ended 31 December 2017 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 14 March 2018. The interim dividend will be payable in cash on Thursday, 22 March 2018. Shares of the Company will be traded ex-dividend as from Monday, 12 March 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 14 March 2018, 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, 13 March 2018.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2017 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 15 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 2017, 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, 27 February 2018

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