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 2018/19 中期報告

Stock Code 股份代號：16

1. ICC in West Kowloon, Hong Kong
   香港西九龍環球貿易廣場

2. IFC in Central, Hong Kong
   香港中環國際金融中心

3. Cullinan West in West Kowloon, Hong Kong
   香港西九龍匯璽

4. ITC in Shanghai, the mainland
   內地上海ITC

5. Hotel VIC in North Point, Hong Kong
   香港北角海匯酒店

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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 Kwok Kai-chun, Geoffrey 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 Fan Hung-ling, Henry

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 Fung Sau-yim, Maureen Chan Hong-ki, Robert
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	2018	2017	Change (%)
Financial Highlights (HK$ million)			
Revenue[1]	**37,112**	55,166	-32.7
Profit attributable to the Company's shareholders			
— Reported[1]	**20,469**	33,031	-38.0
— Underlying[1], [2]	**13,733**	19,973	-31.2
Gross rental income[3]	**12,286**	11,506	+6.8
Net rental income[3]	**9,508**	8,891	+6.9
Financial Information per Share (HK$)			
Basic earnings per share for profit attributable to the Company's shareholders			
— Reported[1]	**7.07**	11.40	-38.0
— Underlying[1], [2]	**4.74**	6.90	-31.3
Interim dividends	**1.25**	1.20	+4.2

Notes:

(1) The results for the six months ended 31 December 2018 have been impacted by the adoption of new accounting standard HKFRS 15 for revenue recognition, which affected the timing of property sales recognition in Hong Kong, details of which are described in Note 2(b) & 2(c)(ii) to the interim financial statements

(2) Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties

(3) Including contributions from joint ventures and associates

CORPORATE INFORMATION

Company Secretary

Yung Sheung-tat, Sandy

Auditor

Deloitte Touche Tohmatsu

Registered Office

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Share Registrar

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

Solicitors

Woo Kwan Lee & Lo
Mayer Brown
Clifford Chance

Principal Bankers

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

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

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

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

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$20,469 million and HK$7.07 respectively, compared to HK$33,031 million and HK$11.40 for the corresponding period last year. The reported profit for the period included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK$6,938 million, compared to HK$13,181 million for the same period last year.

DIVIDEND

The directors have declared an interim dividend payment of HK$1.25 per share for the six months ended 31 December 2018, an increase of 4% from the corresponding period last year. The dividend will be payable on 21 March 2019.

BUSINESS REVIEW

Property Sales and Rental Income

Property Sales

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

Rental Income

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

Property Business – Hong Kong

Land Bank

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

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

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

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

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

Chairman's Statement

Property Development

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

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

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

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

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

Property Investment

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

Retail portfolio

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

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

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

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

Office portfolio

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

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

Chairman's Statement

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

Property Business – Mainland

Land Bank

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

Property Development

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

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

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

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

Property Investment

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

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

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

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

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

Chairman's Statement

Other Businesses

Hotels

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

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

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

Telecommunications and Information Technology

SmarTone

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

SUNeVision

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

Infrastructure and Other Businesses

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

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

Chairman's Statement

Corporate Finance

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

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

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

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

Corporate Governance

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

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

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

Chairman's Statement

Sustainable Development

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

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

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

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

PROSPECTS

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

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

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

Chairman's Statement

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

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

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

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

DIRECTORS AND APPRECIATION

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

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

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 27 February 2019

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sun Hung Kai Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 15 to 41, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2019

Consolidated Income Statement

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

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

Consolidated Statement of Comprehensive Income

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

	(Unaudited) Six months ended 31 December	
	2018	2017
Profit for the period	**21,070**	33,479
Items that may be reclassified subsequently to profit or loss:		
Translation difference on foreign operations	**(3,192)**	3,352
Available-for-sale investments		
– fair value gains recognized directly in reserves during the period	**–**	27
– fair value gains transferred to consolidated income statement on disposal	**–**	(1)
	–	26
Debt securities at fair value through other comprehensive income		
– fair value losses recognized directly in reserves during the period	**(1)**	–
Share of other comprehensive (loss)/income of associates and joint ventures	**(562)**	748
Items that will not be reclassified to profit or loss:		
Equity securities at fair value through other comprehensive income		
– fair value losses recognized directly in reserves during the period	**(305)**	–
Share of other comprehensive income of an associate	**5**	–
Other comprehensive (loss)/income for the period	**(4,055)**	4,126
Total comprehensive income for the period	**17,015**	37,605
Total comprehensive income for the period attributable to:		
Company's shareholders	**16,513**	37,051
Perpetual capital securities holders	**86**	87
Non-controlling interests	**416**	467
	17,015	37,605

Consolidated Statement of Financial Position

As at 31 December 2018
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) 31 December 2018	(Audited) 30 June 2018
Non-current assets			
Investment properties	8	**373,964**	369,477
Fixed assets	9	**35,004**	34,587
Associates		**5,968**	5,570
Joint ventures		**66,377**	66,197
Loan receivables	10	**5,426**	6,013
Other financial assets	11	**3,380**	3,384
Intangible assets		**4,702**	4,976
		494,821	490,204
Current assets			
Properties for sale		**180,986**	177,367
Inventories		**605**	440
Debtors, prepayments and others	12	**20,493**	20,521
Other financial assets	11	**866**	859
Bank deposits and cash		**28,117**	26,095
		231,067	225,282
Current liabilities			
Bank and other borrowings		**(9,633)**	(12,646)
Trade and other payables	13	**(30,167)**	(31,008)
Deposits received on sales of properties		**(17,517)**	(12,230)
Taxation		**(8,472)**	(10,551)
		(65,789)	(66,435)
Net current assets		**165,278**	158,847
Total assets less current liabilities		**660,099**	649,051
Non-current liabilities			
Bank and other borrowings		**(82,873)**	(78,788)
Deferred taxation		**(21,831)**	(21,660)
Other long-term liabilities		**(142)**	(171)
		(104,846)	(100,619)
NET ASSETS		**555,253**	548,432
CAPITAL AND RESERVES			
Share capital	14	**70,631**	70,612
Reserves		**475,225**	468,486
Shareholders' equity		**545,856**	539,098
Perpetual capital securities		**3,813**	3,887
Non-controlling interests		**5,584**	5,447
TOTAL EQUITY		**555,253**	548,432

Directors:

