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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 16)

2013 / 14 Interim Results

CHAIRMAN'S STATEMENT

We are pleased to present our report to the shareholders.

RESULTS

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

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$19,027 million and HK$7.12 respectively, compared to HK$22,515 million and HK$8.60 for the corresponding period last year. The reported profit for the period included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK$8,918 million, compared to HK$11,969 million for the same period last year.

DIVIDEND

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

BONUS ISSUE OF WARRANTS

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

BUSINESS REVIEW

Property Sales and Rental Income

Property Sales

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

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

Rental Income

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

Property Business – Hong Kong

Land Bank

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

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

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

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

Property Development

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

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

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

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

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

Property Investment

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

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

Retail Portfolio

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

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

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

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

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

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

Office Portfolio

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

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

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

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

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

Property Business – Mainland

Land Bank

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

Property Development

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

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

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

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

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

Property Investment

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

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

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

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

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

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

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

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

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

Other Businesses

Hotel

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

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

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

Telecommunications and Information Technology

SmarTone

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

SUNeVision

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

Infrastructure and other businesses

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

Corporate Finance

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

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

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

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

Corporate Governance

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

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

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

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

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

Sustainable Development

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

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

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

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

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

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

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

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

PROSPECTS

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

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

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

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

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

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

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

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

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

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

CHANGE IN DIRECTORS

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

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

APPRECIATION

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

Kwok Ping-kwong, Thomas
Chairman & Managing Director

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 28 February 2014

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following unaudited consolidated figures of the Group for the six months ended 31 December 2013 with comparative figures for 2012:-

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

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

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2013

(Expressed in millions of Hong Kong dollars)

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

Consolidated Statement of Financial Position
As at 31 December 2013
(Expressed in millions of Hong Kong dollars)

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

Notes to Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation and Principal Accounting Policies

(a) Basis of preparation

The condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies adopted in the interim financial statements are consistent with those set out in the annual financial statements for the year ended 30 June 2013, except for the changes set out below.

(b) Changes in accounting policies

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

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

HKFRS 10 Consolidated financial statements

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

HKFRS 11 Joint arrangements

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

HKFRS 13 Fair value measurement

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

2. Segment Information

Segment profit represents the profit earned by each segment without allocation of central administration expenses, other net income, net finance costs and change in fair value of investment properties. This is the measure reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

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

For the six months ended 31 December 2013

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

For the six months ended 31 December 2012

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

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

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

3. Net Finance Costs

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

4. Profit before Taxation

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

5. Taxation

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

Hong Kong profits tax is provided at the rate of 16.5 per cent (2012: 16.5 per cent) based on the estimated assessable profits for the period. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

6. Earnings Per Share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK$19,027 million (2012: HK$22,515 million).

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

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$10,644 million (2012: HK$11,546 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	Six months ended 31 December	
	2013	2012
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**19,027**	22,515
Increase in fair value of investment properties	**(8,689)**	(10,430)
Effect of corresponding deferred tax charges	**1,221**	281
Realized fair value gains of investment properties disposed net of deferred tax	**535**	1,000
Share of results of associates and joint ventures		
- fair value gains of investment properties	**(1,355)**	(1,984)
- effect of corresponding deferred tax (credits)/charges	**(214)**	134
	(8,502)	(10,999)
Non-controlling interests	**119**	30
Net effect of changes in the valuation of investment properties	**(8,383)**	(10,969)
Underlying profit attributable to the Company's shareholders	**10,644**	11,546

7. Debtors, Prepayments and Others

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

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

8. Trade and Other Payables

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

FINANCIAL REVIEW

Review of Results

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

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

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

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

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

Financial Resources and Liquidity

(a) Net debt and gearing

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

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

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

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

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

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements.

(b) Treasury policies

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

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

The Group's bank and other borrowings are principally arranged on a floating rate basis. For some of the fixed rate notes issued by the Group, interest rate swaps have been used to convert the rates to floating rate basis. As at 31 December 2013, about 58% of the Group's bank and other borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis and 42% were on fixed rate basis. The use of derivative instruments is strictly controlled and solely for management of the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 31 December 2013, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK$4,123 million and currency swaps (to hedge principal repayment of foreign currency borrowings) in the aggregate notional principal amount of HK$7,474 million.

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

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

Charges of Assets

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

Contingent Liabilities

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

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2013, the Group employed more than 37,500 employees. The related employees' costs before reimbursements for the six months ended 31 December 2013 amounted to approximately HK$4,275 million. Compensation for the Group is made with reference to the market, individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. A share option scheme is in place to provide appropriate long-term incentive of key staff of the Group.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

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

INTERIM DIVIDEND

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

The Scrip Dividend Scheme is conditional upon the granting of the listing of, and permission to deal in, the new Shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

BONUS ISSUE OF WARRANTS

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

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

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

CLOSURE OF REGISTER OF MEMBERS

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

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

(ii) from Thursday, 10 April 2014 to Monday, 14 April 2014, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to the Warrants. In order to establish entitlements to the Warrants, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at the address as set out in sub-paragraph (i) above not later than 4:30 p.m. on Wednesday, 9 April 2014.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2013, the Company complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, joint Chairmen of the Company, also serve as Managing Directors of the Company. This was at variance with Code Provision A.2.1, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Although the positions of Chairman and Managing Director are not separate, the powers and authorities have not been concentrated as the responsibilities have been shared by two individuals, namely the two joint Chairmen and Managing Directors. Besides, all major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are four Non-Executive Directors and seven Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2013 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Messrs. Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is set out in the interim report to be sent to the Shareholders. The interim results have also been reviewed by the Audit Committee of the Company.

INTERIM REPORT

The 2013/14 interim report containing all the financial and other related information of the Company required by the Listing Rules will be available on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.shkp.com, and dispatched to the Shareholders before the end of March 2014.

By Order of the Board
YUNG Sheung-tat, Sandy
Company Secretary

Hong Kong, 28 February 2014

As at the date hereof, the Board of the Company comprises nine Executive Directors, being KWOK Ping-kwong, Thomas (Chairman & Managing Director)(KWOK Kai-fai, Adam being his Alternate Director), KWOK Ping-luen, Raymond (Chairman & Managing Director) (KWOK Ho-lai, Edward being his Alternate Director), WONG Chik-wing, Mike (Deputy Managing Director), LUI Ting, Victor (Deputy Managing Director), CHAN Kui-yuen, Thomas, KWONG Chun, CHAN Kwok-wai, Patrick (Chief Financial Officer), TUNG Chi-ho, Eric and FUNG Yuk-lun, Allen; four Non-Executive Directors, being LEE Shau-kee (Vice Chairman), WOO Po-shing (WOO Ka-biu, Jackson being his Alternate Director), KWAN Cheuk-yin, William and WONG Yick-kam, Michael; and seven Independent Non-Executive Directors, being YIP Dicky Peter, WONG Yue-chim, Richard, LI Ka-cheung, Eric, FUNG Kwok-lun, William, LEUNG Nai-pang, Norman, LEUNG Kui-king, Donald and LEUNG KO May-yee, Margaret.