Kwok Ping-luen, Raymond

Lui Ting, Victor

Condensed Consolidated Statement of Cash Flows

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

	(Unaudited) Six months ended 31 December	
	2018	2017
Operating activities		
Operating cash inflow	**16,858**	23,700
Changes in working capital	**613**	(12,246)
Cash generated from operations	**17,471**	11,454
Interest paid	**(1,441)**	(1,064)
Bank interest received	**200**	190
Interest received from investments	**96**	109
Dividends received from equity securities	**81**	85
Dividends received from associates and joint ventures	**1,915**	1,729
Hong Kong profits tax paid	**(4,332)**	(2,412)
Outside Hong Kong tax paid	**(254)**	(478)
Net cash from operating activities	**13,736**	9,613
Net cash used in investing activities	**(2,449)**	(9,072)
Net cash (used in)/from financing activities		
– net drawdown of bank and other borrowings	**1,429**	8,503
– (Increase)/decrease in bank deposits maturing after more than three months	**(446)**	4,689
– proceeds from issue of shares	**17**	59
– payment for repurchase of shares by a subsidiary	**(12)**	(120)
– buy-back of perpetual capital securities	**(58)**	–
– distributions paid to perpetual capital securities holders	**(86)**	(87)
– dividends paid to shareholders	**(9,995)**	(8,690)
– dividends paid to non-controlling interests	**(288)**	(298)
– others	**33**	6
	(9,406)	4,062
Increase in cash and cash equivalents	**1,881**	4,603
Cash and cash equivalents at beginning of period	**23,035**	25,074
Effect of foreign exchange rates changes	**(414)**	417
Cash and cash equivalents at end of period	**24,502**	30,094
Analysis of the balances of cash and cash equivalents at end of period		
Bank deposits and cash	**28,117**	31,677
Bank overdrafts	**(293)**	(228)
	27,824	31,449
Less: Bank deposits maturing after more than three months	**(3,316)**	(1,348)
Pledged bank deposits	**(6)**	(7)
	24,502	30,094

Consolidated Statement of Changes in Equity

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

	Unaudited								
	Attributable to Company's shareholders								
	Share capital	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits	Total	Perpetual capital securities	Non-controlling interests	Total
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
Dividend paid (2017 final dividend HK$3.00 per share)	–	–	–	–	(8,690)	(8,690)	–	–	(8,690)
Adjustments relating to changes in interests in subsidiaries	–	(88)	–	–	–	(88)	–	(19)	(107)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(310)	(310)
Distributions paid to perpetual capital securities holders	–	–	–	–	–	–	(87)	–	(87)
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	–	1	–	–	(1)	–	–	–	–
At 31 December 2017	70,582	587	1,184	3,299	450,895	526,547	3,910	5,378	535,835
At 1 July 2018 (Originally stated)	70,612	525	1,583	1,813	464,565	539,098	3,887	5,447	548,432
Adjustment on initial adoption of HKFRS 9 (note 2(a) and 2(c)(i))	–	–	173	–	7	180	–	–	180
Adjustment on initial adoption of HKFRS 15 (note 2(b) and 2(c)(i))	–	–	–	–	44	44	–	18	62
At 1 July 2018 (Restated)	70,612	525	1,756	1,813	464,616	539,322	3,887	5,465	548,674
Profit for the period	–	–	–	–	20,469	20,469	86	515	21,070
Other comprehensive loss for the period	–	–	(301)	(3,655)	–	(3,956)	–	(99)	(4,055)
Total comprehensive Income/(loss) for the period	–	–	(301)	(3,655)	20,469	16,513	86	416	17,015
Transfer to retained profits upon disposal of equity investments	–	–	(25)	–	25	–	–	–	–
Shares issued on exercise of share options	19	(2)	–	–	–	17	–	–	17
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	8	8
Purchase of shares for Share Award Scheme in a subsidiary	–	–	–	–	(4)	(4)	–	(1)	(5)
Dividend paid (2018 final dividend HK$3.45 per share)	–	–	–	–	(9,995)	(9,995)	–	–	(9,995)
Adjustments relating to changes in interests in subsidiaries	–	(13)	–	–	–	(13)	–	(8)	(21)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(296)	(296)
Distributions paid to perpetual capital securities holders	–	–	–	–	–	–	(86)	–	(86)
Buy-back of perpetual capital securities	–	–	–	–	16	16	(74)	–	(58)
At 31 December 2018	70,631	510	1,430	(1,842)	475,127	545,856	3,813	5,584	555,253

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The financial information relating to the year ended 30 June 2018 included in this condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2018 to the Registrar of Companies and the Company's auditor has reported on the consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the consolidated financial statements for the year ended 30 June 2018.

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

(a) HKFRS 9, Financial Instruments

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

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

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

(a) HKFRS 9, Financial Instruments (cont'd)

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

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

Key changes to the Group's accounting policies

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

(i) Classification and measurement of financial assets

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

– Financial assets measured at amortized cost

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

– Debt investments measured at FVOCI

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

– Equity investments measured at FVOCI

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

(Expressed in millions of Hong Kong dollars)

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

(a) HKFRS 9, Financial Instruments (cont'd)

Key changes to the Group's accounting policies (cont'd)

(i) Classification and measurement of financial assets (cont'd)

– Financial assets measured at FVTPL

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

(a) HKFRS 9, Financial Instruments (cont'd)

Key changes to the Group's accounting policies (cont'd)

(ii) Impairment of financial assets

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

(b) HKFRS 15, Revenue from Contracts with Customers

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

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

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

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

Key changes to the Group's accounting policies

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

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

(b) HKFRS 15, Revenue from Contracts with Customers (cont'd)

Key changes to the Group's accounting policies (cont'd)

(i) Revenue recognition for sales of properties

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

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

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

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

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

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

(iii) Incremental costs to obtain a contract

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

(Expressed in millions of Hong Kong dollars)

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

(b) HKFRS 15, Revenue from Contracts with Customers (cont'd)

Key changes to the Group's accounting policies (cont'd)

(iv) Presentation of contract assets and liabilities

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

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

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

Consolidated statement of financial position (extract)	30 June 2018 As previously reported	Effects of adopting HKFRS 9	Effects of adopting HKFRS 15	1 July 2018
Assets				
Associates	5,570	180	–	5,750
Debtors, prepayments and others	20,521	–	53	20,574
Liabilities				
Trade and other payables	31,008	–	(21)	30,987
Taxation	10,551	–	12	10,563
Shareholders' equity				
Reserves	468,486	180	44	468,710
Non-controlling interests	5,447	–	18	5,465

(Expressed in millions of Hong Kong dollars)

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

(c) Effects on adoption of HKFRS 9 and HKFRS 15 (cont'd)

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

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

(Expressed in millions of Hong Kong dollars)

2. CHANGES IN ACCOUNTING POLICIES (cont'd)

(c) Effects on adoption of HKFRS 9 and HKFRS 15 (cont'd)

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

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

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

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

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

(Expressed in millions of Hong Kong dollars)

3. SEGMENT INFORMATION

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

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

For the six months ended 31 December 2018

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	12,094	5,485	25	22	12,119	5,507
Mainland China	857	394	1,701	793	2,558	1,187
	12,951	5,879	1,726	815	14,677	6,694
Property rental						
Hong Kong	8,060	6,155	1,572	1,317	9,632	7,472
Mainland China	2,001	1,580	301	193	2,302	1,773
Singapore	–	–	352	263	352	263
	10,061	7,735	2,225	1,773	12,286	9,508
Hotel operation	2,490	660	465	132	2,955	792
Telecommunications	5,187	439	–	–	5,187	439
Transport infrastructure and logistics	2,141	678	1,713	227	3,854	905
Other businesses	4,282	925	224	32	4,506	957
	37,112	16,316	6,353	2,979	43,465	19,295
Other net income		276		23		299
Unallocated administrative expenses		(765)		–		(765)
Operating profit before changes in fair value of investment properties		15,827		3,002		18,829
Increase in fair value of investment properties		6,167		1,574		7,741
Operating profit after changes in fair value of investment properties		21,994		4,576		26,570
Net finance costs		(1,025)		(252)		(1,277)
Profit before taxation		20,969		4,324		25,293
Taxation						
– Group		(3,398)		–		(3,398)
– Associates		–		(34)		(34)
– Joint ventures		–		(791)		(791)
Profit for the period		17,571		3,499		21,070

(Expressed in millions of Hong Kong dollars)

3. SEGMENT INFORMATION (cont'd)

For the six months ended 31 December 2017

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

4. NET FINANCE COSTS

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

5. PROFIT BEFORE TAXATION

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

(Expressed in millions of Hong Kong dollars)

6. TAXATION

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

Hong Kong profits tax is provided at the rate of 16.5 per cent (2017: 16.5 per cent) based on the estimated assessable profits for the period. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

(Expressed in millions of Hong Kong dollars)

7. EARNINGS PER SHARE

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK$20,469 million (2017: HK$33,031 million).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 2,897,150,850 (2017: 2,896,552,660) shares. The diluted earnings per share is based on 2,897,162,740 (2017: 2,896,748,956) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 11,890 (2017: 196,296) shares deemed to be issued at no consideration if all outstanding options had been exercised.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$13,733 million (2017: HK$19,973 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	Six months ended 31 December	
	2018	2017
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**20,469**	33,031
Increase in fair value of investment properties		
Subsidiaries	**(6,167)**	(9,716)
Associates	**(37)**	(44)
Joint ventures	**(1,537)**	(4,499)
Effect of corresponding deferred tax charges		
Subsidiaries	**581**	946
Joint ventures	**190**	84
Non-controlling interests	**32**	48
Unrealized fair value gains of investment properties net of deferred tax	**(6,938)**	(13,181)
Fair value gains realized on disposal of investment properties net of deferred tax	**202**	123
Net effect of changes in fair value of investment properties	**(6,736)**	(13,058)
Underlying profit attributable to the Company's shareholders	**13,733**	19,973

(Expressed in millions of Hong Kong dollars)

8. INVESTMENT PROPERTIES

(a) Movement during the period

	Completed	Under development	Total
Valuation			
At 1 July 2018	**314,398**	**55,079**	**369,477**
Additions	**470**	**1,562**	**2,032**
Transfer upon completion	**4,541**	**(4,541)**	**–**
Transfer from other properties	**41**	**–**	**41**
Disposals	**(163)**	**–**	**(163)**
Transfer to other properties	**(90)**	**–**	**(90)**
Exchange difference	**(2,212)**	**(1,288)**	**(3,500)**
Increase in fair value	**5,823**	**344**	**6,167**
At 31 December 2018	**322,808**	**51,156**	**373,964**

(b) The Group's investment properties were revalued at 31 December 2018 and 30 June 2018 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.

9. FIXED ASSETS

During the period, additions to fixed assets amounted to HK$1,298 million and net book value of fixed assets disposed of amounted to HK$17 million.

10. LOAN RECEIVABLES

	31 December 2018	30 June 2018
Mortgage loan receivables	**5,313**	5,820
Other loan receivables	**1,206**	1,188
	6,519	7,008
Less: Amount due within one year included under current assets	**(1,093)**	(995)
	5,426	6,013

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

(Expressed in millions of Hong Kong dollars)

11. OTHER FINANCIAL ASSETS

	31 December 2018			
	Measured at FVTPL	**Measured at FVOCI**	**Measured at amortized cost**	**Total**
Non-current assets				
Debt securities	**330**	**213**	**846**	**1,389**
Equity securities	**165**	**1,826**	**–**	**1,991**
	495	**2,039**	**846**	**3,380**
Current assets				
Debt securities	**–**	**180**	**110**	**290**
Equity securities	**576**	**–**	**–**	**576**
	576	**180**	**110**	**866**

	30 June 2018			
	Measured at FVTPL	Available-for-sale	Held-to-maturity	Total
Non-current assets				
Debt securities	–	564	480	1,044
Equity securities	–	2,340	–	2,340
	–	2,904	480	3,384
Current assets				
Debt securities	–	138	79	217
Equity securities	642	–	–	642
	642	138	79	859

(Expressed in millions of Hong Kong dollars)

12. DEBTORS, PREPAYMENTS AND OTHERS

	31 December 2018	30 June 2018
Debtors, deposits and prepayments	**18,356**	18,925
Deposits for acquisition of properties	**250**	302
Contract assets	**678**	–
Amounts due from customers for contract works	**–**	94
Short-term loans	**1,093**	995
Derivative financial instruments	**116**	205
	20,493	20,521

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

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

13. TRADE AND OTHER PAYABLES

	31 December 2018	30 June 2018
Creditors and accrued expenses	**28,115**	29,404
Contract liabilities	**425**	–
Amounts due to customers for contract works	**–**	5
Amounts due to non-controlling interests	**1,438**	1,399
Derivative financial instruments	**189**	200
	30,167	31,008

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

(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	**2,897**	**70,612**
Issue of shares	**–**	**19**
At end of current period	**2,897**	**70,631**

During the six months ended 31 December 2018, 157,000 shares (2017: 568,000 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.

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

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

(b) Details of share options exercised

Share options exercised during the six months ended 31 December 2017 resulted in 31,000 shares being issued. The related weighted average share price at the time of exercise was HK$115.64 per share.

(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 2018 are as follows:

			Number of share options				
Date of grant	**Exercise price**	**Exercisable period**	**At 1 July 2018**	**Granted during the period**	**Exercised during the period**	**Lapsed/ cancelled during the period**	**At 31 December 2018**
12 July 2013	HK$102.30	12.7.2014 to 11.7.2018	**141,000**	**–**	**(141,000)**	**–**	**–**
11 July 2014	HK$106.80	11.7.2015 to 10.7.2019	**633,000**	**–**	**(16,000)**	**–**	**617,000**
			774,000	**–**	**(157,000)**	**–**	**617,000**
Weighted average exercise prices (HK$)			**105.98**	**–**	**102.76**	**–**	**106.80**

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

			Number of share options				
Date of grant	Exercise price	Exercisable period	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

(b) Details of share options exercised
Share options exercised during the period resulted in 157,000 (2017: 537,000) shares being issued. The related weighted average share price at the time of exercise was HK$116.31 (2017: HK$129.69) per share.

(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 Six months ended 31 December		Joint ventures Six months ended 31 December	
	Notes	**2018**	2017	**2018**	2017
Interest income		**–**	–	**33**	16
Rental income	(a)	**–**	–	**1**	1
Rental expenses	(a)	**–**	–	**28**	28
Other revenue from services rendered	(b)	**13**	25	**99**	23
Purchase of goods and services	(b)	**–**	–	**185**	267

(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 2018	30 June 2018
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	**9,928**	4,117
Authorized but not contracted for	**2,990**	468
(b) Group's share of capital commitments of joint ventures		
Contracted but not provided for	**473**	592
Authorized but not contracted for	**27**	34

(c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK$1,969 million (30 June 2018: HK$1,313 million) and other guarantees of HK$4 million (30 June 2018: HK$4 million).

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Investment in securities that are stated at quoted market prices are classified within Level 1 of the three-level fair value hierarchy. These comprised all listed securities and certain unlisted securities that are measured at quoted prices that are observable in active markets.

Fair values of most unlisted securities are determined using a variety of valuation techniques including discounted cash flows and market comparable approaches, and are generally classified within Level 3 as significant inputs used for valuation are largely market unobservable, but can be classified as Level 2 if they are measured using inputs that are derived from or corroborated by observable market data.

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 amongst Level 1, Level 2 and Level 3 in the fair value hierarchy and no change in valuation techniques during the period.

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.

Level 3 Fair values measured using inputs not based on observable market data.

(Expressed in millions of Hong Kong dollars)

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

As at 31 December 2018

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at FVTPL				
Debt securities	**330**	**–**	**–**	**330**
Equity securities	**633**	**–**	**108**	**741**
Financial assets at FVOCI				
Debt securities	**393**	**–**	**–**	**393**
Equity securities	**1,553**	**6**	**267**	**1,826**
Derivative financial instruments				
Interest rate swaps	**–**	**35**	**–**	**35**
Currency swaps	**–**	**81**	**–**	**81**
	2,909	**122**	**375**	**3,406**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	**–**	**186**	**–**	**186**
Forward foreign exchange contracts	**–**	**3**	**–**	**3**
	–	**189**	**–**	**189**

As at 30 June 2018

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Equity securities	642	–	–	642
Available-for-sale financial assets				
Debt securities	702	–	–	702
Equity securities	2,005	7	328	2,340
Derivative financial instruments				
Interest rate swaps	–	92	–	92
Currency swaps	–	113	–	113
	3,349	212	328	3,889
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	193	–	193
Forward foreign exchange contracts	–	7	–	7
	–	200	–	200

(Expressed in millions of Hong Kong dollars)

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

The change in Level 3 financial instruments for the period is as follows:

	Financial assets measured at		
	FVTPL	**FVOCI**	**Total**
At 1 July 2018	**63**	**265**	**328**
Purchases	**44**	**5**	**49**
Sales	**(7)**	**–**	**(7)**
Change in fair value recognized in			
– profit or loss	**8**	**–**	**8**
– other comprehensive income	**–**	**(3)**	**(3)**
At 31 December 2018	**108**	**267**	**375**

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

	Carrying amount		Fair value	
	31 December 2018	30 June 2018	**31 December 2018**	30 June 2018
Secured bank loans	**1,008**	1,084	**1,008**	1,084
Unsecured bank loans	**50,227**	49,293	**50,215**	49,213
Bonds and notes	**31,638**	28,411	**31,407**	27,774
	82,873	78,788	**82,630**	78,071

Financial Review

REVIEW OF OPERATING RESULTS

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

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

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

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

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

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

Financial Review

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

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

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management, data centre business of SUNeVision, and department store operations, have performed satisfactorily with operating profit increased by 5.2% to HK$957 million.

FINANCIAL RESOURCES AND LIQUIDITY

(a) Capital management, net debt and gearing

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

The Group's balance sheet further strengthened, with total shareholders' equity increased over the financial period by HK$6,758 million to HK$545,856 million or HK$188.4 per share as at 31 December 2018. The increase represented mainly the total comprehensive income for the period attributable to the Company's shareholders, as reduced by dividends paid.

The Group's strong financial strength allows it to continue raising long-term financing at competitive rates, thus reducing the overall cost of capital. The Group's financial position remains sound with a low debt leverage and high interest coverage. Gearing ratio as at 31 December 2018, calculated on the basis of net debt to shareholders' equity of the Company, was 11.8% compared to 12.1% at 30 June 2018. Interest coverage was 13 times, measured by the ratio of operating profit to total net interest expenses including those capitalized for the current period.

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

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

The Group has also procured substantial undrawn committed banking facilities, most of which are arranged on a medium to long term basis, to help minimize refinancing risk and strengthen the Group's financing flexibility. The Group regularly reviews its liquidity and financing requirements to ensure financial resources are sufficient to cover its financing needs.

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

(b) Treasury policies

The Group adopts a prudent policy in cash and debt management. The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 31 December 2018, about 81% of the Group's bank and other borrowings were raised through the Company and its wholly-owned finance subsidiaries and the remaining 19% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollars, which is the Group's presentation currency. The Group may borrow in foreign currencies to finance its operations in Hong Kong, which exposes the Group to currency risk. When appropriate, the Group may enter into currency swaps to hedge the currency risks associated with these borrowings. As at 31 December 2018, about 74% of the Group's total borrowings were denominated in Hong Kong dollars (after currency swaps) and 12% in US dollars, these were raised for financing the Group's business operations in Hong Kong, while the remaining 14% were mostly in Renminbi for financing development costs of property projects in the Mainland. The Group is exposed to currency translation risk arising from translating the financial statements of foreign subsidiaries and joint ventures, which are mostly in Mainland China. Land acquisition costs for the Mainland projects are principally financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through internal resources and borrowings in Renminbi as natural hedges to minimize the Group's exposure to exchange rate risk. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in Mainland China. As at 31 December 2018, approximately 18% of the Group's net assets were denominated in Renminbi. During the period, the translation of foreign operations into the Group's presentation currency has resulted in a decrease of HK$3.7 billion in the exchange reserve recorded under shareholders' equity.

Financial Review

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

The Group maintained an appropriate combination of fixed and floating rate borrowings to mitigate interest rate risk. As at 31 December 2018, about 65% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps, and 35% were on fixed rate basis.

As at 31 December 2018, the Group has entered into certain interest rate swaps, currency swaps and forward foreign exchange contracts in the aggregate notional amount of HK$14,919 million to manage its interest rate risk and currency risk exposures. The use of derivative instruments is strictly controlled and solely for managing the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 31 December 2018, about 48% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 40% in Renminbi, and 12% in US dollars. The Renminbi deposits were held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

CHARGE OF ASSETS

As at 31 December 2018, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$6 million were pledged for securing guarantees issued by banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$1,771 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had contingent liabilities in respect of guarantees for bank borrowings of certain joint ventures and other guarantees in the aggregate amount of HK$1,973 million (30 June 2018: HK$1,317 million).

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: 65)

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 40 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 member of the 13th National Committee of the Chinese People's Political Consultative Conference. He is also a director of The Real Estate Developers Association of Hong Kong and a member of the council of The Chinese University of Hong Kong.

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

For the year ended 30 June 2018, 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$3.40 million, including fees of 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: 91)

Dr. Lee has been a Non-Executive Director of the Company for the last 47 years. He is the founder and chairman and managing director of Henderson Land Development Company Limited, and an executive director of Henderson Investment Limited. 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 2018, 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: 63)

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. 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 2018, 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$23.78 million.

Lui Ting, Victor

BBA
Deputy Managing Director (Age: 64)

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 2018, 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$24.59 million.

Yip Dicky Peter

MBA, BBS, MBE, JP
Independent Non-Executive Director (Age: 72)

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.

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 organizations 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 2018, 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: 66)

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, he was an independent non-executive director of 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 2018, 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.

Dr. Li Ka-cheung, Eric

LLD, DSocSc., HonDSocSc (EdUHK), B.A., GBS, OBE, JP
Independent Non-Executive Director (Age: 65)

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 was an independent non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited).

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 2018, 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: 70)

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, 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 a non-executive director of Trinity 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 2018, Dr. Fung is entitled to receive a fee of HK$300,000 for being a Director of the Company.

Dr. Leung Nai-pang, Norman

LLD, GBS, JP
Independent Non-Executive Director (Age: 78)

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.

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.

Other Information

For the year ended 30 June 2018, 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: 62)

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 was 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 2018, 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.

Leung Ko May-yee, Margaret

SBS, JP

Independent Non-Executive Director (Age: 66)

Mrs. Leung has been an Independent Non-Executive Director of the Company since March 2013. She holds a Bachelor's degree in Economics, Accounting and Business Administration from The University of Hong Kong. She was the vice-chairman and the chief executive of Hang Seng Bank Limited, the chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and the Group General Manager of HSBC Holdings plc prior to her retirement from the HSBC group in June 2012.

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

Mrs. Leung is a member of the Advisory Committee on Arts Development of the Home Affairs Bureau and the Public Service Commission of the Government of the Hong Kong Special Administrative Region, and 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, and 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 2018, Mrs. Leung is entitled to receive a fee of HK$300,000 for being a Director of the Company.

Other Information

Fan Hung-ling, Henry

SBS, JP

Independent Non-Executive Director (Age: 70)

Mr. Fan has been an Independent Non-Executive Director of the Company since March 2018. He graduated from The University of Hong Kong with an honours degree in Economics and Business Management and also holds a Bachelor of Laws degree from the University of Beijing. He is a Barrister-at-Law in Hong Kong, and in England and Wales as well as an Attorney-at-Law in the State of California, U.S.A.

Mr. Fan has over 30 years of experience in business management. He was a director and then managing director of CITIC Pacific Limited (now known as CITIC Limited) from 1990 and 1992 respectively to 2009. In addition, Mr. Fan was a deputy chairman of Cathay Pacific Airways Limited from 1997 to 2009 and an independent non-executive director of Hong Kong Exchanges and Clearing Limited from 2003 to 2009. He is currently an independent non-executive director of HKR International Limited. Mr. Fan is also the managing director of Hong Kong Glory Limited, a family investment company.

Mr. Fan has a long record of public service in Hong Kong. He is a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development as well as a member of the board of directors of the West Kowloon Cultural District Authority, the Hospital Authority and the Financial Services Development Council. Mr. Fan was a non-official member of the Executive Council of the Hong Kong Special Administrative Region, the chairman of the Mandatory Provident Fund Schemes Authority, and a non-executive director of the Securities and Futures Commission.

Mr. Fan is entitled to receive a fee of approximately HK$100,000 for being a Director of the Company for the period from 1 March 2018 (being the date of his appointment as a Director) to 30 June 2018.

Sir Po-shing Woo

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

Non-Executive Director (Age: 89)

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 2018, 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: 84)

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 56 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, vice chairman of World Scout Foundation Baden-Powell Fellowship Hong Kong Chapter, president of the Hong Kong Branch of the King's College London Association, member 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 2018, 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-chun, Geoffrey

BA

Non-Executive Director (Age: 33)

Mr. Kwok has been appointed as a Non-Executive Director of the Company with effect from 21 December 2018. He holds a Bachelor of Arts degree in Economics from Yale University. Mr. Kwok joined the Group in May 2008 and has participated in managing the hotels and serviced apartments of the Group in Hong Kong and mainland China. He is a director of a subsidiary in the hotel division of the Group. Prior to joining the Group, he worked in an international investment bank. He is also a director of Empire Group Holdings Limited.

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-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward.

Mr. Kwok is entitled to receive a fee of HK$300,000 per annum for being a Director of the Company.

Other Information

Kwok Kai-fai, Adam

MBA, BSc
Executive Director (Age: 35)

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

In addition, Mr. Kwok is a vice-president of The Real Estate Developers Association of Hong Kong, a member of the Major Sports Events Committee, a member of board of directors of The Community Chest of Hong Kong, 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, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward.

For the year ended 30 June 2018, 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$8.81 million.

Kwok Kai-wang, Christopher

MBA, BSc
Executive Director (Age: 32)

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.

Other Information

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 Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey, and the younger brother of Mr. Kwok Ho-lai, Edward.

For the year ended 30 June 2018, 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$6.94 million, including a fee of HK$36,000 for being a director of SUNeVision Holdings Ltd.

Kwong Chun

Executive Director (Age: 89)

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, Kwok Kai-chun, Geoffrey 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 2018, 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$6.56 million.

Tung Chi-ho, Eric

BA(AS)Hons, BArch, HKIA, Registered Architect, Authorized Person (List of Architects)
Executive Director (Age: 59)

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 2018, 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$19.08 million, including a fee of HK$36,000 for being a director of SUNeVision Holdings Ltd.

Other Information

Fung Yuk-lun, Allen

BA, Ph.D.
Executive Director (Age: 50)

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 an 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 was a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited).

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

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, the president of the Hong Kong Society for the Protection of Children, an honorary treasurer of The Hong Kong Federation of Youth Groups, and a council member and an executive committee 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, a member of the Advisory Committee on Gifted Education of the Education Bureau of the Government of the Hong Kong Special Administrative Region, and a member of the board of the Hong Kong Philharmonic Society Limited.

For the year ended 30 June 2018, 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$18.63 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

EMBA, BA
Alternate Director to Kwok Ping-luen, Raymond (Age: 38)

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. In addition, Mr. Kwok has been an alternate director to Mr. Kwok Ping-luen, Raymond at Wing Tai Properties Limited since April 2015.

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 Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey, and the elder brother of Mr. Kwok Kai-wang, Christopher.

Woo Ka-biu, Jackson

MA (Oxon)
Alternate Director to Sir Po-shing Woo (Age: 56)

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.

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 are 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

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

	Number of shares held							
Name of Director	**Personal interests (held as beneficial owner)**	**Family interests (interests of spouse or child under 18)**	**Corporate interests (interests of controlled corporation)**	**Other interests**	**Sub-total**	**Number of underlying shares held under equity derivatives[1]**	**Total**	**% of issued voting shares as at 31.12.2018**
Kwok Ping-luen, Raymond	188,743	70,000[2]	–	524,284,686[3&9]	524,543,429	–	524,543,429	18.11
Lee Shau-kee	526,868	–	61,533,000[4]	–	62,059,868	–	62,059,868	2.14
Wong Chik-wing, Mike	497,695	–	–	–	497,695	–	497,695	0.02
Lui Ting, Victor	160,000	–	–	–	160,000	–	160,000	0.01
Wong Yue-chim, Richard	5,000	1,000[2]	–	–	6,000	–	6,000	0.00
Li Ka-cheung, Eric	–	4,028[2]	–	–	4,028	–	4,028	0.00
Fung Kwok-lun, William	220,000	9,739[2]	–	–	229,739	–	229,739	0.01
Leung Nai-pang, Norman	–	10,833[2]	–	–	10,833	–	10,833	0.00
Leung Kui-king, Donald	–	2,000[2]	–	–	2,000	–	2,000	0.00
Leung Ko May-yee, Margaret	15,372	–	–	–	15,372	–	15,372	0.00
Kwok Kai-chun, Geoffrey	–	–	–	645,836,872[6,7,9&10]	645,836,872	–	645,836,872	22.29
Kwok Kai-fai, Adam	–	–	32,000[5]	651,144,247[8,9&10]	651,176,247	–	651,176,247	22.48
Kwok Kai-wang, Christopher	110,000[11]	60,000[2]	–	651,238,101[3,9&10]	651,408,101	–	651,408,101	22.48
Kwong Chun	762,722	339,358[2]	–	–	1,102,080	–	1,102,080	0.04
Tung Chi-ho, Eric	–	–	–	–	–	100,000	100,000	0.00
Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*	32,000	–	–	651,238,101[3,9&10]	651,270,101	–	651,270,101	22.48
Woo Ka-biu, Jackson *(Alternate Director to Woo Po-shing)*	–	1,000[2]	–	–	1,000	–	1,000	0.00

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

3. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 524,284,686 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.*

4. *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 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.*

5. *These shares in the Company were held by a corporation wholly-owned and controlled by Mr. Kwok Kai-fai, Adam.*

6. *Mr. Kwok Kai-chun, Geoffrey was deemed to be interested in 211,173,896 shares in the Company by virtue of him being a beneficiary of certain trusts for the purpose of Part XV of the SFO.*

7. *Mr. Kwok Kai-chun, Geoffrey was also deemed to be interested in 307,709,561 shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.*

8. *Mr. Kwok Kai-fai, Adam was deemed to be interested in 524,190,832 shares in the Company by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.*

9. *Of the said 524,284,686 shares, 307,709,561 shares and 524,190,832 shares in the Company as stated in Notes 3, 7 and 8 above respectively, Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 76,526,723 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.*

10. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey 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 the late 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.*

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

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

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

	Number of shares held						
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests	Sub-total	Number of underlying shares held under equity derivatives[1]	Total	% of issued voting shares as at 31.12.2018
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-chun, Geoffrey	–	–	11,927,658[2&5]	11,927,658	–	11,927,658	0.51
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, Kwok Kai-chun, Geoffrey 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, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were also deemed to be interested in 9,787,658 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

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

	Number of shares held						
Name of Director	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2018
Kwok Ping-luen, Raymond	–	–	5,111,968[1]	5,111,968	–	5,111,968	0.46
Lee Shau-kee	–	546,000[2]	–	546,000	–	546,000	0.05
Kwok Kai-chun, Geoffrey	–	–	6,782,333[3]	6,782,333	–	6,782,333	0.60
Kwok Kai-fai, Adam	–	–	6,782,333[3]	6,782,333	–	6,782,333	0.60
Kwok Kai-wang, Christopher	–	–	11,894,301[1&3]	11,894,301	–	11,894,301	1.06
Fung Yuk-lun, Allen	437,359	–	–	437,359	–	437,359	0.04
Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*	–	–	11,894,301[1&3]	11,894,301	–	11,894,301	1.06

Notes:

1. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 5,111,968 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

2. *Dr. Lee Shau-kee was deemed to be interested in 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 546,000 shares in SmarTone held by Good Treasure for the purpose of Part XV of the SFO.*

3. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 6,782,333 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

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

	Number of shares held				
Name of Director	Personal interests (held as beneficial owner)	Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 31.12.2018
Kwok Ping-luen, Raymond	461,423[1]	461,423	–	461,423	0.11
Lui Ting, Victor	300,000	300,000	–	300,000	0.07

Note:

1. *Of these shares in Transport International, 457,759 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, Kwok Kai-chun, Geoffrey 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 31.12.2018	Actual shares held through corporation	Actual % of interests in issued voting shares as at 31.12.2018
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, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in these shares by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

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

Name of associated corporation	Total number of shares held	% of issued voting shares as at 31.12.2018
Anbok Limited	2[1]	50.00
Billion Ventures Limited	1[2]	50.00
Central Waterfront Property Holdings Limited	100[3]	100.00
Central Waterfront Property Investment Holdings Limited	50[4]	50.00
CWP Limited	1[5]	50.00
Daily Win Development Limited	100[6]	25.00
E Man-Sanfield JV Construction Company Limited	1[7]	50.00
Everise (H.K.) Limited	1[8]	50.00
Fullwise Finance Limited	2[1]	50.00
Gold Sky Limited	1[9]	50.00
Jade Land Resources Limited	1[10]	25.00
Karnold Way Limited	2,459[11]	24.59
Maxfine Development Limited	3,050[12]	33.33
Metro Trade International Limited	16[6]	26.67

Other Information

Name of associated corporation	Total number of shares held	% of issued voting shares as at 31.12.2018
Royal Peninsula Management Service Company Limited	1[13]	50.00
Special Concept Development Limited	1[10]	25.00
Star Play Development Limited	1[14]	33.33
System Link Development Limited	2[15]	50.00
Tartar Investments Limited	300[16]	30.00
Teamfield Property Limited	4,918[17]	49.18
Topcycle Development Limited	1[18]	50.00
World Space Investment Limited	4,918[17]	49.18

Notes:

1. *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").*

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

3. *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").*

4. *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.*

5. *Dr. Lee Shau-kee was deemed to be interested in one share held by Starland.*

6. *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").*

7. *Dr. Lee Shau-kee was deemed to be interested in one share held by E Man Construction Company Limited.*

8. *Dr. Lee Shau-kee was deemed to be interested in one share held by Masterland.*

9. *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.*

10. *Dr. Lee Shau-kee was deemed to be interested in one share held by Citiplus Limited.*

11. *Dr. Lee Shau-kee was deemed to be interested in 2,459 shares held by Chico.*

12. *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 Andcoe Limited. Andcoe Limited was a wholly-owned subsidiary of Henderson China Holdings Limited which was wholly-owned by Brightland Enterprises Limited.*

13. *Dr. Lee Shau-kee was deemed to be interested in one share held by Well Born Real Estate Management Limited.*

14. *Dr. Lee Shau-kee was deemed to be interested in one share held by Benewick Limited which was wholly-owned by Dorway Investment Limited.*

15. *Dr. Lee Shau-kee was deemed to be interested in two shares held by Mightymark Investment Limited.*

16. *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.*

17. *Dr. Lee Shau-kee was deemed to be interested in 4,918 shares held by Billion Ventures Limited which was 50% held by Chico.*

18. *Dr. Lee Shau-kee was deemed to be interested in one share held by Dandy Investments Limited.*

19. *Masterland, Chico, Starland, Citiright and companies mentioned in Notes 7, 9, 10, 12 to 16 and 18 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 4 above.*

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executives of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations that were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or that were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company follows the Model Code in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the six months ended 31 December 2018.

Other Information

SHARE OPTION SCHEMES

1. Share option scheme of the Company

At the annual general meeting of the Company held on 15 November 2012, the shareholders of the Company (the "Shareholders") passed an ordinary resolution to approve the adoption of a share option scheme (the "Scheme").

During the six months ended 31 December 2018, no share options were granted under the Scheme. Particulars of the outstanding share options granted under the Scheme and their movements during the six months ended 31 December 2018 were as follows:

Grantees	Date of grant	Exercise price per share (HK$)	Exercise period[1]	Number of share options: Balance as at 01.07.2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 31.12.2018	Closing price per share (HK$)
(i) Director									
Tung Chi-ho, Eric	11.07.2014	106.80	11.07.2015 to 10.07.2019	100,000	–	–	–	100,000	N/A
(ii) Other employees	12.07.2013	102.30	12.07.2014 to 11.07.2018	141,000	–	(141,000)	–	–	119.66[2]
	11.07.2014	106.80	11.07.2015 to 10.07.2019	533,000	–	(16,000)	–	517,000	118.86[2]
Total				774,000	–	(157,000)	–	617,000	

Notes:

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

2. *This represented the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised.*

3. *The accounting policy adopted for the share options is set out in note 1(u) to the consolidated financial statements for the year ended 30 June 2018 contained in the 2017/18 Annual Report of the Company.*

Save as disclosed above, there were no outstanding share options granted under the Scheme during the six months ended 31 December 2018.

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 2018, 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 2018 were as follows:

				Number of share options					
Grantees	Date of grant	Exercise price per share (HK$)	Exercise period[1]	Balance as at 01.07.2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 31.12.2018	Closing price per share (HK$)
(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	19.06.2018	5.048	19.06.2019 to 18.06.2023	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	5,610,000	–	(40,000)	–	5,570,000	5.22[2]
	19.06.2018	5.048	19.06.2019 to 18.06.2023	4,350,000	–	–	–	4,350,000	N/A
(iii) Other participants of SUNeVision	19.06.2018	5.048	19.06.2019 to 18.06.2023	3,000,000	–	–	(1,500,000)	1,500,000	N/A
Total				20,960,000	–	(40,000)	(1,500,000)	19,420,000	

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 2018.

(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 2018, 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 2018 were as follows:

				Number of share options				
Grantee	**Date of grant**	**Exercise price per share (HK$)**	**Exercise period[1]**	**Balance as at 01.07.2018**	**Granted during the period**	**Exercised during the period**	**Cancelled/ Lapsed during the period**	**Balance as at 31.12.2018**
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 2018.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2018, 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/underlying shares held				
	Personal interests (held as beneficial owner)	**Corporate interests (interests of controlled corporation)**	**Other interests**	**Total**	**% of issued voting shares as at 31.12.2018**
(i) Long Positions					
(a) Substantial shareholders					
HSBC Trustee (C.I.) Limited	–	–	986,559,351[1,2,3&4]	986,559,351	34.05
Kwong Siu-hing	25,024	–	770,075,237[1&4]	770,100,261	26.58
Adolfa Limited ("Adolfa")	231,182,838	76,526,723	–	307,709,561[4&5]	10.62
Bertana Limited ("Bertana")	231,182,838	76,526,723	–	307,709,561[4&6]	10.62
Cyric Limited ("Cyric")	231,182,838	76,526,723	–	307,709,561[4&7]	10.62
(b) Other persons					
Credit Suisse Trust Limited	–	–	216,575,125[8]	216,575,125	7.48
Kwok Ping-sheung, Walter *(Passed away on 20.10.2018)*	81,250	–	211,173,896[9]	211,255,146	7.29
Genesis Trust & Corporate Services Ltd.	–	–	211,173,896[9&10]	211,173,896	7.29
Kwok Kai-ho, Jonathan	–	–	211,173,896[10]	211,173,896	7.29
Thriving Talent Limited	192,775,595[2]	–	–	192,775,595	6.65
Thriving Talent Holdings Limited	–	192,775,595[2]	–	192,775,595	6.65
Rosy Result Limited	189,149,595[8]	–	–	189,149,595	6.53
Asporto Limited	187,357,707[9&10]	–	–	187,357,707	6.47
BlackRock, Inc.	–	148,004,118[11]	–	148,004,118	5.11
(ii) Short Positions					
(a) Other person					
BlackRock, Inc.	–	39,500[11]	–	39,500	0.00

Notes:

1. *Madam Kwong Siu-hing was deemed to be interested in 770,075,237 shares in the Company by virtue of her being a founder and a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. These shares formed part of the shares in the Company in which HSBC Trustee (C.I.) Limited was deemed to be interested by virtue of it being the trustee of certain discretionary trusts and were therefore duplicated between these two substantial shareholders.*

2. *In addition to the deemed interests as stated in Note 1 above, HSBC Trustee (C.I.) Limited was deemed to be interested in 216,481,271 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, 192,775,595 shares represented the same interests held by Thriving Talent Limited (which was a wholly-owned subsidiary of Thriving Talent Holdings Limited) and were therefore duplicated amongst them.*

   The 216,481,271 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.

3. *HSBC Trustee (C.I.) Limited was also deemed to be interested in 2,843 shares in the Company by virtue of it being the trustee of certain trusts for the purpose of Part XV of the SFO.*

4. *Of the respective shares in the Company held by Adolfa, Bertana and Cyric, 76,526,723 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 76,526,723 shares represented the same interests and were therefore duplicated amongst these companies. Further, the respective shares held by Adolfa, Bertana and Cyric formed part of the shares in the Company in which each of Madam Kwong Siu-hing and HSBC Trustee (C.I.) Limited was deemed to be interested.*

5. *These shares were the same shares in the Company included in "other interests" of Mr. Kwok Kai-chun, Geoffrey as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.*

6. *These shares were the same shares in the Company included in "other interests" of 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.*

7. *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.*

8. *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.

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 certain trusts for the purpose of Part XV of the SFO. These shares represented the same interests in which Genesis Trust & Corporate Services Ltd. was deemed to be interested by virtue of it being the trustee of certain trusts for the purpose of Part XV of the SFO and were therefore duplicated between them. Of these shares, 187,357,707 shares represented the same interests held by Asporto Limited and were therefore duplicated between them. Mr. Kwok Ping-sheung, Walter passed away on 20 October 2018.*

10. *Mr. Kwok Kai-ho, Jonathan was deemed to be interested in 211,173,896 shares in the Company by virtue of him being a beneficiary of certain trusts for the purpose of Part XV of the SFO. These shares represented the same interests in which the late Mr. Kwok Ping-sheung, Walter and Genesis Trust & Corporate Services Ltd. were deemed to be interested as stated in Note 9 above and were therefore duplicated amongst them. Of these shares, 187,357,707 shares represented the same interests held by Asporto Limited and were therefore duplicated between them.*

    The 211,173,896 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-chun, Geoffrey as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.

11. *BlackRock, Inc. was deemed to have long position interests in 148,004,118 shares/underlying shares and short position interests in 39,500 shares/underlying shares in the Company held by various corporations in which BlackRock, Inc. was entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings. These interests included 487,000 underlying shares (long position) and 39,500 underlying shares (short position) of the Company held under cash settled unlisted equity derivatives.*

Save as disclosed above, as at 31 December 2018, there were no other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

Other Information

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2018, the Group employed more than 38,000 employees. The related employees' costs before reimbursements for the six months ended 31 December 2018 amounted to approximately HK$5,808 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. A share option scheme is in place to provide appropriate long-term incentive to the key staff of the Group.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2018.

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 14 March 2019, during which no transfer of shares will be registered. In order to establish entitlements to the interim dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 13 March 2019.

Other Information

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2018 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants by Messrs. Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is set out on page 14 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 2018, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that there is no separation of the roles of chairman and chief executive as required under Code Provision A.2.1. However, the powers and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management. In addition, there are four Non-Executive Directors and eight Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

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

Hong Kong, 27 February 2019

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